Admiral Group PLC

Admiral Group plc results for the six months ended 30 June 2019

14 August 2019 6:00 AM BST

14 August 2019

2019 Interim Results Highlights

	30 June 2019	30 June 2018	% change
Group's share of profit before tax*1	£220 million	£212 million	+4%
Group statutory profit before tax	£218 million	£211 million	+4%
Earnings per share	63.0 pence	61.6 pence	+2%
Interim dividend	63.0p/per share	60.0p/per share	+5%
Return on equity*1	47%	54%	-13%
Group turnover*1	£1.76 billion	£1.66 billion	+6%
Group net revenue	£0.65 billion	£0.60 billion	+8%
Group customers*1	6.74 million	6.23 million	+8%
UK Insurance customers*1	5.32 million	5.07 million	+5%
International Car Insurance customers*1	1.36 million	1.12 million	+21%
Group's share of Comparison profit*1	£7.4 million	£3.5 million	+111%
Statutory Comparison profit	£5.4 million	£2.6 million	+108%
Solvency ratio (post dividend)	190%	196%	

**1Alternative Performance Measures – refer to the end of the report for definition and explanation.*

Around 10,000 staff receive free shares worth up to £1,800 under the employee share scheme based on the interim 2019 results.

Comment from David Stevens, Group Chief Executive Officer

If it's a can't-put-down, read-in-one-go page-turner that you're after, then I'm afraid our half-year results don't fit the bill. Frankly, they are a bit dull. Turnover up mid-single digits, profit up low-single digits. Hardly "hold the front page".

However, for dedicated aficionados who look behind the headlines, there's some reward for reading on. Profit growth, even if modest, is more exciting considering the £33 million Ogden headwind. Low growth in UK Motor policy count reflects a consciously reduced competitiveness, as we price rationally in the face of any rising claims costs across the market as a whole.

And potentially lost amidst the worthy tome that is the UK, there's the racier continental novella that is the European insurance business which has delivered another profitable half year whilst adding a record 209,000 customers over the last year (and 125,000 over the last six months alone).

Plus, there's a chapter devoted to Admiral's emerging Loans business – not the fully finished article, but an encouraging debut from a young talent.

Dividend

The Board has declared an interim dividend of 63.0 pence, representing a normal dividend of 41.8 pence per share and a special dividend of 21.2 pence per share. The dividend will be paid on 4 October 2019. The ex-dividend date is 5 September 2019 and the record date is 6 September 2019.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00 BST on Wednesday 14 August 2019 by registering at the following link https://pres.admiralgroup.co.uk/admiral036/vip_connect. A copy of the presentation slides will be available at www.admiralgroup.co.uk

H1 2019 Group overview

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Turnover (£bn)*1	1.45	1.66	1.76	3.28
Underwriting profit*1	88.9	93.4	96.0	211.2

Profit commission	30.0	29.6	36.1	93.2
Net other revenue and expenses*1	80.1	93.3	92.3	183.1
Operating profit	**199.0**	**216.3**	**224.4**	**487.5**
Group statutory profit before tax	**193.4**	**210.7**	**218.2**	**476.2**
Group's share of profit before tax	**194.5**	**211.7**	**220.2**	**479.3**
Analysis of profit:				
UK Insurance	225.8	247.0	254.7	555.6
International Insurance	(10.1)	(0.6)	(2.7)	(1.1)
Comparison	3.1	3.5	7.4	8.8
Admiral Loans	(1.6)	(6.4)	(4.3)	(11.8)
Other	(22.7)	(31.8)	(34.9)	(72.2)
Group's share of profit before tax *1	**194.5**	**211.7**	**220.2**	**479.3**
Key metrics				
Group loss ratio*1*2	68.0%	65.2%	69.1%	67.3%
Group expense ratio*1*2	22.0%	22.2%	23.2%	22.9%
Group combined ratio*1	90.0%	87.4%	92.3%	90.2%
Customer numbers (million) *1	5.46	6.23	6.74	6.51
Earnings per share	57.3 p	61.6 p	63.0 p	137.1 p
Dividends	56.0 p	60.0 p	63.0 p	126.0 p
Return on Equity*1	55%	54%	47%	56%
Solvency ratio*1	214%	196%	190%	194%

**1 Alternative Performance Measures – refer to the end of the report for definition and explanation.*

**2 See notes 13b and 13c for a reconciliation of reported loss and expense ratios to the financial statements.*

Key highlights for the Group results in H1 2019 include:

- Continued growth with turnover up 6% to £1.76 billion (H1 2018: £1.66 billion) and customer numbers 8% higher at 6.74 million (30 June 2018: 6.23 million)
- Group share of pre-tax profits of £220.2 million (H1 2018: £211.7 million) and statutory profit before tax of £218.2 million (H1 2018: £210.7 million) both growing by 4%
- UK Insurance recorded modest growth in turnover to £1.34 billion (H1 2018: £1.32 billion) with customer numbers reaching 5.32 million (30 June 2018: 5.07 million)
- Significant underlying profit growth (before Ogden rate impact) of £41.0 million in UK Insurance, primarily attributable to favourable development in prior year loss ratios for UK Motor. Profit growth including the Ogden rate impact is £7.7 million
- The adverse impact of the recent announcement of the new Ogden rate of minus 0.25% on the H1 2019 result is £33.3 million. Refer to the UK Motor Insurance section below for further detail
- UK Household result improved in H1 2019 to a profit of £4.2 million (H1 2018: loss of £1.9 million) with more benign weather experience compared to the prior period
- Losses in International Insurance businesses totalled £2.7 million (£0.6 million loss in H1 2018), with continued profit in the European operations offset by higher claims costs in the US
- Combined International insurance turnover grew strongly by 23% to £319.5 million (H1 2018: £260.1 million) and customer numbers by 21% to 1.36 million (30 June 2018: 1.12 million)
- The Comparison result improved by £3.9 million to £7.4 million, with notably higher profits from Confused.com of £8.7 million (H1 2018: £5.8 million) in addition to growth in European profits and lower losses from compare.com.

Earnings per share

Earnings per share is 2% higher than in H1 2018 at 63.0 pence (H1 2018: 61.6 pence), broadly consistent with the growth in pre-tax profit. The adverse Ogden impact reduced earnings per share by 10.0 pence.

Dividends and solvency

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

The Board has declared a total interim dividend of 63.0 pence per share (approximately £180 million), split as follows:

- 41.8 pence per share normal dividend, based on the dividend policy of distributing 65% of post-tax profits; plus
- A special dividend of 21.2 pence per share

The total 2019 interim dividend is 5% ahead of the 2018 interim dividend (60.0 pence per share), with a pay-out ratio of 100% of Earnings per share. The 100% payout is higher than usual and is a result of the Group's strong capital position at 30 June 2019. The payment date is 4 October 2019, ex-dividend date 5 September 2019 and record date 6 September 2019.

The Group maintained a strong solvency ratio at 190% (post-dividend), which has reduced from 194% at 31 December 2018. Both Own Funds and the SCR increased in the period, with the SCR increase reflecting the one-off change in treatment resulting from the implementation of IFRS 16, the new leases accounting standard, and an increase in the capital requirement for the Loans business.

The Group's results are presented in the following sections:

- UK Insurance – including UK Motor (Car and Van), Household and Travel
- International Car Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), and Elephant (US)
- Comparison – including Confused.com (UK), LeLynx (France), Rastreator (Spain), compare.com (US), and Preminen (new markets)

UK Insurance

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018

Turnover*1	1,144.1	1,319.1	1,338.8	2,575.7
Total premiums written*1	1,022.6	1,167.1	1,186.0	2,269.8
Net insurance premium revenue	241.0	254.6	264.7	523.9
Underwriting profit*1	**105.7**	**101.6**	**106.7**	**227.7**
Profit commission and other income	120.1	145.4	148.0	327.9
UK Insurance profit before tax	**225.8**	**247.0**	**254.7**	**555.6**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

Split of UK Insurance profit before tax

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Motor	224.2	249.5	251.7	561.7
Household	1.6	(1.9)	4.2	(3.0)
Travel	—	(0.6)	(1.2)	(3.1)
UK Insurance profit	**225.8**	**247.0**	**254.7**	**555.6**

Key performance indicators

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Vehicles insured at period end	3.79m	4.26m	4.33m	4.32m
Households insured at period end	0.55m	0.78m	0.92m	0.87m
Travel Insurance customers	—	0.03m	0.07m	0.05m
Total UK Insurance customers	**4.34m**	**5.07m**	**5.32m**	**5.24m**

Highlights for the UK insurance business for H1 2019 include:

- Modest growth in Motor resulting from Admiral's premium rates moving up ahead of the wider market (recent indicators point to evidence of market rates rising)
- Continued strong growth in Household, with customers 18% higher than one year ago at 0.92 million (30 June 2018: 0.78 million)
- An increase in UK Motor profit to £251.7 million, including an adverse impact of £33.3 million arising from the change in the Ogden rate to minus 0.25% (0% best estimate assumption at 31 December 2018), with significant favourable development in prior year loss ratios
- Household profit of £4.2 million (H1 2018: £1.9 million loss), with lesser impact of weather events compared to H1 2018 and positive development on prior year claims.

UK Motor Insurance

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Turnover*1	1,095.7	1,247.2	1,255.2	2,423.1
Total premiums written*1	978.9	1,102.3	1,110.1	2,132.1
Net insurance premium revenue	214.7	221.1	225.4	452.5
Investment income	15.8	15.8	15.9	32.2
Net insurance claims	(100.9)	(104.1)	(106.2)	(189.2)
Net insurance expenses	(30.1)	(33.9)	(36.1)	(72.0)
Underwriting profit*1*2	**99.5**	**98.9**	**99.0**	**223.5**
Profit commission	28.8	30.8	35.0	95.0
Underwriting profit and profit commission	**128.3**	**129.7**	**134.0**	**318.5**
Net other revenue*3	95.9	119.8	117.7	243.2
UK Motor Insurance profit before tax	**224.2**	**249.5**	**251.7**	**561.7**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation.*

**2 Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue)*

**3 Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report.*

Key performance indicators

	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Reported Motor loss ratio*1,*2	66.6%	60.3%	67.8%	63.5%
Reported Motor expense ratio*1,*3	16.5%	17.9%	18.7%	18.4%
Reported Motor combined ratio	83.1%	78.2%	86.5%	81.9%
Written basis Motor expense ratio	15.8%	17.1%	17.5%	17.5%
Reported loss ratio before releases	87.5%	85.9%	90.0%	88.1%
Claims reserve releases – original net share*1,*4	£44.9m	£56.5m	£50.0m	£111.4m
Claims reserve releases – commuted reinsurance*1,*5	£47.4m	£35.2m	£52.8m	£109.6m
Total claims reserve releases	£92.3m	£91.7m	£102.8m	£221.0m
Vehicles insured at period end	3.79m	4.26m	4.33m	4.32m
Other Revenue per vehicle	£61	£67	£66	£67

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

**2 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts.*

Reconciliation in note 13b.

**3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 13c.*

**4 Original net share shows reserve releases on the proportion of the account that Admiral wrote on a net basis at the start of the underwriting year in question.*

**5 Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting profit and not profit commission.*

UK Motor profit was broadly flat for the first six months of 2019 at £251.7 million (H1 2018: £249.5 million). Whilst the reported combined ratio rose to 86.5% (H1 2018: 78.2%), this was offset by a higher level of claims reserve releases from commuted reinsurance and profit commission. Net other revenue was also broadly consistent with the prior period, though includes a number of offsetting movements.

Highlights for the period were as follows:

- Net insurance premium revenue was just under 2% higher than H1 2018 at £225.4 million (H1 2018: £221.1 million), mainly resulting from the larger portfolio
- Investment income was £15.9 million, in line with H1 2018
- The reported combined ratio increased to 86.5% (H1 2018: 78.2%), with movements as follows:

Reported Motor combined ratio	**Loss ratio**	**Expense ratio**	**Combined ratio**
H1 2018	**60.3%**	**17.9%**	**78.2%**
Change in current period loss ratio	+2.2%	—	+2.2%
Change in claims reserve release – original net share	-1.5%	—	-1.5%
Change in expense ratio	—	+0.8%	+0.8%
H1 2019 (excluding Ogden change)	**+61.0%**	**18.7%**	**79.7%**
Impact of Ogden change (0% to minus 0.25%)	+6.8%	—	+6.8%
H1 2019 (including Ogden change)	**67.8%**	**18.7%**	**86.5%**

- The Ogden discount rate changed to minus 0.25% (best estimate assumption of 0% at 31 December 2018) reducing the UK Motor profit by £33.3 million, and increasing the reported combined ratio by almost 7% points
- Excluding the impact of the Ogden rate change, the underlying current period loss ratio was just over 2% points higher than H1 2018. Whilst large bodily injury experience improved in H1 2019 compared to 2018 (full year), Admiral continued to experience claims inflation at a similar overall level to the market. The Group continues to reflect a cautious approach in setting reserves early in their development
- Reserve releases on original net share of reserves of £50.0 million (H1 2018: £56.5 million), equating to 22% of premium (H1 2018: 26%). Excluding the impact of the Ogden change, releases would have been 1.5% points higher than H1 2018 (27% of premium; £61.0 million) following favourable development of prior year claims
- The written basis expense ratio is consistent with 2018, at 17.5%. There are a number of underlying factors that influence the net reported expense ratio, including the split of expenses between acquisition and non-acquisition and the impact of reinsurance expense commissions. The increase in the period relates to higher non-acquisition cost, including higher levies which is partially offset by a lower acquisition cost.
- As noted above, both claims reserve releases from commuted reinsurance and profit commission were higher in H1 2019 than H1 2018, as follows:

£m	**Reserve releases – commuted reinsurance**	**Profit commission**	**Total**
H1 2018	**35.2**	**30.8**	**66.0**
Change in underlying commuted releases	-0.3	—	-0.3
Change in loss on commutation	+27.0	—	+27.0
Change in underlying profit commission	—	+13.1	+13.1
H1 2019 (excluding Ogden change)	**61.9**	**43.9**	**105.8**
Impact of Ogden change (0% to minus 0.25%)	-9.1	-8.9	-18.0
H1 2019 (including Ogden change)	**52.8**	**35.0**	**87.8**

- Releases on reserves originally reinsured but since commuted higher at £52.8 million (v £35.2 million in H1 2018). Excluding the impact of the Ogden change, the variance is larger (£61.9 million, increased by £26.7 million), primarily as a result of a lower negative impact of commutation (H1 2019: £4.9 million, H1 2018: £31.9 million)
- Underlying profit commission (excluding the Ogden impact) was also higher at £43.9 million (H1 2018: £30.8 million)
- Both releases from commuted reinsurance and profit commission are discussed in more detail in the Co- and reinsurance section below
- Other revenue (including ancillary products underwritten by Admiral) and instalment income remained relatively flat (£117.7 million v £119.8 million in H1 2018).

There is some evidence that Motor market rates have increased modestly in the latter part of H1 2019, with pressure from claims inflation likely being a driver. Over the last 12 months, Admiral has increased its rates ahead of the market, prioritising margin over growth. Turnover increased marginally to £1.26 billion (H1 2018: £1.25 billion) whilst net revenue rose 2% to £436.1 million (H1 2018: £425.9 million). The number of vehicles insured increased by 2% to 4.33 million (30 June 2018: 4.26 million).

Claims and reserves

Notable claims trends for the market in the first half of 2019 include slightly higher overall frequency, a flattening out in injury claims frequency and continuing elevated levels of damage claims costs primarily as a result of advances in technology. Admiral experienced similar overall claims inflation to the market. Large bodily injury claims experience (in terms of frequency and total cost) for Admiral was more favourable in H1 2019 than in 2018.

The Group continues to reserve conservatively, setting claims reserves in the financial statements significantly above actuarial best estimates to create a margin held to allow for unforeseen adverse development.

As noted above, the Group experienced continued positive development of claims costs on previous accident years and this led to another significant release of reserves in the financial statements in the period (£50.0 million on Admiral's original net share net of the adverse impact of Ogden, H1 2018: £56.5 million). The margin held in reserves remains prudent and at a consistent level to 31 December 2018.

Change in UK discount rate ('Ogden')

Following the recent announcement by the UK Government, the Ogden discount rate which is used in setting personal injury compensation, was changed to minus 0.25% from the existing minus 0.75% rate that had been in place since February 2017. The change came into effect on 5 August 2019 and the minus 0.25% rate is likely to remain in place for the next five years.

The minus 0.25% rate is 25 basis points lower than the assumed rate of 0% that was used in setting best estimate claims reserves at 31 December 2018.

The total impact of the new Ogden rate on profit is expected to be approximately £50-60 million. The current period impact on profit is £33.3 million and is shown through higher claims incurred and lower profit commission. The remaining amount is expected to flow through in future periods through recognition of unearned premium and lower profit commission.

Co- and reinsurance, commutations and profit commission

Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. The Group's net retained share of that business is 22%. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated. The proportional co- and reinsurance arrangements in place for the motor business are the same as those reported in the 2018 Annual Report and will continue into 2020.

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts for an underwriting year 24 months from inception, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

As at 30 June 2019, all UK car quota share reinsurance contracts for underwriting years up to and including 2016 have been commuted, along with the majority of contracts for the 2017 underwriting year, meaning Admiral assumes a higher net risk for these years than had the reinsurance been left in place. The 2016 contracts and the remainder of the 2015 contracts were commuted during H1 2018. The majority of the contracts relating to the 2017 underwriting year were commuted in H1 2019.

In H1 2019 profit commission of £35.0 million was recognised, increased from £30.8 million in the prior period. If reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted are added to profit commission, the total for H1 2019 is £87.8 million compared to £66.0 million in H1 2018, an increase of 33%. This increase is due to positive development on prior underwriting years and a reduced loss on commutation.

Note 5 to the financial statements analyses profit commission income and reserve releases by underwriting year.

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Contribution from additional products & fees	93.4	105.6	102.4	206.5
Contribution from additional products underwritten by Admiral*1	6.8	5.9	7.9	13.6
Instalment income	22.5	37.5	42.0	81.4
Other revenue	**122.7**	**149.0**	**152.3**	**301.5**
Internal costs	(26.8)	(29.2)	(34.6)	(58.3)
Net other revenue	**95.9**	**119.8**	**117.7**	**243.2**
Other revenue per vehicle*2	**£61**	**£67**	**£66**	**£67**
Other revenue per vehicle net of internal costs	£52	£57	£56	£57

*1 Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.

*2 Other revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

Admiral generates Other Revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net Other Revenue continue to be:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration and cancellation fees
- Interest charged to customers paying for cover in instalments

Overall contribution (Other Revenue net of costs plus instalment income) decreased marginally to £117.7 million (H1 2018: £119.8 million). Whilst there were a number of smaller offsetting changes within the total, the main reason for the slight decrease is reduced optional ancillary contribution, partly reflecting more transactions completing digitally and changes to the customer journey. This was offset slightly by increased instalment income primarily arising from growth in the underlying vehicle book.

Other revenue was equivalent to £66 per vehicle (gross of costs; H1 2018: £67) and Net Other revenue (after deducting costs) per vehicle was £56 (H1 2018: £57).

UK Household Insurance

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Turnover*1	48.3	68.3	80.0	146.0
Total premiums written*1	43.7	61.3	72.2	131.1
Net insurance premium revenue	11.0	14.7	18.1	31.2
Underwriting result1*2	**(0.6)**	**(2.9)**	**0.6**	**(6.3)**
Profit commission and other income	2.2	1.0	3.6	3.3
UK Household insurance profit/(loss)	**1.6**	**(1.9)**	**4.2**	**(3.0)**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

**2 Underwriting loss excluding contribution from underwritten ancillaries*

Key performance indicators

	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Reported household loss ratio*1	68.7%	87.6%	66.8%	92.3%
Reported household expense ratio*1	36.8%	32.1%	30.1%	28.1%
Reported household combined ratio*1	105.5%	119.7%	96.9%	120.4%
Impact of extreme weather and subsidence*1	—	25.3%	—	19.1%
Households insured at period end	548,200	778,100	920,900	856,800

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

Admiral's Household business continued to grow strongly, increasing the number of homes insured by 18% to 920,900 (30 June 2018: 778,100), with a similar increase in turnover to £80.0 million (H1 2018: £68.3 million). New business market volumes continued to increase with more customers shopping around and switching insurer, particularly through the growing comparison channel. Admiral saw an increasing share of new business volumes through comparison as well as direct and via cross sell to existing Admiral customers with the Group's MultiCover product offering.

The first half of 2019 experienced better weather than the previous period, resulting in a profit of £4.2 million (H1 2018: £1.9 million loss). Claims inflation continues albeit with milder weather and subsidence at more normal levels compared to the same period in 2018.

This resulted in a better reported loss ratio of 66.8% (H1 2018: 87.6%) which was also positively impacted by favourable emerging experience on the 2018 accident year. Admiral's expense ratio also continued to improve (30.1%, down from 32.1%) and similar to the motor business, significantly outperforms the market expense ratio of around 45%.

International Car Insurance

£m	30 June	30 June	30 June	31 Dec

	2017	2018	2019	2018
Turnover*1	221.9	260.1	319.5	538.7
Total premiums written*1	197.2	234.0	288.0	484.3
Net insurance premium revenue	58.2	66.2	80.6	141.7
Investment income	0.2	0.6	0.9	1.3
Net insurance claims	(47.3)	(49.7)	(66.0)	(104.0)
Net insurance expenses	(28.1)	(25.3)	(26.7)	(55.8)
Underwriting result*1	**(17.0)**	**(8.2)**	**(11.2)**	**(16.8)**
Net other income	6.9	7.6	8.5	15.7
International Car Insurance result	**(10.1)**	**(0.6)**	**(2.7)**	**(1.1)**

Key performance indicators

	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Loss ratio*2	77.6%	77.8%	75.5%	76.0%
Expense ratio*2	45.4%	39.4%	38.4%	40.0%
Combined ratio*3	123.0%	117.2%	113.9%	116.0%
Combined ratio, net of Other revenue*4	111.2%	105.8%	103.3%	105.0%
Vehicles insured at period end	0.96m	1.12m	1.36m	1.22m

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

**2 Loss ratios and expense ratios adjusted to remove the impact of reinsurer caps*

**3 Combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be H1 2019: 115%; H1 2018: 113%; H1 2017: 130%.*

**4 Combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of Other Revenue would be H1 2019: 104%; H1 2018: 102%; H1 2017: 118%.*

Geographical analysis*1

30 June 2019	**Spain**	**Italy**	**France**	**US**	**Total**
Vehicles insured at period end	0.28m	0.66m	0.20m	0.22m	1.36m
Turnover (£m)	40.2	105.2	51.4	122.7	319.5

30 June 2018	**Spain**	**Italy**	**France**	**US**	**Total**
Vehicles insured at period end	0.23m	0.54m	0.15m	0.20m	1.12m
Turnover (£m)	33.8	86.8	39.1	100.4	260.1

31 Dec 2018	**Spain**	**Italy**	**France**	**US**	**Total**
Vehicles insured at period end	0.25m	0.59m	0.17m	0.21m	1.22m
Turnover (£m)	67.6	176.8	80.5	213.8	538.7

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

International Insurance financial performance

Admiral's international insurance businesses continued to grow strongly, with customer numbers 21% higher than a year earlier. Turnover grew by 23% to £319.5 million (H1 2018: £260.1 million).

The combined ratio, net of other revenue improved to 103.3% (H1 2018: 105.8%). Higher net insurance premium revenue together with continued improvement in the European operations' prior year claims costs was offset by higher current year claims costs in Elephant. H1 2018 also benefitted from a favourable impact of reinsurer caps. This resulted in a higher loss of £2.7 million for the first six months of 2019 (H1 2018: loss of £0.6 million).

The expense ratio improved to 38.4% (H1 2018: 39.4%) as all businesses grew and continued to pursue operational efficiencies.

The European insurance operations in Spain, Italy and France insured 1.13m vehicles at 30 June 2019 – 23% higher than a year earlier (30 June 2018: 0.92m). Turnover was up 23% at £196.8 million (H1 2018: £159.7 million). The consolidated result of the businesses was a profit of £3.5 million (H1 2018: profit of £2.5 million) driven by continued profitability in Italy. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved materially to 93% from 99% due to the improved claims experience and expense ratio.

Admiral Seguros (Spain) focused on sustainable growth and increased retention in a competitive market during the first six months of 2019, together with improvements in the customer journey and digital capabilities. The business grew by 18% to 274,600 customers over the past year (30 June 2018: 233,300).

The Group's largest international operation, ConTe in Italy, increased vehicles insured by 22% to 656,000 (30 June 2018: 539,600). The company also invested in media spend with the launch of a new TV advertising campaign which has contributed to brand awareness and subsequent growth.

L'olivier - assurance auto (France) continued to pursue growth and exceeded the 200,000 vehicle mark, growing by 34% to 203,800 at 30 June 2019. L'olivier also focused on brand development and improving customer experience through digital improvements during the period. The company also launched a niche household insurance brand, Homebrella, starting with modest volume in line with the Admiral test and learn approach.

In the US, Admiral underwrites motor insurance in six states (Virginia, Maryland, Illinois, Texas, Indiana and Tennessee) through its Elephant Auto business, which increased vehicles insured by 11% to 221,900 at 30 June 2019. Turnover was up 22% to £122.7 million (H1 2018: £100.4 million). Elephant had a higher loss of £6.2 million (from £3.1 million in H1 2018) due to deterioration in loss ratio in H1 as a result of higher claims inflation. Elephant has increased rates materially in response.

Elephant continues to focus on cost control and improving customer service through the digital channel, which has contributed to continued improvement in the expense ratio. Overall, the combined ratio net of other revenue increased slightly to 116% (115% in H1 2018).

Comparison

£m	**30 June 2017**	**30 June 2018**	**30 June 2019**	**31 Dec 2018**
Revenue				
Car insurance comparison	55.2	57.0	59.0	110.1
Other	17.3	19.6	24.4	40.9
Total Revenue	**72.5**	**76.6**	**83.4**	**151.0**
Expenses	(70.1)	(74.0)	(78.0)	(144.4)
Profit before tax	**2.4**	**2.6**	**5.4**	**6.6**
Confused.com profit	4.5	5.8	8.7	14.3
International comparison result	(2.1)	(3.2)	(3.3)	(7.7)

Statutory profit before tax	**2.4**	**2.6**	**5.4**	**6.6**
Confused.com profit	4.5	5.8	8.7	14.3
International comparison result	(1.4)	(2.3)	(1.3)	(5.5)
Group's share of profit before tax *1	**3.1**	**3.5**	**7.4**	**8.8**

**1 Alternative Performance Measure – refer to the end of this report for definition and explanation*

Whilst the UK comparison market remained competitive in the first half of 2019, Confused.com performed very strongly, with turnover increasing by 14% to £54.2 million (H1 2018: £47.7 million) as a result of growth in market share in both motor and household insurance. Confused.com continued to improve the customer and product proposition, and also saw increases in brand awareness and media effectiveness. Profit increased to £8.7 million (H1 2018: £5.8 million). The business also continued to invest in technology to support current projects and future growth opportunities.

Admiral operates several comparison businesses outside the UK including Rastreator (Spain), LeLynx (France), and compare.com (US). In addition, the 2019 comparison result includes Preminen, the Group's newest comparison operation, which was previously included in business development costs in 'Other Group items'. The Group owns 75% of Rastreator, with the remaining 25% owned by Mapfre. The Group owns 59.25% of compare.com, with the remaining 40.75% owned by minority interests. The Group owns 50% of Preminen, with the other 50% owned by Mapfre.

Admiral announced in April 2019 the proposed acquisition of Acierto, a digital insurance broker in Spain, by Rastreator in partnership with Oakley Capital. The joint venture is still subject to approval by the EU antitrust authorities, and hence the acquisition and subsequent accounting for the joint operation will be completed after approval.

Combined revenue for the European operations in the first half of 2019 increased by 9% to £25.0 million (H1 2018: £23.0 million). The Group's share of the combined result for Rastreator and LeLynx was a profit of £2.1 million (H1 2018: £0.9 million). The result shows an improvement in both businesses whilst they continued to invest in a more diversified product range in the context of a competitive market environment.

During the first half of 2019 in the US, Admiral's share of compare.com's loss reduced to £2.8 million before tax (H1 2018: £3.2 million), partly as a result of Admiral's reduced shareholding (from 71% to 59.25%) with the total result being broadly flat. compare.com continued to experience challenging market conditions and the business subsequently downsized to a smaller team and more agile approach to adapt to these market conditions.

A non-cash impairment charge of £25.7 million was recognised in the first half of 2019 by the parent company in respect of its investment in compare.com. This followed the regular review of the carrying values of subsidiary companies and a review of the long-term strategy of compare.com, and reflects an impairment to the current net asset value of the business to reflect the considerable uncertainty over the timing and level of future profitability of the business. The impairment charge is recognised in the income statement of the parent company and has no impact on the Group's consolidated profit for the period or the Group's current regulatory capital position.

Preminen continues to explore the potential of comparison in new markets overseas, in partnership with Mapfre. Current operations include Rastreator.mx in Mexico, Tamoniki.com in Turkey, and GoSahi.com in India.

The combined result for International Comparison was therefore a loss of £1.3 million (H1 2018: loss £2.3 million) – driven by an improvement in the performance of the European comparison businesses.

Other Group Items

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Share scheme charges	(16.9)	(21.6)	(26.2)	(49.0)
Admiral Loans loss before tax	(1.6)	(6.4)	(4.3)	(11.8)
Other interest and investment income	7.3	1.1	2.7	2.9
Business development costs	(4.3)	(2.0)	(0.4)	(4.3)
Other central overheads	(3.2)	(3.7)	(5.5)	(10.5)
Finance charges	(5.6)	(5.6)	(5.5)	(11.3)
Group's share of other group items	**(24.3)**	**(38.2)**	**(39.2)**	**(84.0)**

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 in the financial statements). The increase in the charge is driven by an improvement in the vesting assumptions for variable awards in general due to strong financial performance and shareholder return, and a higher share price period on period.

Other interest and investment income in H1 2017 included a £5.4 million realised gain from the sale of investments held by the Group which was not repeated in H1 2018 or H1 2019. The increase in income in H1 2019 compared to H1 2018 relates to a lower level of unrealised losses on forward contracts in H1 2019.

Business development costs include costs associated with potential new ventures. The costs associated with Preminen have been included within the Comparison segment above for the first time in 2019, explaining the decrease in business development costs in the period.

Other central costs consist of Group-related expenses, and include the cost of a number of significant Group projects, such as the development of the internal model, the Brexit restructure and IFRS17. The increase in the period is due to a higher adverse impact of foreign exchange movements.

Finance charges of £5.5 million (H1 2018: £5.6 million) primarily relate to interest on the £200 million subordinated notes issued in July 2014 (refer to note 7 to the financial statements).

Admiral Loans

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Total interest income	**0.2**	**5.1**	**13.3**	**15.0**
Interest expense*1	**(0.1)**	**(1.2)**	**(4.1)**	**(4.3)**
Net interest income	**0.1**	**3.9**	**9.2**	**10.7**
Other fee income	**—**	**—**	**0.9**	**0.4**
Total income	**0.1**	**3.9**	**10.1**	**11.1**
Expenses	**(1.7)**	**(10.3)**	**(14.4)**	**(22.9)**
Admiral Loans Result	**(1.6)**	**(6.4)**	**(4.3)**	**(11.8)**

**1 Includes £1.2 million intra-group interest expense (H1 2018: £0.3 million)*

Background
Admiral Loans launched in 2017, and currently distributes unsecured personal loans and car finance products through the comparison channel and also direct to consumers via the Admiral website.

The Group employs a prudent test and learn approach regarding growth in customers and loan advances, consistent with other new business launches. Initial results are encouraging, and the business has grown significantly since launch, with loan balances increasing to £421 million in the first half of 2019 (H1 2018: £214m, H2 2018: £300 million). The Group continues to expect the business to make losses in its early phase as a result of the upfront accounting for acquisition costs as opposed to interest income earned on loans which is spread over the life of the loans. Admiral continues to be encouraged by the performance of the business and the credit quality of the loans portfolio.

Admiral Loans is currently funded through a combination of internal funding and further external funding. The external portion funds approximately 60% of the current loans balance through the securitisation of certain loans via transfer to a special purpose entity ("SPE") which remains under the control of the Group. The securitisation and subsequent issue of notes does not result in a significant transfer of risk from the Group.

Result
Admiral Loans recorded a pre-tax loss of £4.3 million in the first half of 2019 (decreased from £6.4 million in H1 2018). The lower loss predominantly reflects the increased interest income in the period, offset to an extent by increased provisions against the loan book due to its growing size.

Capital structure and financial position

Admiral's capital-efficient and profitable model led to a return on equity of 47% (H1 2018: 54%) with the reduction in the ratio due to the impact of the Ogden change. A continuing key feature of the business model is the extensive use of co- and reinsurance across the Group. The Group's co-insurance and quota share reinsurance arrangements for the UK Car insurance business are in place until at least the end of 2020. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% of the business (through co-insurance and reinsurance arrangements) until at least the end of 2020.

Similar long-term arrangements are in place in the Group's International Insurance operations and UK Household and Van Insurance business.

The Group continues to manage its capital to ensure that all entities within the Group are able to continue as going concerns and that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding company in the form of dividends.

The Group continues to develop its partial internal model to form the basis of calculation of its capital requirement in the future, although does not expect to submit the application during 2019 and possibly not in 2020. In the interim period before submission, the Group will continue to use the current standard formula plus capital add-on basis to calculate its regulatory capital requirement.

The estimated (and unaudited) Solvency II position for the Group at the date of this report was as follows:

Group capital position (estimated and unaudited)

	£bn
Eligible Own Funds (pre 2019 interim dividend)	1.34
2019 interim dividend	(0.18)
Eligible Own Funds (post 2019 interim dividend)	1.16
Solvency II capital requirement*1	0.61
Surplus over regulatory capital requirement	**0.55**
Solvency ratio (post dividend)	**190%**

**1 Solvency capital requirement includes updated capital add-on which remains subject to regulatory approval.*

The Group maintained a strong solvency ratio at 190% (post-dividend), which has reduced from 194% at 2018 year end (H1 2018: 196%). Whilst the surplus over the regulatory capital requirement has increased since 31 December 2018, increases in both Own Funds and SCR of a similar order result in a modest reduction in solvency ratio. The increase in Own Funds is the result of the strong generation of economic profit, in particular due to favourable movements of ultimate outcomes on prior underwriting years. The SCR increase is primarily due to the implementation of the new leasing standard, IFRS 16 as well as an increase in the capital requirement for the loans business.

The Group's capital includes £200 million ten year dated subordinated bonds. The rate of interest is fixed at 5.5% and the bonds mature in July 2024. The bonds qualify as tier two capital under the Solvency II regulatory regime.

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

Solvency ratio sensitivities

	30 June 2019	30 June 2018
UK Motor – incurred loss ratio +5%	-22%	-27%
UK Motor – 1 in 200 catastrophe event	-1%	-2%
UK Household – 1 in 200 catastrophe event	-2%	-2%
Interest rate – yield curve down 50 bps	-8%	-12%
Credit spreads widen 100 bps	-8%	-5%
Currency – 25% movement in euro and US dollar	-4%	-3%
ASHE – long term inflation assumption up 0.5%	-7%	-10%

Investments and cash
Admiral's investment strategy was unchanged in H1 2019 and the Group continued to invest in the same asset classes as previous years.

The main focus of the Group's strategy is capital preservation, with additional priorities including low volatility of returns and high levels of liquidity. All objectives continue to be met. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Cash and investments analysis

£m	30 June 2017	30 June 2018	30 June 2019	31 Dec 2018
Fixed income and debt securities	1,496.4	1,542.5	1,827.6	1,568.6
Money market funds and other fair value instruments	968.8	1,203.8	1,029.3	1,301.1
Cash deposits	130.0	130.0	88.7	100.0
Cash	348.6	309.5	461.4	376.8
Total	**2,943.8**	**3,185.8**	**3,407.0**	**3,346.5**

Total investment return in the first half of 2019 was £18.3 million (H1 2018: £17.2 million), which includes unrealised losses of £4.9 million (H1 2018: £1.4 million). The underlying rate of return, excluding unrealised losses, on the Group's cash and investments was 1.4% (H1 2018: 1.3%). Some rebalancing has taken place across some items to maximise portfolio outcomes in line with the investment strategy.

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends.

Taxation

The tax charge reported on a statutory basis is £37.0 million (H1 2018: £34.8 million), which equates to 16.9% (H1 2018: 16.5%) of profit before tax.

UK Exit from the European Union ('Brexit')

Admiral adopted a prudent approach to Brexit and has set up new entities in Europe under which the European operations have traded since 1 January 2019. All of the Group's European insurance business is now underwritten by a regulated entity in Spain, Admiral Europe Compania Seguros (AECS). The Group's European comparison businesses Rasterator and LeLynx have successfully been merged into comparison companies established in Spain (Comparaseguros Corredia de Seguros) and France (LeLynx SAS) respectively.

Brexit continues to bring risks, particularly the possibility of a ‘no deal’ Brexit, to the Group including:

- The potential for market volatility, and the potential for the uncertainty or the emerging terms of exit to trigger or exacerbate less favourable economic conditions in the UK and other countries in which Admiral operates (though it is worth noting that car insurance has tended to be resilient to economic downturns; and Admiral Loans has adopted a cautious approach to volumes and credit quality in advance of Brexit)

  As part of the Own Risk and Solvency Assessment (“ORSA”) process, the Group has performed a stress testing exercise for its Brexit assessment of the impact of a recession through 2019 on the UK insurance business, including the increase in claims costs following a spike in inflation. This includes negative movement in interest rates, currency, investment yields, inflation, unemployment and GDP, which could be experienced under a ‘hard’ Brexit scenario (i.e. no deal outcome). Given the results of the stress testing the Group is comfortable that it is able to manage the potential outcomes of such scenarios should they occur.

  Also as part of the ORSA process, a specific economic stress test scenario which captures the potential outcomes from a ‘no deal’ Brexit has been applied to the Admiral Loans business in order to assess the potential impact. The stress results in an increase in the loss provision that would be required as a result of the deterioration in economic environment. As for the UK insurance business, the Group is comfortable that it is able to manage the potential outcomes based on the results of the stress test and relevant management actions.

- Potential changes to the rules relating to the free movement of people between the UK and the remaining EU member states. The Group has followed external advice on planning for the small number of EU citizens working within the UK and UK citizens working in the EU, for the Group;
-
- Potential for impact on the import of car parts with potential impact on claims costs. A working group is in place to manage and review this risk, with commercial negotiations ongoing to mitigate risks arising from a “no deal” Brexit;

At present, the Group does not foresee a material adverse impact on day-to-day operations (including customers or staff). The Group recognises the potential economic disruption that may arise from a ‘no deal’ Brexit. Whilst the Group is comfortable that it is able to manage potential outcomes following the review of the stress testing noted above, it recognises the uncertainties that exist in relation to Brexit and the potential for adverse impacts to the Group’s capital position and future dividend payments. Sensitivities to the Group’s regulatory solvency ratio are presented earlier in this report, including a number of specific market risk sensitivities. The cost of the restructuring activity has not been material to the Group.

Principal Risks and Uncertainties

Admiral has performed a robust assessment of the principal risks facing Admiral, including those which would threaten its business model, future performance, liquidity and solvency. The result of this assessment is that the principal risks and uncertainties are consistent with those reported in the Group's 2018 Annual Report and Accounts, pages 52-57.

Disclaimer on forward-looking statements

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of known and unknown risks and uncertainties that may cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements.

Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Condensed consolidated income statement (unaudited)

		6 months ended		Year ended
	Note	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Insurance premium revenue		**1,080.4**	1,002.6	2,079.6
Insurance premium ceded to reinsurers		**(731.2)**	(678.9)	(1,407.8)
Net insurance premium revenue	**5**	**349.2**	323.7	671.8
Other revenue	8	**233.1**	223.4	449.2
Profit commission	5	**36.1**	29.6	93.2
Interest income		**13.3**	5.1	15.0
Interest expense	6	**(2.9)**	(0.9)	(3.6)
Net interest income from loans		**10.4**	4.2	11.4
Investment return	6	**18.3**	17.2	36.0
Net revenue		**647.1**	598.1	1,261.6
Insurance claims and claims handling expenses		**(788.3)**	(717.5)	(1,513.8)
Insurance claims and claims handling expenses recoverable from reinsurers		**588.3**	537.3	1,163.7
Net insurance claims		**(200.0)**	(180.2)	(350.1)
Operating expenses and share scheme charges	9	**(437.9)**	(429.1)	(842.8)
Operating expenses and share scheme charge recoverable from co- and reinsurers	9	**215.2**	227.5	418.8
Net operating expenses and share scheme charges		**(222.7)**	(201.6)	(424.0)
Total expenses		**(422.7)**	(381.8)	(774.1)
Operating profit		**224.4**	216.3	487.5
Finance costs	6	**(7.5)**	(5.6)	(11.3)
Finance costs recoverable from co- and reinsurers	6	**1.3**	-	-
Net finance costs		**(6.2)**	(5.6)	(11.3)
Profit before tax		**218.2**	210.7	476.2
Taxation expense	10	**(37.0)**	(34.8)	(85.7)
Profit after tax		**181.2**	175.9	390.5
Profit after tax attributable to:				
Equity holders of the parent		**183.2**	177.2	395.1

Non-controlling interest (NCI)		**(2.0)**	(1.3)	(4.6)
		181.2	175.9	390.5
Earnings per share				
Basic	12	**63.0p**	61.6p	137.1p
Diluted	12	**62.9p**	61.5p	136.8p

Dividends declared and paid (total)	12	**188.0**	163.3	332.7
Dividends declared and paid (per share)	12	**66.0p**	58.0p	118.0p

Condensed consolidated statement of comprehensive income (unaudited)

	6 months ended		Year ended
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Profit for the period	**181.2**	175.9	390.5
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	**29.6**	(15.1)	(24.0)
Deferred tax charge in relation to movement in fair value reserve	**(1.4)**	0.4	0.7
Exchange differences on translation of foreign operations	**(0.7)**	(0.8)	2.2
Movement in hedging reserve	**(1.3)**	—	(0.3)
Other comprehensive income for the period, net of income tax	**26.2**	(15.5)	(21.4)
Total comprehensive income for the period	**207.4**	160.4	369.1
Total comprehensive income for the period attributable to:			
Equity holder of the parent	**209.5**	161.8	373.7
Non-controlling interests	**(2.1)**	(1.4)	(4.6)
	207.4	160.4	369.1

Condensed consolidated statement of financial position (unaudited)

		As at		
	Note	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
ASSETS				
Property and equipment	11	**163.0**	28.1	28.1
Intangible assets	11	**158.9**	162.8	162.0
Deferred income tax	10	**5.3**	4.4	0.2
Reinsurance assets	5	**1,885.9**	1,608.5	1,883.5
Insurance and other receivables	7	**1,192.4**	1,124.8	1,082.0
Loans and advances to customers	7	**420.8**	214.2	300.2
Financial investments	7	**2,945.6**	2,876.3	2,969.7
Cash and cash equivalents	7	**461.4**	309.5	376.8
Total assets		**7,233.3**	6,328.6	6802.5
EQUITY				
Share capital	12	**0.3**	0.3	0.3
Share premium account		**13.1**	13.1	13.1
Other reserves		**57.7**	37.0	31.4
Retained earnings		**740.0**	620.0	713.5
Total equity attributable to equity holders of the parent		**811.1**	670.4	758.3
Non-controlling interests		**11.5**	8.3	12.8
Total equity		**822.6**	678.7	771.1
LIABILITIES				
Insurance contracts	5	**3,929.1**	3,543.5	3,736.4
Subordinated and other financial liabilities	7	**484.5**	404.0	444.2
Trade and other payables	7,11	**1,811.1**	1,664.0	1,801.5
Lease liabilities	7	**143.0**	—	—
Current tax liabilities	10	**43.0**	38.4	49.3
Total liabilities		**6,410.7**	5,649.9	6,031.4
Total equity and total liabilities		**7,233.3**	6,328.6	6,802.5

Condensed consolidated cash flow statement (unaudited)

		6 months ended		Year ended
	Note	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Profit after tax		**181.2**	175.9	390.5
Adjustments for non-cash items				
• Depreciation	11	**12.3**	6.1	12.0
• Amortisation of software	11	**8.2**	7.5	15.5

• Movement in provision for loans and advances to customers	7	**6.0**	4.0	8.9
• Share scheme charges	9	**26.5**	21.9	49.8
• Loans: interest income receivable		**(13.3)**	(5.1)	(15.0)
• Loans: interest income received		**11.6**	4.2	13.6
• Investment return	6	**(18.3)**	(17.2)	(36.0)
• Finance costs, including interest expenses on funding for loans	6	**9.1**	6.5	14.9
• Taxation expense	10	**37.0**	34.8	85.7
Change in gross insurance contract liabilities		**192.7**	229.6	422.5
Change in reinsurance assets		**(2.4)**	29.1	(245.9)
Change in insurance and other receivables		**(112.1)**	(188.1)	(145.0)
Change in loans and advances to customers		**(126.6)**	(152.0)	(242.9)
Change in trade and other payables, including tax and social security		**9.6**	22.4	159.9
Cash flows from operating activities, before movements in investments		**221.5**	179.6	488.5
Purchases of financials instruments		**(905.9)**	(538.2)	(1,830.2)
Proceeds on disposal/ maturity of financial instruments		**985.2**	358.7	1,573.4
Interest and investment income received		**8.6**	4.0	8.0
Cash flows from operating activities, net of movements in investments		**309.4**	4.1	239.7
Taxation payments		**(47.4)**	(21.0)	(55.6)
Net cash flow from operating activities		**262.0**	(16.9)	184.1
Cash flows from investing activities:				
Purchases of property, equipment and software		**(13.5)**	(11.0)	(23.9)
Net cash used in investing activities		**(13.5)**	(11.0)	(23.9)
Cash flows from financing activities:				
Non-controlling interest capital contribution		**1.6**	—	19.3
Proceeds on issue of loan backed securities		**85.1**	—	168.3
(Repayment)/proceeds from other financial liabilities		**(46.5)**	180.0	51.9
Finance costs paid, including interest expense paid on funding for loans		**(10.4)**	(6.1)	(14.1)
Principal elements of lease payments		**(5.5)**	—	—
Equity dividends paid	12	**(188.0)**	(163.3)	(332.7)
Net cash used in financing activities		**(163.7)**	10.6	(107.3)
Net increase / (decrease) in cash and cash equivalents		**84.8**	(17.3)	52.9
Cash and cash equivalents at 1 January		**376.8**	326.8	326.8
Effects of changes in foreign exchange rates		**(0.2)**	—	(2.9)
Cash and cash equivalents at end of period	7	**461.4**	309.5	376.8

Condensed consolidated statement of changes in equity (unaudited)
For the half year ended 30 June 2019

	Attributable to the owners of the Company								
	Share Capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2018	0.3	13.1	36.4	—	16.0	580.3	**646.1**	9.7	655.8
Profit/(loss) for the period	—	—	—	—	—	177.2	**177.2**	(1.3)	175.9
Other comprehensive income									
Movements in fair value reserve	—	—	(15.1)	—	—	—	**(15.1)**	—	(15.1)
Deferred tax charge in relation to movement in fair value reserve	—	—	0.4	—	—	—	**0.4**	—	0.4
Currency translation differences	—	—	—	—	(0.7)	—	**(0.7)**	(0.1)	(0.8)
Total comprehensive income for the period	—	—	(14.7)	—	(0.7)	177.2	**161.8**	(1.4)	160.4
Transactions with equity holders									

Dividends	—	—	—	—	—	(163.3)	**(163.3)**	—	(163.3)
Share scheme credit	—	—	—	—	—	24.9	**24.9**	—	24.9
Deferred tax credit on share scheme credit	—	—	—	—	—	0.9	**0.9**	—	0.9
Contributions by NCIs	—	—	—	—	—	—	—	—	—
Total transactions with equity holders	—	—	—	—	—	(137.5)	**(137.5)**	—	(137.5)
As at 30 June 2018	0.3	13.1	21.7	—	15.3	620.0	**670.4**	8.3	678.7
At 1 January 2018	0.3	13.1	36.4	—	16.0	580.3	**646.1**	9.7	655.8
Initial application of IFRS 9	—	—	0.4	—	—	(0.4)	—	—	—
Adjusted balance at 1 January 2018	**0.3**	**13.1**	**36.8**	—	**16.0**	**579.9**	**646.1**	**9.7**	**655.8**
Profit/(loss) for the period	—	—	—	—	—	395.1	**395.1**	(4.6)	390.5
Other comprehensive income									
Movements in fair value reserve	—	—	(24.0)	—	—	—	**(24.0)**	—	(24.0)
Deferred tax charge in relation to movement in fair value reserve	—	—	0.7	—	—	—	**0.7**	—	0.7
Movement in hedging reserve	—	—	—	(0.3)	—	—	**(0.3)**	—	(0.3)
Currency translation differences	—	—	—	—	2.2	—	**2.2**	—	2.2
Total comprehensive income for the period	—	—	(23.3)	(0.3)	2.2	395.1	**373.7**	**(4.6)**	369.1
Transactions with equity holders									
Dividends	—	—	—	—	—	(332.7)	**(332.7)**	(0.4)	(333.1)
Share scheme credit	—	—	—	—	—	56.7	**56.7**	—	56.7
Deferred tax credit on share scheme credit	—	—	—	—	—	3.3	**3.3**	—	3.3
Contributions by NCIs	—	—	—	—	—	11.2	**11.2**	8.1	19.3
Total transaction with equity holders	—	—	—	—	—	(261.5)	**(261.5)**	7.7	(253.8)
As at 31 December 2018	0.3	13.1	13.5	(0.3)	18.2	713.5	**758.3**	12.8	771.1

Condensed consolidated statement of changes in equity (unaudited) (continued)
For the half year ended 30 June 2019

	Attributable to the owners of the Company								
	Share Capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2019	0.3	13.1	13.5	(0.3)	18.2	713.5	**758.3**	12.8	771.1
Profit/(loss) for the period	—	—	—	—	—	183.2	**183.2**	(2.0)	181.2
Other comprehensive income									
Movements in fair value reserve	—	—	29.6	—	—	—	**29.6**	—	29.6
Deferred tax charge in relation to movement in fair value reserve	—	—	(1.4)	—	—	—	**(1.4)**	—	(1.4)
Movement in hedging reserve	—	—	—	(1.3)	—	—	**(1.3)**	—	(1.3)
Currency translation differences	—	—	—	—	(0.6)	—	**(0.6)**	(0.1)	(0.7)

Total comprehensive income for the period	—	—	28.2	(1.3)	(0.6)	183.2	**209.5**	(2.1)	207.4
Transactions with equity holders									
Dividends	—	—	—	—	—	(188.0)	**(188.0)**	—	(188.0)
Share scheme credit	—	—	—	—	—	28.0	**28.0**	—	28.0
Deferred tax credit on share scheme credit	—	—	—	—	—	2.5	**2.5**	—	2.5
Contributions by NCIs	—	—	—	—	—	—	—	2.2	**2.2**
Changes in ownership interests without a change in control	—	—	—	—	—	0.8	**0.8**	(1.4)	**(0.6)**
Total transactions with equity holders	—	—	—	—	—	(156.7)	**(156.7)**	**0.8**	(155.9)
As at 30 June 2019	0.3	13.1	41.7	**(1.6)**	17.6	740.0	**811.1**	11.5	822.6

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc (the "Company") is a company incorporated in the United Kingdom and registered and domiciled in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2019 and the comparative periods for the six-months ended 30 June 2018 and the year ended 31 December 2018. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

As required by the FCA's Disclosure and Transparency Rules, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2018, except where new accounting standards apply as noted below.

The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The comparative figures for the financial year ended 31 December 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was:

i. unqualified;

ii. did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and

iii. did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond. Further information is given in note 2 below.

2. Basis of preparation

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2018, other than for the adoption of IFRS 16 as outlined below.

A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2019 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

The Group's assessment of the impact of standards that have yet to be adopted remains consistent with that reported on page 129 of the Group's 2018 Annual Report.

The accounts have been prepared on a going concern basis. In considering this requirement, the Directors have taken into account the following:

- The Group's projections for the next 12 months and beyond, in particular the profit forecasts,

regulatory capital surpluses and levels and sources of liquidity;

- The risks included on the Group's risk register that could impact on the Group's financial

performance, levels of liquidity and solvency over the next 12 months; and

- The risks on the Group's risk register that could be a threat to the Group's business model and

capital adequacy.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the 2018 Annual Report. An update to the Group's principal risks and uncertainties since the 2018 year end is included in the review preceding these financial statements. In addition, the Governance Report in the 2018 Annual Report includes the Directors' statement on the viability of the Group over a three year period.

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or fair value through other comprehensive income. The Group and Company financial statements are presented in pounds sterling, rounded to the nearest £0.1 million.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if this revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

Adoption of new accounting standards: IFRS 16

During the year the Group has adopted IFRS 16 *Leases* with a date of initial application of 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

As permitted by the transitional provisions of IFRS 16 the Group has elected to use the modified retrospective approach, and as such has not restated prior year comparatives (which are presented, as previously reported, under IAS 17 and related interpretations).

The adjustments arising from transition are recognised in the opening balance sheet on 1 January 2019, and are set out below along with details of the changes in accounting policies relating to IFRS 16 as applied in the period.

a) Definition of a lease and practical expedients applied

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the new definition of a lease, which under IFRS 16 is where a contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

b) Impact of transition

On adoption of IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities in relation to leases which were previously classified as 'operating leases' under IAS 17 *Leases.* The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate (discount rate) applied is 2.4%.

A reconciliation of the Group's lease liabilities to the operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements is shown below.

	2019 **£m**
Operating lease commitments disclosed as at 31 December 2018	185.9
Impact of extension options exercised before the date of initial application*[1]	12.7
Impact of changes in relation to IFRS 16 treatment*[1]	(24.0)
Adjusted operating lease commitments under IFRS 16	174.6
Impact of discount at the date of initial application	(25.4)
Lease liability recognised at 1 January 2019	149.2
Current	10.5
Non-current	138.7

*[1] Following a review of lease extension options and variable lease payments during the IFRS 16 transition process, the operating lease commitments disclosed as at 31 December 2018 have been amended to reflect the impact of a different treatment of inflation and VAT within lease agreements, and lease extensions that had occurred before the transition date but were not previously disclosed.

The associated right-of-use assets have been measured retrospectively, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use asset at the date of initial application.

All right-of-use assets relate to property leases held by the Group.

The following adjustment was recognised on the date of initial application:

	1 January 2019 **£m**
ROU Lease Assets	136.7
Trade and other payables- invoice accrual	1.1
Trade and other payables- rent free accrual	11.4
Lease Liability	(149.2)

c) Accounting Policies

The Group leases various properties, with rental contracts typically for fixed periods of 5 to 25 years although these may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Under IAS 17, all Group leases were classified as operating leases. Operating lease payments, including the effects of any lease incentives, were recognised in the income statement on a straight-line basis over the lease term.

From 1 January 2019, for each lease a right-of-use asset and corresponding lease liability are recognised at the date at which the leased asset becomes available for use by the Group.

The lease liability is initially measured at the present value of remaining lease payments, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequently, lease payments are allocated to the lease liability, split between repayments of principle and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability.

The right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

The Group does not have any significant leases which qualify for the short term leases or leases of low-value assets exemptions.

3. Critical accounting judgements and estimates

The Group's 2018 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no additional critical judgements or estimates applied in the period. Note 5 provides further information as to the changes in the estimates with respect to the calculation of insurance reserves.

4. Operating segments

The Group has four reportable segments; UK Insurance, International Car Insurance, Comparison and Other, as set out on page 132 of the Group's 2018 Annual Report.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2019, by reportable segment, is shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2018 Group financial statements.

	Half-year ended 30 June 2019					
	UK Insurance £m	**International Insurance £m**	**Comparison £m**	**Other £m**	**Eliminations*2 £m**	**Total £m**
Turnover*1	**1,338.8**	**319.5**	**83.4**	**14.5**	**(9.7)**	**1,746.5**
Net insurance premium revenue	**264.7**	**84.5**	**-**	**-**	**-**	**349.2**
Other revenue and profit commission	**184.1**	**10.1**	**83.4**	**10.5**	**(8.5)**	**279.6**
Investment return	**15.9**	**0.9**	**-**	**-**	**(1.2)**	**15.6**
Net revenue	**464.7**	**95.5**	**83.4**	**10.5**	**(9.7)**	**644.4**
Net insurance claims	**(130.1)**	**(69.9)**	**-**	**-**	**-**	**(200.0)**
Expenses*3	**(79.7)**	**(28.3)**	**(78.0)**	**(14.3)**	**9.7**	**(190.6)**
Segment profit/(loss) before tax	**254.9**	**(2.7)**	**5.4**	**(3.8)**	**-**	**253.8**
Other central revenue and expenses, including share scheme charges						**(32.8)**
Investment and interest income						**2.7**
Finance costs*3						**(5.5)**
Consolidated profit before tax						**218.2**
Taxation expense						**(37.0)**
Consolidated profit after tax						**181.2**

*1 Turnover is an Alternative Performance Measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to the glossary and note 13 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest.

*3 £0.7m of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2018 are shown below.

	Half-year ended 30 June 2018					
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Eliminations*2 £m	Total £m
Turnover*1	1,319.1	260.1	76.6	6.2	(10.5)	1,651.5
Net insurance premium revenue	254.6	69.1	—	—	—	323.7
Other revenue and profit commission	176.7	9.0	76.6	5.1	(10.2)	257.2
Investment return	15.8	0.6	—	—	(0.3)	16.1
Net revenue	447.1	78.7	76.6	5.1	(10.5)	597.0
Net insurance claims	(129.0)	(51.2)	—	—	—	(180.2)
Expenses	(70.5)	(28.1)	(74.0)	(13.1)	10.5	(175.2)
Segment profit/(loss) before tax	247.6	(0.6)	2.6	(8.0)	—	241.6
Other central revenue and expenses, including share scheme charges						(26.4)
Investment and interest income						1.1
Finance costs						(5.6)
Consolidated profit before tax						210.7
Taxation expense						(34.8)
Consolidated profit after tax						175.9

*1 Turnover is an Alternative Performance Measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to the glossary and note 13 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2018 are shown below.

	Year ended 31 December 2018					
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Eliminations*2 £m	Total £m

Turnover[*1]	2,575.7	538.7	151.0	17.5	(19.3)	3,263.6
Net insurance premium revenue	523.9	147.9	—	—	—	671.8
Other revenue and profit commission	389.5	18.6	151.0	13.3	(18.6)	553.8
Investment return	32.3	1.3	—	—	(0.7)	32.9
Net revenue	945.7	167.8	151.0	13.3	(19.3)	1,258.5
Net insurance claims	(242.5)	(107.6)	—	—	—	(350.1)
Expenses	(146.5)	(61.3)	(144.4)	(26.9)	19.3	(359.8)
Segment profit/(loss) before tax	556.7	(1.1)	6.6	(13.6)	—	548.6
Other central revenue and expenses, including share scheme charges						(64.2)
Investment and interest income						3.1
Finance costs						(11.3)
Consolidated profit before tax						476.2
Taxation expense						(85.7)
Consolidated profit after tax						390.5

*1 Turnover is an Alternative Performance Measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to the glossary and note 13 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest.

Segment revenues

The UK and International Car Insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Comparison revenues from transactions with other reportable segments is £9.7 million (H1 2018: £10.5 million, FY 2018: £19.3 million) which has been eliminated on consolidation, along with £1.2 million of intra-group interest charges (H1 2018: £0.3 million, FY 2018: £0.7 million). There are no other transactions between reportable segments.

Revenues from external customers for products and services is consistent with the split of reportable segment revenues as shown above.

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country relating to car insurance are shown within the International Car Insurance reportable segment shown above. The revenue and results of the four International Comparison businesses; Rastreator, LeLynx, compare.com and Preminen are not yet material enough to be presented as a separate segment.

5. Premium, Claims and Profit Commissions

5a. Net insurance premium revenue

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Total insurance premiums written before co-insurance[*1]	**1,474.0**	1,401.1	2,754.1
Group gross premiums written after co-insurance	**1,161.1**	1,085.7	2,166.7
Outwards reinsurance premiums	**(784.5)**	(733.4)	(1,464.3)
Net insurance premiums written	**376.6**	352.3	702.4
Change in gross unearned premium provision	**(80.7)**	(83.1)	(87.1)
Change in reinsurers' share of unearned premium provision	**53.3**	54.5	56.5
Net insurance premium revenue	**349.2**	323.7	671.8

*1 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 13a for reconciliation to group gross premiums written

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compania Seguros, and Elephant Insurance Company. All contracts are short-term in duration, lasting for 12 months or less.

5b. Profit commission

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Underwriting year (UK car only)			
2014 & prior	**3.8**	13.8	61.1
2015	**10.1**	5.9	11.0
2016	**9.7**	11.1	22.9
2017	**11.4**	—	—
2018	**—**	—	—
2019	**—**	—	—
Total UK motor profit commission	**35.0**	30.8	95.0
Total UK household profit commission	**1.1**	(1.2)	(1.8)
Total profit commission	**36.1**	29.6	93.2

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Gross			
Claims outstanding[*1]	**2,851.5**	2,556.1	2,740.5
Unearned premium provision	**1,077.6**	987.4	995.9
Total gross insurance liabilities	**3,929.1**	3,543.5	3,736.4
Recoverable from reinsurers			
Claims outstanding	**1,168.9**	950.0	1,220.1
Unearned premium provision	**717.0**	658.5	663.4
Total reinsurers share of insurance liabilities	**1,885.9**	1,608.5	1,883.5
Net			
Claims outstanding[*2]	**1,682.6**	1,606.1	1,520.4

Unearned premium provision	**360.6**	328.9	332.5
Total insurance liabilities - net	**2,043.2**	1,935.0	1,852.9

*1 Gross claims outstanding at 30 June 2019 is presented before the deduction of salvage and subrogation recoveries totaling £63.3 million (30 June 2018: £50.9 million, 31 December 2018: £56.4 million).

*2 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24-36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to note (ii) below.

(ii) Analysis of gross and net claims reserve releases:

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. This data is presented on an underwriting year basis.

Gross	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Underwriting year (UK Motor Insurance):			
2014 & prior	**12.1**	38.4	123.6
2015	**20.5**	35.8	50.9
2016	**19.0**	42.1	70.6
2017	**63.6**	24.0	25.4
2018	**24.2**	—	—
Total gross release (UK Motor Insurance)	**139.4**	140.3	270.5
Total gross release (UK Household Insurance)	**9.0**	4.1	4.6
Total gross release (International Car Insurance)	**23.6**	16.3	35.2
Total Gross Release	**172.0**	160.7	310.3

Net	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Underwriting year (UK Motor Insurance):			
2014 & prior	**12.1**	38.4	123.4
2015	**20.5**	27.3	42.5
2016	**19.0**	18.6	47.1
2017	**43.6**	7.5	8.0
2018	**7.6**	—	—
Total net release (UK Motor Insurance)	**102.8**	91.8	221.0
Total net release (UK Household Insurance)	**2.7**	1.2	1.4
Total net release (International Car Insurance)	**9.0**	6.0	13.5
Total net release	**114.5**	99.0	235.9
Analysis of net releases on UK Motor Insurance			
• Net releases on Admiral net share (motor)	**50.0**	56.6	111.4
• Releases on commuted quote share reinsurance contracts	**52.8**	35.2	109.6
Total net releases as above	**102.8**	91.8	221.0

Releases on the share of reserves originally reinsured but since commuted are analysed by underwriting year as follows:

Net	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Underwriting year:			
2014 & prior	**6.1**	21.7	70.6
2015	**11.9**	12.4	21.3
2016	**11.1**	1.1	17.7
2017	**23.7**	—	—
Total releases on commuted quota share reinsurance contracts	**52.8**	35.2	109.6

The table below shows the development of UK Car Insurance loss ratios for the past five financial periods, presented on an underwriting year basis.

	31 December				**30 June**
UK Car Insurance loss ratio development	2015	2016	2017	2018	**2019**
Underwriting year (UK Car only)					
2015	87%	87%	83%	77%	**75%**
2016	—	88%	84%	77%	**76%**
2017	—	—	87%	83%	**78%**
2018	—	—	—	92%	**88%**
2019	—	—	—	—	**95%**

(iii) Reconciliation of movement in claims provision

	30 June 2019		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	**2,740.5**	**(1,220.1)**	**1,520.4**
Claims incurred (excluding releases)	**928.3**	**(623.9)**	**304.4**
Reserve releases	**(172.0)**	**57.5**	**(114.5)**
Movement in claims provision due to commutation	**—**	**257.1**	**257.1**
Claims paid and other movements	**(645.3)**	**360.5**	**(284.8)**

Claims provision at end of period	**2,851.5**	**(1,168.9)**	**1,682.6**

	30 June 2018		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,403.2	(1,028.8)	1,374.4
Claims incurred (excluding releases)	858.7	(585.5)	273.2
Reserve releases	(160.7)	61.7	(99.0)
Movement in claims provision due to commutation	—	310.4	310.4
Claims paid and other movements	(545.1)	292.2	(252.9)
Claims provision at end of period	2,556.1	(950.0)	1,606.1

	31 December 2018		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,403.2	(1,028.8)	1,374.4
Claims incurred (excluding releases)	1,786.2	(1,212.0)	574.2
Reserve releases	(310.3)	74.4	(235.9)
Movement in claims provision due to commutation	—	310.4	310.4
Claims paid and other movements	(1,138.6)	635.9	(502.7)
Claims provision at end of period	2,740.5	(1,220.1)	1,520.4

(iv) Reconciliation of movement in net unearned premium provision

	30 June 2019		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	**995.9**	**(663.4)**	**332.5**
Written in the period	**1,161.1**	**(784.5)**	**376.6**
Earned in the period	**(1,079.4)**	**730.9**	**(348.5)**
Unearned premium provision at end of period	**1,077.6**	**(717.0)**	**360.6**

	30 June 2018		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	910.7	(608.8)	301.9
Written in the period	1,085.7	(733.4)	352.3
Earned in the period	(1,009.0)	683.7	(325.3)
Unearned premium provision at end of period	987.4	(658.5)	328.9

	31 December 2018		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	910.7	(608.8)	301.9
Written in the period	2,166.7	(1,464.3)	702.4
Earned in the period	(2,081.5)	1,409.7	(671.8)
Unearned premium provision at end of period	995.9	(663.4)	332.5

6. Investments

6a. Investment return

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Investment return			
On assets classified as Fair Value Through Profit and Loss (FVTPL)	**4.3**	1.8	6.3
On debt securities classified as Fair Value through Other Comprehensive Income (FVOCI)*3	**14.9**	13.0	23.8
On deposits with credit institutions*1	**0.9**	1.3	3.0
On government gilt assets*1	**2.1**	2.0	4.1
Net unrealised losses			
Unrealised losses on forward contracts	**(0.4)**	(1.4)	(2.3)
Notional accrual for reinsurers share of investment return	**(4.5)**	—	—
Interest receivable on cash and cash equivalents*1	**1.0**	0.5	1.1
Total investment and interest income*2	**18.3**	**17.2**	**36.0**

*1 – Interest received during the period was £8.6 million (30 June 2018: £4.0 million, 31 December 2018: £8.0 million)

*2 – Total investment return excludes £1.2 million of intra-group interest (30 June 2018: £0.3 million, 31 December 2018: £0.7 million)

*3 - Realised gains/losses on sales of debt securities classified as FVOCI are immaterial

6b. Finance costs

	30 June	30 June	31 December

	2019 £m	2018 £m	2018 £m
Interest payable on subordinated loan notes	**5.5**	5.6	11.3
Interest payable on Lease Liabilities	**2.0**	—	—
Interest recoverable from co and re-insurers	**(1.3)**	—	—
Total finance costs*1	**6.2**	**5.6**	**11.3**

*1 - Interest paid during the year to date was £7.3 million (30 June 2018: £5.5 million, 31 December 2018: £11.0 million)

Finance costs include interest payable on the £200 million (30 June 2018: £200 million, 31 December 2018: £200 million) subordinated notes and other financial liabilities.

Interest payable on lease liabilities represents the unwinding of the discount on lease liabilities under IFRS 16, and does not result in a cash payment. Further detail on the transition to IFRS 16 is included in note 2.

6c. Interest expense

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Interest payable on Loan backed securities	**2.6**	—	1.7
Interest payable on revolving credit facility	**0.3**	0.9	1.9
Total finance costs*1	**2.9**	**0.9**	3.6

*1 Interest paid in total during the year to date was £3.1 million (30 June 2018: £0.6 million, 31 December 2018: £3.1 million)

Interest expense represents the interest payable on funding for the Admiral loans business, in the form of a credit facility of £200 million, of which £25.0 million (H1 2018: £200 million; FY 2018: £71.5 million) was drawn down at 30 June 2019 and loan backed securities issued by an SPE with funding up to £400 million, of which £253.4 million (H1 2018: £nil; FY 2018: £168.3 million) was drawn down at 30 June 2019.

7. Financial assets and Financial Liabilities

7a. Financial assets and liabilities

The Group's financial instruments can be analysed as follows:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Financial investments mandatorily measured at Fair Value through Profit and Loss			
Money market and other similar funds	**1,029.3**	1,200.4	1,301.1
Derivative financial instruments	—	0.9	—
	1,029.3	1,201.3	1,301.1
Financial investments classified as Fair Value through Other Comprehensive Income			
Debt securities	**1,645.1**	1,371.6	1,389.9
Government gilts	**174.8**	170.9	170.9
Equity investments	**7.7**	2.5	7.8
	1,827.6	1,545.0	1,568.6
Financial assets measured at amortised cost			
Deposits with credit institutions	**88.7**	130.0	100.0
Total financial investments	**2,945.6**	2,876.3	2,969.7
Other financial assets measured at amortised cost			
Insurances receivables	**930.9**	865.6	842.3
Trade and other receivables	**261.5**	259.2	239.7
Insurance and other receivables	**1,192.4**	1,124.8	1,082.0
Loans and advances to customers	**420.8**	214.2	300.2
Cash and cash equivalents	**461.4**	309.5	376.8
Total financial assets	**5,020.2**	4,524.8	4,728.7
Financial liabilities			
Subordinated notes	**204.1**	204.0	204.1
Loan backed securities	**253.4**	—	168.3
Other borrowings	**25.0**	200.0	71.8
Derivative financial instruments	**2.0**	—	—
Subordinated and other financial liabilities	**484.5**	404.0	444.2
Trade and other payables	**1,811.1**	1,664.0	1,801.5
Lease liabilities	**143.0**	—	—
Total financial liabilities	**2,438.6**	2,068.0	2,245.7

* Lease liabilities of £149.2m were recognised on transition on 1 January 2019. The movement to the balance presented of £143.0m reflects cash payments in the period offset by the lease interest expense recognised in the Income Statement.

All investments held at fair value at the end of the period are invested in AAA-rated or AA-rated money market liquidity funds.

The measurement of investments at the end of the period, for the majority investments held at fair value, is based on active quoted market values (level one). Equity investments held at fair value are measured at level three of the fair value hierarchy. No further information is provided due to the immateriality of the balance at 30 June 2019.

Deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level two valuation is used. The book value of deposits is £83.0 million (H1 2018: £130.0 million; FY 2018: £100.0 million).

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

The fair value of subordinated notes (level one valuation) at 30 June 2019 is £219.8 million (H1 2018:

£219.3 million, FY 2018: £211.3 million).

7b. Cash and cash equivalents

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Cash at bank and in hand*	**461.4**	308.9	376.0
Short-term deposits	—	0.6	0.8
Total cash and cash equivalents	**461.4**	309.5	376.8

* £4.4m of cash is ring-fenced via a bank guarantee. See note 11d for further details.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term deposits with original maturities of three months or less.

7c. Insurance and other receivables

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Insurance receivables*1	**930.9**	865.6	842.3
Trade receivables	**245.3**	246.9	227.0
Prepayments and accrued income	**16.2**	12.3	12.7
Total insurance and other receivables	**1,192.4**	1,124.8	1,082.0

*1 – Insurance receivables at 30 June 2019 include £63.3 million in respect of salvage and subrogation recoveries (H1 2018: £50.9 million, FY 2018: £59.3 million).

7d. Loans and advances to customers

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Loans and advances to customers – gross carrying amount	**437.0**	219.5	310.4
Loans and advances to customers – provision	**(16.2)**	(5.3)	(10.2)
Total loans and advances to customers	**420.8**	214.2	300.2

*1 – Loans and advances to customers at 30 June 2019 include £34.1 million in respect of secured car finance loans (H1 2018: £6.6 million, FY 2018: £16.7 million).

Loans and advances relate to the Admiral Loans business. The table below shows the gross carrying value of loans in stages 1 – 3 and the corresponding credit loss allowance. There have been no significant changes to the expected credit loss methodology since the 2018 Annual Report.

				30 June 2019	30 June 2018	31 December 2018
	Gross carrying amount £m	Expected credit loss allowance £m	Other loss allowance £m	**Carrying amount £m**	Carrying amount £m	Carrying amount £m
Stage 1	420.3	(5.3)	(0.5)	**414.5**	206.1	292.2
Stage 2	7.2	(1.6)	—	**5.6**	6.6	7.5
Stage 3	9.5	(8.8)	—	**0.7**	1.5	0.5
Total	437.0	(15.7)	(0.5)	**420.8**	214.2	300.2

An expense of £6.0 million has been recognized in the Income Statement in relation to the movement in the credit loss allowance (H1 2018: £4.1 million; FY 2018: £9.0 million).

8. Other Revenue

8a. Disaggregation of revenue

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £269.2 million (HY 2018: £253.0 million, FY 2018: £542.4 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

	Half-year ended 30 June 2019				
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Total £m
Major products/service line					
Comparison*1	**—**	**—**	**73.7**	**—**	**73.7**
Instalment income	**42.7**	**1.5**	**—**	**—**	**44.2**
Fee and commission revenue	**83.8**	**8.7**	**—**	**0.9**	**93.4**
Revenue from law firms	**15.6**	**—**	**—**	**—**	**15.6**
Other	**5.9**	**—**	**—**	**0.3**	**6.2**
Total other revenue	**148.0**	**10.2**	**73.7**	**1.2**	**233.1**
Profit commission	**36.1**	**—**	**—**	**—**	**36.1**
Total other revenue and profit commission	**184.1**	**10.2**	**73.7**	**1.2**	**269.2**
Timing of revenue recognition					
Point in time	**120.0**	**8.7**	**73.7**	**1.2**	**203.6**
Over time	**17.0**	**—**	**—**	**—**	**17.0**
Revenue outside the scope of IFRS 15	**47.1**	**1.5**	**—**	**—**	**48.6**
	184.1	**10.2**	**73.7**	**1.2**	**269.2**

	Half-year ended 30 June 2018				
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Total £m
Major products/ service line					
Comparison*1	—	—	66.1	—	66.1
Instalment income	38.1	1.3	—	—	39.4
Fee and commission revenue	88.3	7.7	—	—	96.0
Revenue from law firms	15.8	—	—	—	15.8
Other	5.0	—	—	1.1	6.1
Total other revenue	147.2	9.0	66.1	1.1	223.4
Profit commission	29.6	—	—	—	29.6
Total other revenue and profit commission	176.8	9.0	66.1	1.1	253.0
Timing of revenue recognition					
Point in time	122.7	7.7	66.1	1.1	197.6
Over time	17.2	—	—	—	17.2
Revenue outside the scope of IFRS 15	36.9	1.3	—	—	38.2
	176.8	9.0	66.1	1.1	253.0

	Year ended 31 December 2018				
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Total £m
Major products/ service line					
Comparison*1	—	—	131.7	—	131.7
Instalment income	82.6	2.7	—	—	85.3
Fee and commission revenue	172.4	15.9	—	1.9	190.2
Revenue from law firms	30.5	—	—	—	30.5
Other	10.8	—	—	0.7	11.5
Total other revenue	296.3	18.6	131.7	2.6	449.2
Profit commission	93.2	—	—	—	93.2
Total other revenue and profit commission	389.5	18.6	131.7	2.6	542.4
Timing of revenue recognition					
Point in time	275.3	15.9	131.7	2.6	425.5
Over time	33.4	—	—	—	33.4
Revenue outside the scope of IFRS 15	80.8	2.7	—	—	83.5
	389.5	18.6	131.7	2.6	542.4

*1 – Comparison revenue excludes £9.7 million (30 June 2018: £10.5 million, 31 December 2018: £19.3 million) of income from other Group companies.

Instalment income and profit commission from reinsurers is not within the scope of IFRS 15 *Revenue from Contracts with Customers* due to the nature of the income.

9. Expenses

9a. Operating expenses and share scheme charges

	30 June 2019		
	Gross £m	**Recoverable from co- and reinsurers £m**	**Net £m**
Acquisition of insurance contracts*1	**67.6**	**(51.6)**	**16.0**
Administration and other marketing costs (insurance contracts)	**193.9**	**(149.6)**	**44.3**
Insurance contract expenses	**261.5**	**(201.2)**	**60.3**
Administration and other marketing costs (other)	**135.9**	**—**	**135.9**
Share scheme charges	**40.5**	**(14.0)**	**26.5**
Total expenses and share scheme charges	**437.9**	**(215.2)**	**222.7**

	30 June 2018		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	62.1	(49.3)	12.8
Administration and other marketing costs (insurance contracts)	209.5	(166.3)	43.2
Insurance contract expenses	271.6	(215.6)	56.0
Administration and other marketing costs (other)	123.7	—	123.7
Share scheme charges	33.8	(11.9)	21.9
Total expenses and share scheme charges	429.1	(227.5)	201.6

	31 December 2018		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	135.1	(103.8)	31.3
Administration and other marketing costs (insurance contracts)	381.6	(287.9)	93.7
Insurance contract expenses	516.7	(391.7)	125.0
Administration and other marketing costs (other)	249.2	—	249.2
Share scheme charges	76.9	(27.1)	49.8
Total expenses and share scheme charges	842.8	(418.8)	424.0

*1 – Acquisition of insurance contracts expense excludes £9.7 million (H1 2018: £10.5 million, FY 2018: £19.3 million) of comparison fees from other Group companies.

The £44.3 million (H1 2018: £43.2 million, FY 2018: £93.7 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Expenses relating to additional products and fees	**37.4**	32.1	63.4
Comparison operating expenses	**78.0**	74.0	144.4
Loans expenses (including movement on expected credit loss provision)	**14.4**	10.3	22.9
Other expenses	**6.1**	7.3	18.5
Total	**135.9**	123.7	249.2

Refer to note 13 for a reconciliation between insurance contract expenses and the reported expense ratio.

9b. Staff share schemes

Analysis of share scheme costs (per income statement):

	30 June 2019		30 June 2018		31 December 2018	
	Total £m	**Net £m**	Total £m	Net £m	Total £m	Net £m
SIP charge (i)	**9.4**	**6.5**	8.6	5.9	18.1	12.3
DFSS charge (ii)	**31.1**	**20.0**	25.2	16.0	58.8	37.5
Total share scheme charges	**40.5**	**26.5**	33.8	21.9	76.9	49.8

The total share scheme charges of £40.5 million (H1 2018: £33.8 million; FY 2018: £76.9 million) can be analysed between share scheme charges calculated in line with IFRS 2 of £28.7 million (H1 2018: 25.1 million; FY 2018 £57.3 million) and other share scheme related costs of £11.8 million (H1 2018: £8.7 million; FY 2018 £19.6 million). Net share scheme charges are presented after allocations to co-insurers and reinsurers in line with contractual arrangements.

The consolidated cash flow statement also shows the gross charge in the reconciliation between 'profit after tax' and 'cash flows from operating activities'. The co-insurance share of the charge is included in the 'change in trade and other payables' line.

10. Taxation

10a. Taxation

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Current tax			
Corporation tax on profits for the year	**41.0**	37.2	81.4
Under provision relating to prior periods	—	0.4	0.2
Current tax charge	**41.0**	37.6	81.6
Deferred tax			
Current period deferred taxation movement	**(4.0)**	(2.8)	3.8
Under provision relating to prior periods	—	—	0.3
Total tax charge per Consolidated Income Statement	**37.0**	34.8	85.7

Factors affecting the total tax charge are:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Profit before tax	**218.2**	210.7	476.2
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2018: 19.0%)	**41.5**	40.0	90.5
Expenses and provisions not deductible for tax purposes	—	—	0.7
Non-taxable income	**(2.2)**	(2.7)	(6.0)
Impact of change in UK tax rate on deferred tax balances	**(1.0)**	(0.6)	0.5
Adjustments relating to prior periods	—	0.4	0.6
Impact of different overseas tax rates	**(3.7)**	(4.1)	(8.2)
Unrecognised deferred tax	**2.4**	1.9	4.7
Movement on deferred tax asset on US losses	—	(0.1)	2.9
Total tax charge for the period as above	**37.0**	34.8	85.7

The outstanding corporation tax payable as at 30 June 2019 was £43.0 million (HY 2018: £38.4 million; FY 2018: £49.3 million).

10b. Deferred income tax asset

	Tax treatment of share	**Capital allowances £m**	**Carried forward losses £m**	**Fair value reserve**	**Other differences £m**	**Total £m**

	schemes £m			£m		
Balance brought forward at 1 January 2018	**6.1**	**(4.5)**	**2.9**	**—**	**(4.2)**	**0.3**
Tax treatment of share scheme charges through income or expense	3.2	—	—	—	—	3.2
Tax treatment of share scheme charges through reserves	0.9	—	—	—	—	0.9
Capital allowances	—	0.1	—	—	—	0.1
Other difference	—	—	—	—	(0.1)	(0.1)
Balance carried forward at 30 June 2018	**10.2**	**(4.4)**	**2.9**	**—**	**(4.3)**	**4.4**
Balance carried forward at 1 January 2018	**6.1**	**(4.5)**	**2.9**	**(4.6)**	**0.4**	**0.3**
Tax treatment of share scheme charges through income or expense	(2.2)	—	—	—	—	(2.2)
Tax treatment of share scheme charges through reserves	3.3	—	—	—	—	3.3
Capital allowances	—	0.9	—	—	—	0.9
Carried forward losses	—	—	(2.9)	—	—	(2.9)
Movement in fair value reserve	—	—	—	0.7	—	0.7
Other differences	—	—	—	—	0.1	0.1
Balance carried forward at 31 December 2018	**7.2**	**(3.6)**	**—**	**(3.9)**	**0.5**	**0.2**
Tax treatment of share scheme charges through income or expense	4.0	—	—	—	—	**4.0**
Tax treatment of share scheme charges through reserves	2.5	—	—	—	—	**2.5**
Capital allowances	—	(0.1)	—	—	—	**(0.1)**
Movement in fair value reserve	—	—	—	(1.4)	—	**(1.4)**
Other differences	—	—	—	—	0.1	**0.1**
Balance carried forward 30 June 2019	**13.7**	**(3.7)**	**—**	**(5.3)**	**0.6**	**5.3**

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The average effective rate of tax for 2019 is 19.0% (2017: 19.25%). A further reduction to the main rate of corporation tax to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly.

The deferred tax asset at 30 June 2019 has been calculated based on the rate at which each timing difference is most likely to reverse.

At 30 June 2019 the Group had unused tax losses amounting to £229.0 million (H1 2018: £173.7 million, FY 2018: £217.5 million), relating to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognized.

11. Other Assets and Other Liabilities

11a. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	ROU Asset – Leasehold buildings £m	Total £m
Cost						
At 1 January 2018	28.7	57.2	19.7	9.8	—	115.4
Additions	0.2	2.3	0.9	—	—	3.4
Disposals	—	(0.1)	(0.1)	—	—	(0.2)
Transfers	(0.5)	—	—	—	—	(0.5)
Foreign exchange movement	(0.1)	—	(0.1)	—	—	(0.2)
At 30 June 2018	28.3	59.4	20.4	9.8	—	117.9
Depreciation						
At 1 January 2018	14.9	45.9	15.2	8.1	—	84.1
Charge for the year	1.2	3.3	1.1	0.4	—	6.0
Disposals	—	(0.1)	(0.1)	—	—	(0.2)
Foreign exchange movement	(0.1)	—	—	—	—	(0.1)
At 30 June 2018	16.0	49.1	16.2	8.5	—	89.8
Net book amount						
At 1 January 2018	13.8	11.3	4.5	1.7	—	31.3
Net book amount						
At 30 June 2018	12.3	10.3	4.2	1.3	—	28.1
Cost						
At 1 January 2018	28.7	57.2	19.7	9.8	—	115.4
Additions	3.1	4.9	1.9	0.1	—	10.0
Disposals	(0.7)	(0.1)	(0.2)	(0.2)	—	(1.2)
Transfers	(1.2)	—	—	—	—	(1.2)
Foreign exchange movement	(0.1)	0.1	—	0.1	—	0.1
At 31 December 2018	29.8	62.1	21.4	9.8	—	123.1
Depreciation						
At 1 January 2018	14.9	45.9	15.2	8.1	—	84.1
Charge for the year	2.8	6.5	1.9	0.8	—	12.0
Disposals	(0.7)	(0.1)	(0.1)	(0.1)	—	(1.0)
Foreign exchange movement	(0.2)	—	—	0.1	—	(0.1)
At 31 December 2018	16.8	52.3	17.0	8.9	—	95.0

Net book amount						
At 31 December 2018	13.0	9.8	4.4	0.9	—	28.1
Cost						
At 1 January 2019	29.8	62.1	21.4	9.8	—	123.1
Initial application of IFRS 16	—	—	—	—	136.7	136.7
Additions	3.1	6.4	0.3	0.3	—	10.1
Disposals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Foreign exchange movement	0.1	0.1	—	—	0.4	0.6
At 30 June 2019	33.0	68.6	21.7	10.1	137.1	270.5
Depreciation						
At 1 January 2019	16.8	52.3	17.0	8.9	—	95.0
Initial application of IFRS 16	—	—	—	—	—	—
Charge for the year	1.6	3.1	0.7	0.2	6.7	12.3
Disposals	—	—	—	—	—	—
Foreign exchange movement	—	0.1	0.1	—	—	0.2
At 30 June 2019	18.4	55.5	17.8	9.1	6.7	107.5
Net book amount						
At 30 June 2019	**14.6**	**13.1**	**3.9**	**1.0**	**130.4**	**163.0**

11b. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software[*1] £m	Total £m
At 1 January 2018	62.3	20.6	76.5	159.4
Additions	—	26.3	7.4	33.7
Amortisation charge	—	(23.3)	(6.4)	(29.7)
Disposals	—	—	(1.1)	(1.1)
Transfers	—	—	0.5	0.5
Foreign exchange movement	—	—	—	—
At 30 June 2018	62.3	23.6	76.9	162.8
At 1 January 2018	62.3	20.6	76.5	159.4
Additions	—	53.1	13.9	67.0
Amortisation charge	—	(50.5)	(15.5)	(66.0)
Disposals	—	—	—	—
Transfers	—	—	1.2	1.2
Foreign exchange movement	—	0.2	0.2	0.4
At 31 December 2018	62.3	23.4	76.3	162.0
Additions	—	27.2	3.4	30.6
Amortisation charge	—	(25.5)	(8.2)	(33.7)
Disposals	—	—	—	—
Transfers	—	—	—	—
Foreign exchange movement	—	—	—	—
At 30 June 2019	**62.3**	**25.1**	**71.5**	**158.9**

*1 – Software additions relating to internal development are immaterial in both 2019 and 2018

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK Car Insurance segment. The amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill in the 2018 financial statements for further information.

11c. Trade and other payables

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Trade payables	**44.0**	34.3	37.9
Amounts owed to co-insurers	**149.4**	169.8	153.2
Amounts owed to reinsurers	**1,093.9**	967.5	1,122.7
Other taxation and social security liabilities	**82.8**	74.4	60.4
Other payables	**180.9**	198.6	196.0
Accruals and deferred income	**260.1**	219.4	231.3
Total trade and other payables	**1,811.1**	1,644.0	1,801.5

Of amounts owed to reinsurers, £963.7 million (H1 2018: £873.7 million, FY 2018: £1,022.7 million) is held under funds withheld arrangements.

11d. Contingent liabilities

Rastreator Comparador Correduria Seguros ("Rastreator Comparador"), the Group's Spanish Comparison business, has recently undergone a tax audit in respect of the 2013 and 2014 financial years. As a result of the audit, the Spanish Tax Authority has denied the VAT exemption relating to insurance intermediary services which Rastreator Comparador has applied. Rastreator Comparador will appeal this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe.

The potential liability for the financial years currently subject to audit is approximately €5m, and, as identified in note 7, a bank guarantee has been provided to the Spanish Tax Authority for this amount. If the exemption is also disallowed in respect of later years, the liability could increase to €19m. No provision has been made in these financial statements in relation to this matter.

12. Dividends, Earnings and Share Capital

12a. Dividends

Dividends were declared and paid as follows.

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m

March 2018 (58.0 pence per share, paid June 2018)	—	163.3	163.3
August 2018 (60.0 pence per share, paid October 2018)	—	—	169.4
March 2019 (66.0 pence per share, paid June 2019)	**188.0**	—	—
Total	**188.0**	163.3	332.7

The dividend declared in March 2018 represented the final dividend paid in respect of the 2017 financial year (August 2018 - interim dividend for 2018). The dividend proposed in March 2019 was the final dividend paid in respect of the 2018 financial year.

An interim dividend of 63.0 pence per share (£179.5 million) has been declared in respect of the 2019 financial year.

12b. Earnings per share

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Profit for the financial year after taxation attributable to equity shareholders	183.2	177.2	395.1
Weighted average number of shares – basic	290,734,955	287,551,161	288,197,247
Unadjusted earnings per share – basic	63.0p	61.6p	137.1p
Weighted average number of shares – diluted	291,401,887	288,172,467	288,845,845
Unadjusted earnings per share - diluted	62.9p	61.5p	136.8p

The difference between the basic and diluted number of shares at the end the period (being 666,932; H1 2018: 621,306, FY 2018: 648,598) relates to awards committed, but not yet issued under the Group's share schemes.

12c. Share capital

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Authorised			
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5	0.5
Issued, called up and fully paid			
290,502,737 ordinary shares of 0.1p	—	—	0.3
287,741,113 ordinary shares of 0.1p	—	0.3	—
290,949,880 ordinary shares of 0.1p	**0.3**	—	—
	0.3	0.3	0.3

During the first half of 2019, 447,143 (30 June 2018: 526,851; 31 December 2018: 3,288,475) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

447,143 (30 June 2018: 526,851; 31 December 2018: 988,475) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme.

No shares (30 June 2018: nil; 31 December 2018: 2,300,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme.

12d. Objectives, policies and procedures for managing capital

The Group manages its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory requirements. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

Refer to the financial review for further information about the Group's capital structure and financial position.

12e. Related party transactions

Details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report within the Group's 2018 Annual Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

The Board considers that Executive and Non-Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive and Non-Executive Directors is disclosed in the Directors' Remuneration Report in the 2018 Annual Report.

13. Reconciliations

The following tables reconcile significant KPIs and Alternative Performance Measures included in the financial review above to items included in the financial statements.

13a. Reconciliation of turnover to reported total premiums written and other revenue as per the financial statements

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Gross premiums written after co-insurance per note 5a of financial statements	**1,161.1**	1,085.7	2,166.7
Premiums underwritten through co-insurance arrangements and true up of 2018 gross written premium	**312.9**	315.4	587.4
Total premiums written before co-insurance arrangements	**1,474.0**	1,401.1	2,754.1
Other Revenue	**233.1**	223.4	449.2
Admiral loans interest income and other fee income	**13.3**	5.1	15.4
	1,720.4	1,629.6	3,218.7
Other*1	**26.1**	21.9	44.9
Turnover as per note 4 of financial statements	**1,746.5**	1,651.5	3,263.6
Intra-group income elimination*2	**9.7**	10.5	19.3
Total turnover	**1,756.2**	1,662.0	3,282.9

*1 – Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance.

*2 – Intra-group income elimination related to comparison income earned in the Group from other Group companies.

13b. Reconciliation of claims incurred to reported loss ratio, excluding releases on commuted reinsurance

June 2019	UK Motor £m	UK Home £m	UK Other*1 £m	**UK Total £m**	Int. Car £m	Int. Other*1 £m	**Int. Total £m**	**Group £m**
Net insurance claims	106.2	12.6	11.3	**130.1**	66.0	3.9	**69.9**	**200.0**

Deduct claims handling costs	(6.1)	(0.5)	—	**(6.6)**	(3.6)	—	**(3.6)**	**(10.2)**
Prior year release/strengthening – net original share	50.0	2.7	—	**52.7**	9.0	—	**9.0**	**61.7**
Prior year release/strengthening – commuted share	52.8	—	—	**52.8**	—	—	**—**	**52.8**
Impact of reinsurer caps	—	—	—	**—**	(1.5)	—	**(1.5)**	**(1.5)**
Impact of weather events	—	—	—	**—**	—	—	—	—
Attritional current period claims	**202.9**	**14.8**	**11.3**	**229.0**	**69.9**	**3.9**	**73.8**	**302.8**
Net insurance premium revenue	**225.4**	**18.1**	**21.2**	**264.7**	**80.6**	**3.9**	**84.5**	**349.2**
Loss ratio – current period attritional	90.0%	81.7%	—	—	86.7%	—	—	**86.8%**
Loss ratio – prior year release/strengthening (net original share)	(22.2%)	(14.9%)	—	—	(11.2%)	—	—	**(17.7%)**
Loss ratio – reported	**67.8%**	**66.8%**	—	—	**75.5%**	—	—	**69.1%**

*1 ”Other” includes travel insurance (UK) and underwritten ancillaries.

June 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims	104.1	13.1	11.8	**129.0**	49.7	1.5	**51.2**	**180.2**
Deduct claims handling costs	(5.8)	(0.2)	—	**(6.0)**	—	—	**—**	**(6.0)**
Prior year release/strengthening – net original share	56.5	1.2	—	**57.7**	6.1	—	**6.1**	**63.8**
Prior year release/strengthening – commuted share	35.2	—	—	**35.2**	—	—	**—**	**35.2**
Impact of reinsurer caps	—	—	—	**—**	1.8	—	**1.8**	**1.8**
Impact of weather events	—	(3.7)	—	**(3.7)**	—	—	—	**(3.7)**
Attritional current period claims	**190.0**	**10.4**	**11.8**	**212.2**	**57.6**	**1.5**	**59.1**	**271.3**
Net insurance premium revenue	**221.1**	**14.7**	**18.8**	**254.6**	**66.2**	**2.9**	**69.1**	**323.7**
Loss ratio – current period attritional	85.9%	70.7%	—	—	87.0%	—	—	**83.8%**
Loss ratio – current period weather events	—	25.3%	—	—	—	—	—	**1.1%**
Loss ratio – prior year release/strengthening (net original share)	(25.6%)	(8.4%)	—	—	(9.2%)	—	—	**(19.7%)**
Loss ratio – reported	**60.3%**	**87.6%**	—	—	**77.8%**	—	—	**65.2%**

December 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims	189.2	29.3	24.0	**242.5**	104.1	3.5	**107.6**	**350.1**
Deduct claims handling costs	(11.3)	(0.5)	—	**(11.8)**	—	—	**—**	**(11.8)**
Prior year release/strengthening – net original share	111.4	1.4	—	**112.8**	13.5	—	**13.5**	**126.3**
Prior year release/strengthening – commuted share	109.6	—	—	**109.6**	—	—	**—**	**109.6**
Impact of reinsurer caps	—	—	—	**—**	4.5	—	**4.5**	**4.5**
Impact of weather events	—	(3.5)	—	**(3.5)**	—	—	—	**(3.5)**
Impact of subsidence	—	(2.5)	—	**(2.5)**	—	—	—	**(2.5)**
Attritional current period claims	**398.9**	**24.2**	**24.0**	**447.1**	**122.1**	**3.5**	**125.6**	**572.7**
Net insurance premium revenue	**452.5**	**31.2**	**40.2**	**523.9**	**141.7**	**6.2**	**147.9**	**671.8**
Loss ratio – current period attritional	88.1%	77.6%	—	—	86.1%	—	—	**85.2%**
Loss ratio – current period weather events	—	11.2%	—	—	—	—	—	**0.5%**
Loss ratio – current period subsidence events	—	7.9%	—	—	—	—	—	**0.4%**

Loss ratio – prior year release/strengthening (net original share)	(24.6%)	(4.4%)	—	—	(9.5%)	—	—	**(18.8%)**
Loss ratio – reported*	**63.5%**	**92.3%**	—	—	**76.6%**	—	—	**67.3%**

*The group reported loss ratio has been represented at H1 2019 to include the impact of weather events, in line with June 2018.

13c. Reconciliation of expenses related to insurance contracts to reported expense ratio

June 2019	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses	30.1	4.5	2.6	**37.2**	23.0	0.1	**23.1**	**60.3**
Claims handling costs	6.1	0.5	—	**6.6**	3.6	—	**3.6**	**10.2**
Intra-group expenses elimination*1	5.7	0.4	—	**6.1**	3.6	—	**3.6**	**9.7**
Impact of reinsurer caps	—	—	—	**—**	0.6	—	**0.6**	**0.6**
Net IFRS 16 finance costs	0.3	—	—	**0.3**	0.1	—	**0.1**	**0.4**
Other adjustment*2	—	—	—	**—**	—	(0.1)	**(0.1)**	**(0.1)**
Adjusted net insurance expenses	**42.2**	**5.4**	**2.6**	**50.2**	**30.9**	**—**	**30.9**	**81.1**
Net insurance premium revenue	**225.4**	**18.1**	**21.2**	**264.7**	**80.6**	**3.9**	**84.5**	**349.2**
Expense ratio – reported	18.7%	30.1%	—	—	38.4%	—	—	**23.2%**

June 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses	27.0	4.0	1.5	**32.5**	22.1	1.4	**23.5**	**56.0**
Claims handling costs	5.8	0.2	—	**6.0**	—	—	**—**	**6.0**
Intra-group expenses elimination*1	6.9	0.4	—	**7.3**	3.2	—	**3.2**	**10.5**
Impact of reinsurer caps	—	—	—	**—**	0.8	—	**0.8**	**0.8**
Other adjustment*2	—	—	—	**—**	—	(1.4)	**(1.4)**	**(1.4)**
Adjusted net insurance expenses	**39.7**	**4.6**	**1.5**	**45.8**	**26.1**	**—**	**26.1**	**71.9**
Net insurance premium revenue	**221.1**	**14.7**	**18.8**	**254.6**	**66.2**	**2.9**	**69.1**	**323.7**
Expense ratio – reported	17.9%	32.1%	—	—	39.4%	—	—	**22.2%**

December 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses	59.7	7.4	5.6	**72.7**	49.7	2.6	**52.3**	**125.0**
Claims handling costs	11.3	0.5	—	**11.8**	—	—	**—**	**11.8**
Intra-group expenses elimination*1	12.3	0.8	—	**13.1**	6.2	—	**6.2**	**19.3**
Impact of reinsurer caps	—	—	—	**—**	0.2	—	**0.2**	**0.2**
Other adjustment*2	—	—	—	**—**	—	(2.6)	**(2.6)**	**(2.6)**
Adjusted net insurance expenses	**83.3**	**8.7**	**5.6**	**97.6**	**56.1**	**—**	**56.1**	**153.7**
Net insurance premium revenue	**452.5**	**31.2**	**40.2**	**523.9**	**141.7**	**6.2**	**147.9**	**671.8**
Expense ratio – reported	18.4%	28.1%	—	—	39.6%	—	—	**22.9%**

*1 – The intra-group expenses elimination amount relates to aggregator fees charges by the Group's comparison entities to other Group companies.

*2 – Other adjustments relate to additional products underwritten in the Group's International Car Insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculation of expense ratios.

13d. Reconciliation of reported profit before tax to adjusted profit before tax

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Reported profit before tax per the condensed consolidated income statement	**218.2**	210.7	476.2
Non-controlling interest share of profit before tax	**2.0**	1.0	3.1
Group's share of profit before tax	**220.2**	211.7	479.3

14. Statutory Information

The financial information set out above does not constitute the company's statutory accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Group's financial statements to better understand the Group's performance in the period in comparison to previous periods and the Group's competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover	Turnover is defined as total premiums written (as below), other revenue and income from Admiral Loans. It is reconciled to financial statement line items in note 13a to the financial statements. This measure has been presented by the Group in every financial report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. The measure was developed as a result of the Group's business model. The core UK Car Insurance business has historically shared a significant proportion of the risks with Munich Re, a third party insurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's International Insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's income statement and therefore presentation of this metric enables users of the financial reports to see the scale of the Group's insurance operations in a way not possible from taking the income statement in isolation.

Total premiums written	Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co- insurance. It is reconciled to financial statement line items in note 13a to the financial statements. This measure has been presented by the Group in every financial report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time. The reasons for presenting this measure are consistent with that for the Turnover APM noted above.
Group's share of profit before tax	Group's share of profit before tax represents profit before tax, excluding the impact of non-controlling interests. It is reconciled to statutory profit before tax in note 13d to the financial statements. This measure is useful in presenting the limit of the Group's exposure to the expenditure incurred in starting up new businesses and demonstrates the 'test-and-learn' strategy employed by the Group to expansion into new territories.

Underwriting result (profit or loss)	For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income less claims incurred and insurance expenses.

Loss ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 13b to the accounts and explanation is as follows.

UK reported car insurance loss ratio: Within the UK Insurance segment the Group separately present motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the income statement.

International Insurance loss ratio: As for the UK motor loss ratio, the International Insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business.

Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the income statement and
iii) exclude the claims element of the impact of international reinsurer caps.

Expense ratio

Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.

There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 13c to the accounts and explanation is as follows.

UK reported car expense ratio: Within the UK Insurance segment the Group separately present motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the income statement and ii) include intra-group aggregator fees charged by the UK comparison business to the UK Insurance business.

International Insurance expense ratio: As for the UK car loss ratio, the International Insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The car ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas comparison businesses to the international insurance businesses.

Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the Group's
comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of international reinsurer caps.

Combined ratio

Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 13b and 13c.

Return on equity

Return on equity is calculated as profit after tax for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year. This average is determined by dividing the opening and closing positions for the year by two.

The relevant figures for this calculation can be found within the consolidated statement of changes in equity.

Group customers

Group customer numbers are the total number of cars, households and vans on cover at the end of the year, across the Group.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the
different lines of business and geographic regions.

Effective tax rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	A probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculating inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co- insurer is directly liable to the policyholder for their proportional share.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract. The Group typically commutes UK car insurance quote share contracts after 24 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognized at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the "underwriting cycle").
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some reinsurance and coinsurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limited around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which an insurance policy is incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:
    a. DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    b. DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Geraint Jones

Chief Financial Officer
13 August 2019

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
13 August 2019