Admiral Group plc results for the six months ended 30 June 2018

15 August 2018 6:00 AM BST

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2018 Interim Results Highlights

	30 June 2018	30 June 2017	% change
Group's share of profit before tax*1	£212 million	£195 million	+9%
Group statutory profit before tax	£211 million	£193 million	+9%
Earnings per share	61.6 pence	57.3 pence	+8%
Interim dividend	60.0 p/per share	56.0p/per share	+7%
Return on equity*1	54%	55%	-2%
Group turnover*1	£1.66 billion	£1.45 billion	+14%
Group net revenue	£0.60 billion	£0.55 billion	+9%
Group customers*1	6.23 million	5.46 million	+14%
UK Insurance Customers*1	5.07 million	4.34 million	+17%
International Car Insurance customers*1	1.12 million	0.96 million	+17%
Group's share of Price Comparison profit*1	£3.5 million	£3.1 million	+13%
Statutory Price Comparison profit	£2.6 million	£2.4 million	+8%
Solvency ratio (post dividend)	196%	214%	

Over 10,000 staff each receive free shares worth £1,800 under the employee share scheme based on the interim 2018 results

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

Comment from David Stevens, Group Chief Executive Officer
'Zut alors! Nos opérations européennes sont rentables! Or probably more accurately, given that over half of our European customers are Italian - le nostre compagnie Europee sono in profitto! Moreover, the European insurers delivered overall profitability whilst growing the business by almost a fifth in a year.

But that's not the only important milestone in the first half, which was characterised by substantial growth across almost all our businesses.

Most importantly, the core UK car insurance business continues to grow both in terms of profit and customer numbers. Early in 2018 we passed the four million mark for cars on cover - the car that hit the milestone was a Peugeot 108; our first 25 years ago was an Isuzu Piazza.

All of this is underpinned by our strong culture and hard-working, customer-focused staff, and we are proud to have been named the 3rd Best Company to Work For in the UK, as well as the 10th Best Workplace in Europe and 3rd in Italy.'

Dividend
The Directors have declared an interim dividend of 60.0 pence, representing a normal dividend of 40.8 pence per share and a special dividend of 19.2 pence per share. The dividend will be paid on 5 October 2018. The ex-dividend date is 6 September 2018 and the record date is 7 September 2018.
Management presentation
Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00 BST on Wednesday 15 August 2018 by dialling + 44 (0)20 3059 5868. A copy of the presentation slides will be available at www.admiralgroup.co.uk

H1 2018 Group overview

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Turnover (£bn) **1*	**1.26**	**1.45**	**1.66**	**2.96**
Net insurance premium revenue	259.7	301.3	323.7	619.1
Investment return (Insurance)	24.8	16.2	16.4	33.2
Underwriting profit**1*	**77.7**	**88.9**	**93.4**	**177.7**
Investment return (Other)	8.6	7.1	1.1	8.5
Profit commission	42.2	30.0	29.6	67.0
Net interest income from Admiral Loans	-	0.1	3.9	1.2
Net other revenue and expenses (Insurance)	91.2	97.4	124.1	207.6
Net other revenue and expenses (Non Insurance)	(24.6)	(24.5)	(35.8)	(47.1)
Operating profit	**195.1**	**199.0**	**216.3**	**414.9**
Group Statutory profit before tax	**189.5**	**193.4**	**210.7**	**403.5**
Group's Share of profit before tax**1*	**193.3**	**194.5**	**211.7**	**405.4**
Analysis of profit:				
UK Insurance	223.6	225.8	247.0	465.5
International Insurance	(12.9)	(10.1)	(0.6)	(14.3)
Price Comparison	(1.1)	3.1	3.5	7.1
Other*2	(16.3)	(24.3)	(38.2)	(52.9)
Group's Share of profit before tax**1*	**193.3**	**194.5**	**211.7**	**405.4**
Key metrics:				
Group loss ratio**1*	59.5%	68.0%	65.2%	66.2%
Group expense ratio**1*	22.7%	22.0%	22.2%	21.5%
Group combined ratio**1*	82.2%	90.0%	87.4%	87.7%
Group customer numbers (m)	4.82	5.46	6.23	5.73
Earnings per share	55.9 p	57.3 p	61.6 p	117.2 p
Dividends	51.0 p	56.0 p	60.0 p	114.0 p
Return on Capital Employed**1*	50%	55%	54%	55%
Solvency Ratio	180%	214%	196%	205%

**1Alternative Performance Measures - refer to the end of the report for definition and explanation.*
**2 "Other" includes Admiral Loans and other central costs*

Key highlights for the Group results in H1 2018 include:

- Strong growth with turnover up 14% to £1.66 billion (H1 2017: £1.45 billion) and customer numbers 14% higher at 6.23 million (30 June 2017: 5.46 million)
- Group share of pre-tax profits of £211.7 million (H1 2017: £194.5 million) and statutory profit before tax of £210.7 million (H1 2017: £193.4 million) both grew strongly by 9%, with increases in underwriting profit and net other revenue in the insurance businesses more than offsetting Group items such as share scheme charges and the Admiral Loans result
- UK Insurance business, including UK Motor (Car and Van), Household and Travel, delivered strong growth in turnover to £1.32 billion (H1 2017: £1.14 billion) with customer numbers reaching 5.07 million (30 June 2017: 4.34 million)
- Admiral's share of UK Insurance profit increased by 9% to £247.0 million with UK motor profits again growing strongly to £249.5 million (H1 2017: £224.2 million)

- UK Household saw very strong growth in turnover and customer numbers, with the overall result (£1.9 million loss; H1 2017: £1.6 million profit) impacted by weather events in the period
- Reduced losses in International Insurance businesses of £0.6 million (significantly improved from a loss of £10.1 million in H1 2017), whilst growing combined turnover by 17% to £260.1 million (H1 2017: £221.9 million) and customer numbers by 17% to 1.12 million (30 June 2017: 0.96 million)
- European insurance businesses recorded an aggregate profit of £2.5 million in the period (H1 2017: £ 5.0 million loss)
- Price Comparison made a combined profit (excluding minority interests' shares) of £3.5 million (H1 2017: £3.1 million), the main contributor being Confused.com with an increased profit of £5.8 million (H1 2017: £4.5 million)
- International price comparison businesses reported a higher aggregate loss of £2.3 million (H1 2017: £1.4 million loss) with reduced profit in the European operations (£0.9 million, down from £2.0 million) and a similar loss in Compare.com of £3.2 million (H1 2017: loss £3.4 million)

Earnings per share
Earnings per share increased by 8% to 61.6 pence (H1 2017: 57.3 pence), broadly in line with the increase in pre-tax profits.

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 60.0 pence per share (£169 million), representing 97% of first half earnings, split as follows:

- 40.8 pence per share normal dividend, based on the dividend policy of distributing 65% of post- tax profits; plus
- A special dividend of 19.2 pence per share.

The total 2018 interim dividend is 7% ahead of the prior period's 56.0 pence per share. The payment date is 5 October 2018, ex-dividend date 6 September 2018 and record date 7 September 2018.

The Group maintained a strong solvency ratio at 196% (post-dividend), which has reduced from 205% at 2017 year end. This is primarily as a result of an increased solvency capital requirement (in turn mainly due to growth in premiums and reserves in the core UK Car insurance business). Further detail is provided later in the report.

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

- UK Insurance - including UK Motor (Car and Van), Household, Travel
- International Car Insurance - including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), Elephant (US)
- Price Comparison - including LeLynx (France), Rastreator (Spain), Compare.com (US)

UK Insurance

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Turnover*1	1,028.5	1,144.1	1,319.1	2,354.0
Total premiums written*1	933.6	1,022.6	1,167.1	2,098.0
Net insurance premium revenue	218.2	241.0	254.6	491.6
Underwriting profit*1	**95.2**	**105.7**	**101.6**	**206.2**
Profit commission and other income	128.4	120.1	145.4	259.3
UK Insurance profit before tax	**223.6**	**225.8**	**247.0**	**465.5**

*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 2016	30 June 2017	30 June 2018	31 Dec 2017
Motor	222.4	224.2	249.5	461.0
Household	1.2	1.6	(1.9)	4.5
Travel	-	-	(0.6)	-
UK Insurance profit	**223.6**	**225.8**	**247.0**	**465.5**

Key performance indicators

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Vehicles insured at period end	3.52m	3.79m	4.26m	3.96m
Households insured at period end	0.38m	0.55m	0.78m	0.66m
Travel Insurance customers	-	-	0.03m	-
Total UK Insurance customers	**3.90m**	**4.34m**	**5.07m**	**4.62m**

Key highlights for the UK insurance business for H1 2018 include:

- Continued strong growth in customers and turnover in both Motor and Household with market rates falling in motor but continuing to increase in home
- An 11% increase in UK Motor profit to £249.5 million mainly as a result of growth in ancillary revenue and instalment income
- Household loss of £1.9 million (H1 2017: £1.6 million profit), impacted by weather events
- Small loss from recently launched Travel insurance product

UK Motor Insurance financial review

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Turnover*1	993.2	1,095.7	1,247.2	2,242.4
Total premiums written*1	899.7	978.9	1,102.3	1,997.0
Net insurance premium revenue	192.9	214.7	221.1	433.2
Investment income	24.5	15.8	15.8	32.6
Net insurance claims	(102.4)	(100.9)	(104.1)	(214.2)
Net insurance expenses	(29.5)	(30.1)	(33.9)	(59.7)
Underwriting profit*1*2	**85.5**	**99.5**	**98.9**	**191.9**
Profit commission	41.7	28.8	30.8	64.7
Underwriting profit and profit commission	**127.2**	**128.3**	**129.7**	**256.6**
Net other revenue*3	95.2	95.9	119.8	204.4
UK Motor Insurance profit before tax	**222.4**	**224.2**	**249.5**	**461.0**

*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 2016	30 June 2017	30 June 2018	31 Dec 2017
Reported Motor loss ratio*1,*2	56.9%	66.6%	60.3%	64.1%
Reported Motor expense ratio*1,*3	18.1%	16.5%	17.9%	16.2%
Reported Motor combined ratio	75.0%	83.1%	78.2%	80.3%
Written basis Motor expense ratio	17.0%	15.8%	17.1%	15.8%
Reported loss ratio before releases	85.9%	87.5%	85.9%	85.3%
Claims reserve releases - original net share*1,*4	£55.9m	£44.9m	£56.5m	£92.1m
Claims reserve releases - commuted reinsurance*1,*5	£12.8m	£47.4m	£35.2m	£73.8m
Total claims reserve releases	£68.7m	£92.3m	£91.7m	£165.9m
Vehicles insured at period end	3.52m	3.79m	4.26m	3.96m
Other Revenue per vehicle	£64	£61	£67	£64

*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 12b.
*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 12c.
*4 Original net share shows reserve releases on the proportion of the portfolio 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.

By 30 June 2018, the Group had ceased operating a Commercial Vehicle insurance broker and completed migration of customers underwritten directly through two van insurance brands, Gladiator and Admiral Van. Admiral offers van insurance and associated products, typically to small businesses, via telephone and the internet, including price comparison websites. The results of the Van operation are included within UK Motor.
UK Motor profit increased by 11% for the first six months of 2018 to £249.5 million (H1 2017: £224.2 million) whilst the reported combined ratio improved to 78.2% (H1 2017: 83.1%). The results compared to H1 2017 were impacted by a number of factors:

o Net insurance premium revenue was 3% higher at £221.1 million mainly resulting from the larger portfolio
o Investment income was in line at £15.8 million
o The current period loss ratio was slightly improved at 85.9% (H1 2017: 87.5%) primarily reflecting a lower loss ratio for the 2017 underwriting year compared to 2016 at the same point. Admiral continues to reflect a cautious approach to setting reserves early in their development.
o Continued positive development of prior year claims costs led to increased releases on original net share of reserves (£56.5 million, 26% of premium compared to £44.9 million, 21% of premium in H1 2017)
o Releases on reserves originally reinsured but since commuted lower at £35.2 million
(v £47.4 million in H1 2017) resulting from accounting impact of commutation in the current period where there was no such commutation in the comparative period
o The growth in the vehicle base contributed to an increase in the underlying expense base. The change in the Group's net retained share from 25% to 22% in 2017 meant that the prior year earned expense ratio (16.5%) benefitted from the reduction in administration cost in the period. Excluding the impact of this change, the earned ratio would be broadly flat with HY 2018 (17.9%)
o Other revenue (including ancillary products underwritten by Admiral) and instalment income were higher (£119.8 million v £95.9 million in H1 2017) resulting from growth and changes to arrangement with Munich Re where Admiral now retains all instalment income

A favourable claims environment and positive results in 2017 contributed to declining prices in the motor market in the first half of 2018. Despite this backdrop, Admiral grew its business strongly with no change to base rates in the current period. Turnover was 14% higher at £1.25 billion (H1 2017: £1.10 billion) whilst net revenue rose 9% to £425.9 million (H1 2017: £390.5 million). The numbers of cars insured exceeded four million and vans insured moved past 200,000, leading to 12% growth in total customers to 4.26 million (30 June 2017: 3.79 million).

Claims and reserves
Notable claims trends for Admiral and the market in the first half of 2018 include slightly higher overall frequency, a slowdown in the rate of improvement in injury claims frequency and continuing elevated levels of inflation in property damage claims costs. Large bodily injury claims costs were also less positive in H1 2018 than the same period in 2017 (which was notably benign), exacerbated by the current Ogden discount rate.

The Group continues to reserve conservatively, setting claims reserves in the financial statements well 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 underwriting years and this led to another significant release of reserves in the financial statements in the period (£56.5 million on Admiral's original net share, up from £44.9 million). The margin held in reserves remains prudent and significant though is slightly lower than the comparative period-end, reflecting the reduction in uncertainty around the reserves.

Change in UK discount rate ('Ogden')
In February 2017, the UK Government announced the outcome of the review of the discount rate (referred to as the Ogden discount rate) used for calculating the value of lump sum personal injury compensation. The rate changed to minus 0.75% and applied to all unsettled and new claims from March 2017.

The estimated cost to Admiral, net of tax and reinsurance, of the change is approximately £150 million. Most of the impact has been reflected in the income statement. The actuarial best estimate reserves continue to reflect the minus 0.75% rate.

The Government's review of the discount rate and the process by which the rate is set (via the Civil Liability Bill) continues to progress through Parliament though the outcome and timing remain uncertain.

The table below shows the estimated sensitivity of profit before tax and solvency ratio to different Ogden
rates. The profit impact presented is the estimated total impact of the change on the Group's pre-tax profit on an ultimate basis. It should be noted that not all of the impact would necessarily be recognised immediately.

	Impact on Profit before Tax (£m)*1	Impact on Solvency Ratio (%)*2
Increase in Ogden discount rate of 75 basis points (to 0%)	94	+7%
Increase in Ogden discount rate of 125 basis points (to 0.5%)	141	+9%
Increase in Ogden discount rate of 175 basis points (to 1%)	179	+13%
Decrease in Ogden discount rate of 75 basis points (to minus 1.5%)	(115)	-18%

*1 The impacts on profit before tax are stated net of co-insurance and reinsurance and include the impact on net insurance claims along with the associated profit commission movements that result from the change in the Ogden rate.
*2 Estimated impact on solvency ratio is based on the change in Own Funds and SCR resulting from change in the Ogden rate and is presented before the impact of changes in interim dividend.

Co- and reinsurance and profit commission
The proportional co- and reinsurance arrangements in place for the motor business are the same as those reported in the 2017 Annual Report and will continue into 2019.

At 30 June 2018, all private car quota share reinsurance for underwriting years up to and including 2016 has been commuted, 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. Admiral generally elects to commute reinsurance where it makes economic sense to do so.

In H1 2018 profit commission of £30.8 million was recognised, up slightly from £28.8 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 2018 is £66.0 million compared to £76.2 million in H1 2017, a decrease of 13%. This decrease is due to the accounting impact of the commutations completed in the current period (a reduction in releases on the share of reserves that were originally reinsured but have since been commuted of £31.9 million due to the current booked result of that underwriting year being loss making).

No commutations were completed in H1 2017 due to the Ogden uncertainty at that time. The ultimate projections of all underwriting years continue to show profits.

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

Other Revenue and Instalment Income
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) increased by 25% to
£119.8 million (H1 2017: £95.9 million). Whilst there were a number of smaller offsetting changes within the total, the main reasons for the increase were higher instalment income primarily due to changes in the arrangements with Munich Re such that Admiral now retains all instalment income on the car insurance business compared to 60% previously, plus the growth in the size of the business.

Other revenue was equivalent to £67 per vehicle (gross of costs; H1 2017: £61), the increase being substantially due to the increase in instalment income noted above. Net Other Revenue (after deducting costs) per vehicle was £57 (H1 2017: £52).

UK Motor Insurance Other Revenue - analysis of contribution:

£m	**30 June 2016**	**30 June 2017**	**30 June 2018**	**31 Dec 2017**
Contribution from additional products & fees	89.6	93.4	105.6	187.2
Contribution from additional products underwritten by Admiral*1	10.6	6.8	5.9	14.7
Instalment income	15.3	22.5	37.5	56.1
Other revenue	**115.5**	**122.7**	**149.0**	**258.0**
Internal costs	(20.3)	(26.8)	(29.2)	(53.6)
Net other revenue	**95.2**	**95.9**	**119.8**	**204.4**
Other revenue per vehicle*2	**£64**	**£61**	**£67**	**£64**

Other revenue per vehicle net of internal costs	£56	£52	£57	£54

*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.

UK Household Insurance

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Turnover*1	35.3	48.3	68.3	111.6
Total premiums written*1	33.9	43.7	61.3	101.0
Net insurance premium revenue	7.5	11.0	14.7	23.1
Underwriting loss*1*2	**(0.9)**	**(0.6)**	**(2.9)**	**(0.8)**
Profit commission and other income	2.1	2.2	0.8	5.0
Contribution from underwritten ancillaries	-	-	0.2	0.3
UK Household insurance profit/(loss)	**1.2**	**1.6**	**(1.9)**	**4.5**

*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 2016	30 June 2017	30 June 2018	31 Dec 2017
Reported household loss ratio*1	74.7%	68.7%	87.6%	73.5%
Reported household expense ratio*1	37.3%	36.8%	32.1%	30.0%
Reported household combined ratio*1	112.0%	105.5%	119.7%	103.5%
Impact of extreme weather*2 (£m)	-	-	7.5	-
Households insured at period end	381,800	548,200	778,100	659,800

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
*2 Extreme weather is calculated from the uplift in the average weather-related claim cost per policy observed in the current period compared to the prior period, and therefore assumes that 'normal' weather was experienced in the prior period.

The UK household market has experienced several years of declining profitability and whilst new business prices appear to have gradually increased over the past year or so, overall premium levels are broadly flat. The UK experienced two spells of unusually bad weather in the period which have adversely impacted the results of insurers including Admiral.

Admiral's Household business continued to grow substantially, increasing the number of homes insured by over 40% to 778,100 (30 June 2017: 548,200), with a similar increase in turnover to £68.3 million (H1 2017: £48.3 million). Admiral increased rates modestly in the first half of the year.
The volume of new business policies sold in the market continued to increase as more households changed insurer, and the share of these sales made via the price comparison channel also continued to increase. Admiral enjoyed strong customer retention and new business volumes and saw an increasing share of new business sales made either directly or via cross sell to existing Admiral customers within the Group's MultiCover product offering.

The severe weather meant that the business recorded a loss for the first half of £1.9 million (H1 2017: profit of £1.6 million). Adjusting for normal weather experience the result would have been a profit of £5.6 million.

The reported loss ratio of 87.6% (H1 2017: 68.7%) included around 25 percentage points of weather impact, whilst the loss ratio net of weather showed continued improvement, moving to 62.3% from 68.7% as a result of improved ultimate outcomes of prior accident years. Admiral's expense ratio also continued to improve (32.1%, down from 36.8%) and similar to the motor business, significantly outperforms the market.

International Car Insurance

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Turnover*1	159.2	221.9	260.1	449.8
Total premiums written*1	142.9	197.2	234.0	401.4
Net insurance premium revenue	39.4	58.2	66.2	123.0
Investment income	0.2	0.2	0.6	0.6
Net insurance claims	(32.7)	(47.3)	(49.7)	(94.1)
Net insurance expenses	(24.6)	(28.1)	(25.3)	(58.0)
Underwriting result*1	**(17.7)**	**(17.0)**	**(8.2)**	**(28.5)**
Net other income	4.8	6.9	7.6	14.2
International Car Insurance result	**(12.9)**	**(10.1)**	**(0.6)**	**(14.3)**

Key performance indicators

	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Loss ratio*2	79.7%	77.6%	77.8%	76.4%
Expense ratio*2	50.9%	45.4%	39.4%	44.2%
Combined ratio*3	130.6%	123.0%	117.2%	120.6%
Combined ratio, net of Other revenue*4	118.4%	111.2%	105.8%	109.1%
Vehicles insured at period end	0.76m	0.96m	1.12m	1.03m

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
*2 Loss ratios and expense ratios have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.
*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 2018: 113%; H1 2017: 130%; H1 2016: 145%.
*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 2018: 102%; H1 2017: 118%; H1 2016: 133%.

Geographical analysis*1

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

30 June 2017	Spain	Italy	France	US	Total
Vehicles insured at period end	0.21m	0.46m	0.11m	0.18m	0.96m
Turnover (£m)	31.2	76.3	28.7	85.7	221.9

31 Dec 2017	Spain	Italy	France	US	Total
Vehicles insured at period end	0.22m	0.50m	0.13m	0.18m	1.03m
Turnover (£m)	61.5	154.6	59.2	174.5	449.8

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

International Car Insurance financial performance
Admiral's international insurance businesses continued to grow strongly, with customer numbers surpassing the one million mark, 17% higher than a year earlier. Turnover grew by 17% to £260.1 million (H1 2017: £221.9 million).

The combined ratio improved to 105.8% (H1 2017: 111.2%). Continued improvement in all operations' prior year claims costs and expense ratios combined with higher net insurance premium revenue resulted in a greatly reduced loss of £0.6 million for the first six months of 2018 (H1 2017: loss of £10.1 million).

The expense ratio improved to 39.4% (H1 2017: 45.4%) as all businesses grew and continued to pursue operational efficiencies. The expense ratio continues to appear high in comparison to Admiral's UK business because of high acquisition costs as the businesses grow and also the continued need to build scale.

The European insurance operations in Spain, Italy and France insured 0.92m vehicles at 30 June 2018 - 18% higher than a year earlier (30 June 2017: 0.78m). Turnover was up 17% at £159.7 million (H1 2017: £136.2 million). The consolidated result of the businesses was a profit of £2.5 million (H1 2017: loss of £5.0 million) consisting of continuing profitability in Italy and lower losses in France and Spain. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved to 99% from 105%

due to the improved claims experience and expense ratio.

Admiral Seguros (Spain) which launched in 2006 operates under two brands, Balumba and Qualitas Auto. Admiral Seguros focused on sustainable growth in a competitive market during the first six months of 2018, including improvements in the customer journey and digital capabilities. The business grew by 12% to 233,300 customers (30 June 2017: 208,100).

The Group's largest international operation, ConTe in Italy, celebrated 10 years of operation in H1 2018 and increased its vehicles insured by 17% to 539,600 at the end of the period. ConTe continued to experience positive development in the projected ultimate outcomes of most underwriting years allowing further reserve releases in H1 2018 and another reported profit. ConTe continues to hold a prudent margin in its claims reserves above actuarial best estimate. The company has also seen improvements in its expense ratio through operational efficiencies and technology improvements.

L'olivier - assurance auto, Admiral's French operation which launched in 2010, continued to pursue growth and increased vehicle count by 36% to 152,600 at 30 June 2018. L'olivier continues to focus on growth, accelerating brand development and improving customer experience through digital improvements during the period. L'olivier also experienced positive prior year claims cost development in the first half.

Admiral underwrites motor insurance in six states (Virginia, Maryland, Illinois, Texas, Indiana and Tennessee) through its Elephant Auto business, which launched at the end of 2009. At 30 June 2018 Elephant insured over 200,000 vehicles, up by 12% year-on-year. Turnover was £100.4 million, up 17% on the prior year (£85.7 million). Elephant again reduced its loss for the period (to £3.1 million from £5.0 million in H1 2017) despite the positive growth. Elephant continues to see improvements in customer persistency and the focus of the business on loss ratio and cost control translated into a continued improvement in the combined ratio net of other revenue of 115% (119% in H1 2017).

Price Comparison

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Revenue				
Car insurance price comparison	48.6	55.2	57.0	108.8
Other	15.4	17.3	19.6	34.8
Total Revenue	**64.0**	**72.5**	**76.6**	**143.6**
Expenses	(68.8)	(70.1)	(74.0)	(138.2)
Profit/(loss) before tax	**(4.8)**	**2.4**	**2.6**	**5.4**
Confused.com profit	8.3	4.5	5.8	10.1
International price comparison result	(13.1)	(2.1)	(3.2)	(4.7)
	(4.8)	**2.4**	**2.6**	**5.4**
Group's share of profit/(loss) before tax*1				
Confused.com profit	8.3	4.5	5.8	10.1
International price comparison result	(9.4)	(1.4)	(2.3)	(3.0)
	(1.1)	**3.1**	**3.5**	**7.1**

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

Whilst the UK price comparison market remained very competitive in the first six months of 2018, Confused.com's turnover increased by 6% to £47.7 million (H1 2017: £44.9 million) as a result of the focus on its driver-centric strategy, supported by the launch of new products including Car Finance comparison. During the first half of 2018 Confused.com continued to improve its customer proposition and experience and saw an improvement in marketing efficiencies, thereby increasing profits to £5.8 million (H1 2017: £4.5 million). In addition, the business continued to invest in its technology platform to support current projects and future growth opportunities.

Admiral operates several price comparison businesses outside the UK including Rastreator (Spain), LeLynx (France) and Compare.com (US). Admiral Group owns 75% of Rastreator, with the remaining 25% owned by Mapfre. Admiral Group owns 71% of Compare.com, with the remaining 29% owned by White Mountains and Mapfre.

Combined revenue for the European operations in the first half of 2018 increased by 5% to £23.0 million (H1 2017: £22.0 million) in competitive markets. The Group's share of the combined result for Rastreator and LeLynx was a lower profit of £0.9 million (H1 2017: £2.0 million), the decrease reflecting investment in a more diversified product range as well as a more competitive market environment, including a new entrant spending on marketing in France.

The Group continues to invest in Compare.com, its US comparison operation based in Virginia. During the first half of 2018 Admiral's share of Compare.com's loss marginally reduced to £3.2 million before tax (H1 2017: £3.4 million) reflecting a continued focus on efficient marketing and reducing acquisition costs within a competitive market environment. Compare will continue to pursue this strategy in the second half of the year and the Group expects its share of the loss for the full year to be in the range of $8 million to $13 million.

The combined result for International Price Comparison was therefore a loss of £2.3 million (H1 2017: loss £1.4 million) - the profit from the European operations offset by investment in Compare.com, albeit at lower loss levels.

Preminen, the Group's newest price comparison operation continues to explore the potential of price comparison in new markets overseas, in partnership with Mapfre. The result for Preminen is included in business development costs in 'Other Group Items' below.

Other Group Items

£m	30 June 2016	30 June 2017	30 June 2018	31 Dec 2017
Share scheme charges	(14.7)	(16.9)	(21.6)	(35.2)
Loans	-	(1.6)	(6.4)	(4.4)
Other investment return	8.7	7.3	1.1	8.4
Business development costs	(1.8)	(4.3)	(2.0)	(5.2)
Other central overheads	(3.8)	(3.9)	(3.3)	(6.2)
Finance charges	(5.5)	(5.6)	(5.6)	(11.4)
UK Commercial van broking	0.8	0.7	(0.4)	1.1
Group's share of other group items	**(16.3)**	**(24.3)**	**(38.2)**	**(52.9)**

Admiral Loans continues to grow which is reflected in the increased loss of £6.4m (further detail in next section). Share scheme charges relate to the Group's two employee share schemes (refer to note 8 in the financial statements). The increase in the charge is due to a change in vesting assumptions for variable awards.

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.

Business development costs include costs associated with potential new ventures, including continued investment in Preminen, the Group's price comparison incubator which has fledgling subsidiaries operating in Mexico and Turkey.

Finance charges of £5.6 million (H1 2017: £5.6 million) reflect interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

The UK commercial vehicle result relates to the Gladiator van broking business which has fully migrated to being underwritten within the UK Insurance business of the Group and is now included in the UK Motor result.

Admiral Loans
Admiral Loans launched in 2017, and currently distributes unsecured personal loans and car finance products through the price 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, although the Group expects the business to make modest 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 is encouraged with the performance of the business and the credit quality of the loans portfolio.

At the end of the first half Admiral Loans completed a further external funding facility in the form of bank warehousing that will enable the business to continue growing well into 2019.

Capital structure and financial position
Admiral's capital-efficient and profitable model led to a return on equity of 54% (H1 2017: 55%). 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 2019. In 2018 and 2019, the Group's net retained share of the UK private car insurance business is 22%.

Similar long-term arrangements are in place in the Group's International Insurance operations and UK Household 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's regulatory capital is based on the Solvency II Standard Formula, with a capital add-on to reflect recognised limitations in the Standard Formula with respect to Admiral's business (predominantly in respect of profit commission arrangements in co- and reinsurance agreements and risks arising from claims including Periodic Payment Order (PPO) claims).

The Group continues to develop its partial internal model to form the basis of future capital requirements. The Group intends to submit an application for approval to use the internal model to calculate capital requirements either at the end of 2018 or in early 2019.

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

Group	£bn
Eligible Own Funds (pre 2018 interim dividend)	1.23
2018 interim dividend	0.17
Eligible Own Funds (post 2018 interim dividend)	1.06
Solvency II capital requirement*1	0.54
Surplus over regulatory capital requirement	**0.52**
Solvency ratio (post dividend)*2	**196%**

*1 Solvency capital requirement includes updated capital add-on which is subject to regulatory approval.
*2 Solvency ratio calculated on a volatility adjusted basis.

The Group maintained a strong solvency ratio at 196% (post-dividend), which has reduced from 205% at 2017 year end. This is primarily as a result of an increased solvency capital requirement (in turn mainly due to growth in premiums and reserves in the core UK Car insurance business). Own Funds are marginally lower than at 2017 year end partly as a result of a slightly lower level of additional capital generated between the balance sheet date and the date of this report when compared with year end.

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

	HY'18	YE'17
UK Motor - incurred loss ratio +5%	-25%	-26%
UK Motor - 1 in 200 catastrophe event	-3%	-3%
UK Household - 1 in 200 catastrophe event	-3%	-2%
Interest rate - yield curve down 50 bps	-12%	-11%
Credit spreads widen 100 bps	-4%	-4%
Currency - 25% movement in euro and US dollar	-3%	-3%
ASHE - long term inflation assumption up 0.5%	-4%	-4%

Investments and cash
Admiral's investment strategy was unchanged in H1 2018 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 2016	30 June 2017	30 June 2018	31 Dec 2017
Fixed income and debt securities	1,483.3	1,496.4	1,542.5	1,493.5
Money market funds and other fair value instruments	693.4	968.8	1,203.8	1,074.3
Cash deposits	178.7	130.0	130.0	130.0
Cash	295.4	348.6	309.5	326.8
Total	**2,650.8**	**2,943.8**	**3,185.8**	**3,024.6**

Investment return in the first half of 2018 was £17.2 million, a decrease of £6.1 million on H1 2017 (£23.3 million). The decrease primarily arises due to the first half of 2017 benefiting from £5.4 million relating to realised gains on the sale of investments held by the Group.

The underlying rate of return on the Group's cash and investments was 1.3% (H1 2017: 1.2%).

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 in the H1 Consolidated Income Statement is £34.8 million (H1 2017: £31.5 million), which equates to 16.5% (H1 2017: 16.3%) of profit before tax.

UK Exit from the European Union ('Brexit')
On 23 June 2016, the UK voted in a referendum to leave the EU. At the date of this report, the timetable for and details of the implementation of this decision remain unclear.

Brexit brings additional risks, particularly the possibility of a 'no deal' Brexit, to the Group including:

· potential for market volatility, particularly in interest and exchange rates
· the potential for the uncertainty or the emerging terms of exit regarding Brexit 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)
· potential changes to or withdrawal of the right of UK financial services firms to trade in Europe without the need for locally regulated entities ('passporting')
· potential changes to the rules relating to the free movement of people between the UK and EU member states

The Group does not currently foresee a material adverse impact on day to day operations (including customers or staff), whilst recognising that other issues may emerge over time.

During the first half of 2018 Admiral received approval for its applications to establish insurance and intermediary companies in Spain. From the start of 2019 Admiral's European insurance businesses will operate through these newly licensed entities. Work on establishing new licensed entities for the Group's European price comparison operations will be carried out in the second half of 2018 with an intention to commence trading in those entities at the start of 2019.

The cost of the restructuring activity is not expected to be material to the Group and no material impact on the Group's regulatory capital position is envisaged.

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 2017 Annual Report and Accounts, pages 33-37.

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)

	Note:	6 months ended: 30 June 2018 £m	30 June 2017 £m	Year ended: 31 December 2017 £m
Insurance premium revenue		1,002.6	796.6	1,729.9
Insurance premium ceded to reinsurers		(678.9)	(495.3)	(1,110.8)
Net insurance premium revenue	**5**	**323.7**	**301.3**	**619.1**
Other revenue	7	223.4	195.9	399.9
Profit commission	5	29.6	30.0	67.0
Interest income		5.1	0.1	1.6
Interest expense		(0.9)	-	(0.4)

Net interest income from loans		**4.2**	**0.1**	**1.2**
Investment return	6	17.2	23.3	41.7
Net revenue		**598.1**	**550.6**	**1,128.9**
Insurance claims and claims handling expenses		(717.5)	(612.7)	(1,308.8)
Insurance claims and claims handling expenses recoverable from reinsurers		537.3	447.8	961.7
Net insurance claims		**(180.2)**	**(164.9)**	**(347.1)**
Operating expenses and share scheme charges	8	(429.1)	(359.5)	(753.5)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	227.5	172.8	386.6
Net operating expenses and share scheme charges		**(201.6)**	**(186.7)**	**(366.9)**
Total expenses		**(381.8)**	**(351.6)**	**(714.0)**
Operating profit		**216.3**	**199.0**	**414.9**
Finance costs	6	(5.6)	(5.6)	(11.4)
Profit before tax		**210.7**	**193.4**	**403.5**
Taxation expense	9	(34.8)	(31.5)	(71.9)
Profit after tax		**175.9**	**161.9**	**331.6**
Profit after tax attributable to:				
Equity holders of the parent		177.2	163.2	334.2
Non-controlling interests		(1.3)	(1.3)	(2.6)
		175.9	**161.9**	**331.6**
Earnings per share:				
Basic	11	61.6p	57.3p	117.2p
Diluted	11	61.5p	57.2p	117.0p
Dividends declared and paid (total)	11	163.3	143.7	300.3
Dividends declared and paid (per share)	11	58.0p	51.5p	107.5p

Condensed consolidated statement of comprehensive income (unaudited)

	6 months ended: 30 June 2018 £m	30 June 2017 £m	Year ended: 31 December 2017 £m
Profit for the period	**175.9**	**161.9**	**331.6**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	(15.1)	17.5	12.4
Deferred tax charge in relation to movement in fair value reserve	0.4	(4.1)	(4.1)
Exchange differences on translation of foreign operations	(0.8)	(4.0)	(8.0)
Other comprehensive (expense)/income for the period, net of income tax	**(15.5)**	**9.4**	**0.3**
Total comprehensive income for the period	**160.4**	**171.3**	**331.9**
Total comprehensive income for the period attributable to:			
Equity holders of the parent	161.8	172.8	334.8
Non-controlling interests	(1.4)	(1.5)	(2.9)
	160.4	**171.3**	**331.9**

Condensed consolidated statement of financial position (unaudited)

		As at: 30 June 2018	30 June 2017	31 December 2017
	Note:	£m	£m	£m
ASSETS				
Property and equipment	10	28.1	31.4	31.3
Intangible assets	10	162.8	158.3	159.4
Deferred income tax	9	4.4	6.3	0.3
Reinsurance assets	5	1,608.5	1,460.9	1,637.6
Insurance and other receivables	6, 10	1,124.8	953.6	939.7
Loans and advances to customers	6, 10	214.2	11.4	66.2
Financial investments	6	2,876.3	2,595.2	2,697.8
Cash and cash equivalents	6	309.5	348.6	326.8
Total assets		**6,328.6**	**5,565.7**	**5,859.1**
EQUITY				
Share capital	11	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Fair value reserve		21.7	41.5	36.4
Foreign exchange reserve		15.3	19.9	16.0
Retained profit and loss		620.0	545.7	580.3
Total equity attributable to equity holders of the parent		**670.4**	**620.5**	**646.1**
Non-controlling interests		8.3	9.3	9.7
Total equity		**678.7**	**629.8**	**655.8**
LIABILITIES				
Insurance contracts	5	3,543.5	3,054.1	3,313.9
Subordinated and other financial liabilities	6	404.0	223.9	224.0
Trade and other payables	6, 10	1,664.0	1,635.9	1,641.6
Current tax liabilities		38.4	22.0	23.8
Total liabilities		**5,649.9**	**4,935.9**	**5,203.3**

Total equity and total liabilities **6,328.6** **5,565.75,859.1**

Condensed consolidated cash flow statement (unaudited)

	Note:	6 months ended: 30 June 2018 £m	30 June 2017 £m	Year ended: 31 December 2017 £m
Profit after tax		**175.9**	**161.9**	**331.6**
Adjustments for non-cash items:				
- Depreciation	10	6.1	5.0	10.1
- Amortisation of software	10	7.5	7.3	13.8
- Share scheme charges		21.9	18.7	35.6
- Investment return	6	(17.2)	(23.3)	(41.7)
- Finance costs	6	5.6	5.6	11.4
- Taxation expense	9	34.8	31.5	71.9
Change in gross insurance contract liabilities		229.6	304.6	564.4
Change in reinsurance assets		29.1	(334.5)	(511.2)
Change in insurance and other receivables		(188.1)	(168.7)	(154.3)
Change in loans and advances to customers		(148.0)	(9.1)	(63.9)
Change in trade and other payables, including tax and social security		22.4343.7		349.5
Cash flows from operating activities, before movements in investments		**179.6**	**342.7**	**617.2**
Purchases of financial instruments		(538.2)	(347.8)	(549.2)
Proceeds on disposal/ maturity of financial instruments		358.7	206.1	311.8
Interest and investment income received		4.0	4.6	8.0
Cash flows from operating activities, net of movements in investments		**4.1**	**205.6**	**387.8**
Taxation payments		(21.0)	(21.9)	(55.9)
Net cash flow from operating activities		**(16.9)**	**183.7**	**331.9**
Cash flows from investing activities:				
Purchases of property, equipment and software		(11.0)	(9.7)	(22.7)
Net cash used in investing activities		**(11.0)**	**(9.7)**	**(22.7)**
Cash flows from financing activities:				
Non-controlling interest capital contribution		-	-	1.8
Increase in financial liabilities		180.0	-	-
Finance costs paid		(6.1)	(5.6)	(11.2)
Repayment of finance lease liabilities		-	0.1	0.1
Equity dividends paid	11	(163.3)	(143.7)	(300.3)
Net cash used in financing activities		**10.6**	**(149.2)**	**(309.6)**
Net (decrease) / increase in cash and cash equivalents		**(17.3)**	**24.8**	**(0.4)**
Cash and cash equivalents at 1 January		326.8	326.6	326.6
Effects of changes in foreign exchange rates		-	(2.8)	0.6
Cash and cash equivalents at end of period	6	**309.5**	**348.6**	**326.8**

Condensed consolidated statement of changes in equity (unaudited)

Attributable to the owners of the company

	Share capital £m	Share Pre-mium account £m	Fair value reserve £m	Foreign Ex-change reserve £m	Retained profit and loss £m	**Total** £m	NCI*1 £m	**Total equity** £m
At 1 January 2017	0.3	13.1	28.1	23.7	505.7	**570.9**	10.8	**581.7**
Profit for the period	-	-	-	-	163.2	**163.2**	(1.3)	**161.9**
Other comprehensive income								
Movements in fair value reserve	-	-	17.5	-	-	**17.5**	-	**17.5**
Deferred tax charge in relation to movement in fair value reserve	-	-	(4.1)	-	-	**(4.1)**	-	**(4.1)**
Currency translation differences	-	-	-	(3.8)	-	**(3.8)**	(0.2)	**(4.0)**
Total comprehensive income for the period	-	-	**13.4**	**(3.8)**	**163.2**	**172.8**	**(1.5)**	**171.3**
Transactions with equity-holders								
Dividends	-	-	-	-	(143.7)	**(143.7)**	-	**(143.7)**
Share scheme credit	-	-	-	-	18.7	**18.7**	-	**18.7**
Deferred tax credit on share scheme credit	-	-	-	-	1.8	**1.8**	-	**1.8**
Total transactions with equity-holders	-	-	-	-	(123.2)	**(123.2)**	-	**(123.2)**
As at 30 June 2017	**0.3**	**13.1**	**41.5**	**19.9**	**545.7**	**620.5**	**9.3**	**629.8**

At 1 January 2017	0.3	13.1	28.1	23.7	505.7	**570.9**	10.8	**581.7**
Profit for the period	-	-	-	-	334.2	**334.2**	(2.6)	**331.6**
Other comprehensive income								
Movements in fair value reserve	-	-	12.4	-	-	**12.4**	-	**12.4**
Deferred tax charge in relation to movement in fair value reserve	-	-	(4.1)	-	-	**(4.1)**	-	**(4.1)**
Currency translation differences	-	-	-	(7.7)	-	**(7.7)**	(0.3)	**(8.0)**
Total comprehensive income for the period	-	-	**8.3**	**(7.7)**	**334.2**	**334.8**	**(2.9)**	**331.9**
Transactions with equity-holders								
Dividends	-	-	-	-	(300.3)	**(300.3)**	-	**(300.3)**
Share scheme credit	-	-	-	-	37.9	**37.9**	-	**37.9**

Deferred tax credit on share scheme credit	-	-	-	-	2.8	**2.8**	-	**2.8**
Contributions by NCIs	-	-	-	-	-	-	1.8	**1.8**
Total transactions with equity-holders	-	-	-	-	(259.6)	**(259.6)**	1.8	**(257.8)**
As at 31 December 2017	**0.3**	**13.1**	**36.4**	**16.0**	**580.3**	**646.1**	**9.7**	**655.8**

Attributable to the owners of the company

	Share capital	Share premium account	Fair value reserve	Foreign exchange reserve	Retained profit and loss	**Total**	NCI*1	**Total equity**
	£m	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 January 2018	0.3	13.1	36.4	16.0	580.3	**646.1**	9.7	**655.8**
Profit 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**
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**

[*1] Non-controlling interests

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc (the "Company") is a company incorporated in the United Kingdom and registered in England and Wales. Its registered office is at Ty 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 2018 and the comparative periods for the six-months ended 30 June 2017 and the year ended 31 December 2017. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, unless otherwise stated.

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 2017, 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 2017 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 2017, other than for the adoption of new standards as outlined below.

A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2018 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 99 of the Group's 2017 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 2017 Annual Report. An update to the Group's principal risks and uncertainties since the 2017 year end is included in the review preceding these financial statements. In addition, the Governance Report in the 2017 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

On 1 January 2018, new standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" became effective and were adopted by the Group. The impact of the transition to these new standards is provided below.

IFRS 9

During the year the Group has applied IFRS 9 *Financial Instruments* with a date of initial application of 1 January 2018, which resulted in changes in accounting policies and the potential for adjustments to the amounts previously recognised in the financial statements in respect of financial instruments.

As permitted by the transitional provisions of IFRS 9 the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition would be recognised in the opening retained earnings and other reserves of the current period. There were no material impacts of transition and as a result no adjustments have been made to comparative figures.

The adoption of IFRS 9 has resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the period (as well as previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 6.

a) Impact of transition

On transition to IFRS 9, the Group have not identified any material adjustments. As a result, no restatement or reconciliation has been provided between the opening balances under IAS 39 and IFRS 9.

b) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are as follows:

	IAS 39		**IFRS 9**	
Financial Assets	**Measurement Category**	**Carrying Amount (£m)**	**Measurement Category (£m)**	**Carrying Amount (£m)**
Government gilts	Available for sale (FVOCI)	173.8	FVOCI	173.8
Debt securities	Available for sale (FVOCI)	1,319.7	FVOCI	1,319.7
Deposits with credit institutions	Loans and receivables (Amortised cost)	130.0	Amortised cost	130.0
Money-market funds	FVTPL	1,071.9	FVTPL (mandatory)	1,071.9
Equity instruments	FVTPL	2.6	FVOCI	2.6
Cash and cash equivalents	Loans and receivables (Amortised cost)	326.8	Amortised cost	326.8
Trade and other receivables	Loans and receivables (Amortised cost)	202.1	Amortised cost	202.1
Derivative financial instruments	FVTPL	2.4	FVTPL	2.4
Insurance receivables	Loans and receivables (Amortised cost)	737.6	Amortised cost	737.6
Loans and advances to customers	Loans and receivables (Amortised cost)	66.2	Amortised cost	66.2

It can be seen from the above that there is no material difference in the carrying amount of financial instruments under IAS 39 and IFRS 9. The classification and measurement of all financial assets has also remained consistent other than equity investments which have been elected to be treated as FVOCI as permitted under IFRS 9. There is no material impact to the income statement as a result.

There were no changes to the classification and measurement of financial liabilities. Financial liabilities consist of subordinated notes, trade and other payables and a credit facility of £200m of which £200m was drawn down as at 30 June 2018 (31 December 2017: £200m of which £20m was drawn down). These are measured at amortised cost under IAS 39 and this has not changed under IFRS 9.

IFRS 15

During the year the Group has applied IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has opted to apply IFRS 15 retrospectively using the cumulative effect method i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. No material differences in the accounting treatment between these standards have been identified.

The Group has not identified any material impact on the consolidated financial statements for the year ending 31 December 2018 as a result of adopting IFRS 15 and therefore no transition adjustment is presented.

3. Critical accounting judgements and estimates

The Group's 2017 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, Price Comparison and Other, as set out on page 102 of the Group's 2017 Annual Report.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2018, by reportable segment, are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2017 Group financial statements.

	UK Insurance	International Car Insurance	Price Comparison	Other	Eliminations[*2]	**30 June 2018** Segment total
	£m	£m	£m	£m	£m	£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, profit commission and net interest income on loans	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)
Interest and investment 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 note 12 for further information.

[*2] Eliminations are in respect of the intra-group trading between the Group's Price Comparison and UK and International Car Insurance entities, and intra-group interest between the UK Insurance and Other segments.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2017 are shown below.

	UK Insurance	International Car Insurance	Price Comparison	Other	Eliminations[*2]	**Re-presented 30 June 2017** Segment total
	£m	£m	£m	£m	£m	£m
Turnover[*1]	1,144.1	221.9	72.5	7.2	(10.5)	1,435.2
Net insurance premium revenue	241.0	60.3	-	-	-	301.3
Other revenue, profit commission and net interest income on loans	148.7	8.1	72.5	7.2	(10.5)	226.0
Investment return	15.8	0.2	-	-	-	16.0
Net Revenue	405.5	68.6	72.5	7.2	(10.5)	543.3
Net insurance claims	(116.5)	(48.4)	-	-	-	(164.9)
Expenses	(62.8)	(30.3)	(70.1)	(6.5)	10.5	(159.2)
Segment profit/ (loss) before tax	**226.2**	**(10.1)**	**2.4**	**0.7**	-	**219.2**

Other central revenue and expenses, including share scheme charges	(27.5)
Interest and investment income	7.3
Finance costs	(5.6)
Consolidated profit before tax	**193.4**
Taxation expense	(31.5)
Consolidated profit after tax	**161.9**

Revenue and results for the corresponding reportable segments for the year ended 31 December 2017 are shown below.

	UK Insurance	International Car Insurance	Price Comparison	Other	Eliminations[*2]	**Re-presented 31 December 2017** Segment total
	£m	£m	£m	£m	£m	£m
Turnover[*1]	2,354.0	449.8	143.6	10.8	(19.8)	2,938.4
Net insurance premium revenue	491.6	127.5	-	-	-	619.1
Other revenue, profit commission and net interest income on loans	316.8	16.7	143.6	10.8	(19.8)	468.1
Investment return	32.6	0.6	-	-	-	33.2
Net Revenue	841.0	144.8	143.6	10.8	(19.8)	1,120.4
Net insurance claims	(250.1)	(97.0)	-	-	-	(347.1)
Expenses	(124.3)	(62.1)	(138.2)	(8.4)	19.8	(313.2)
Segment profit/ (loss) before tax	**466.6**	**(14.3)**	**5.4**	**2.4**	-	**460.1**

Other central revenue and expenses, including share scheme charges	(53.7)
Interest and investment income	8.5
Finance costs	(11.4)
Consolidated profit before tax	**403.5**
Taxation expense	(71.9)
Consolidated profit after tax	**331.6**

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 Price Comparison revenues from transactions with other reportable segments is £10.5 million (H1 2017: £10.5 million, FY 2017: £19.8 million) which has been eliminated on consolidation. 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 three International Price Comparison businesses; Rastreator, LeLynx and compare.com 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 2018 £m	30 June 2017 £m	31 December 2017 £m
Total insurance premiums including co-insurance	1,401.1	1,219.8	2,499.4
Group gross written premiums	1,085.7	928.7	1,927.7
Outwards reinsurance premiums	(733.4)	(627.0)	(1,299.7)
Net insurance premiums written	352.3	301.7	628.0
Change in gross unearned premium provision	(83.1)	(132.1)	(197.8)
Change in reinsurers' share of unearned premium provision			
	54.5	131.7	188.9
Net insurance premium revenue	**323.7**	**301.3**	**619.1**

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

5b. Profit commission

UK Car Insurance:	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Underwriting year:			
2013 & prior	13.8	28.8	64.7
2014	-	-	-
2015	5.9	-	-
2016	11.1	-	-
2017	-	-	-
2018	-	-	-
Total UK motor profit commission	**30.8**	**28.8**	**64.7**
Total UK household profit commission	**(1.2)**	**1.2**	**2.3**
Total profit commission	**29.6**	**30.0**	**67.0**

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Gross:			
Claims outstanding*1	2,556.1	2,202.3	2,403.2
Unearned premium provision	987.4	851.8	910.7
Total gross insurance liabilities	**3,543.5**	**3,054.1**	**3,313.9**
Recoverable from reinsurers:			
Claims outstanding	950.0	905.2	1,028.8
Unearned premium provision	658.5	555.7	608.8
Total reinsurers' share of insurance liabilities			
	1,608.5	**1,460.9**	**1,637.6**
Net:			
Claims outstanding*2	1,606.1	1,297.1	1,374.4
Unearned premium provision	328.9	296.1	301.9
Total insurance liabilities - net	**1,935.0**	**1,593.2**	**1,676.3**

[*1] Gross claims outstanding at 30 June 2018 is presented before the deduction of salvage and subrogation recoveries totalling £50.9 million (30 June 2017: £43.5 million, 31 December 2017: £42.7 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 (iii) 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 2018 £m	30 June 2017 £m	31 December 2017 £m
Underwriting year:			
2013 & prior	25.6	68.1	132.8
2014	12.8	17.0	25.5
2015	35.8	9.8	32.0
2016	42.1	7.4	23.7
2017	24.0	-	-
Total gross release (UK Motor Insurance)	**140.3**	**102.3**	**214.0**
Total gross release (UK Household Insurance)	4.1	-	1.6
Total gross release (International Car Insurance)	16.3	11.7	23.2
Total gross release	**160.7**	**114.0**	**238.8**

	30 June 2018	30 June 2017	31 December 2017

Net	£m	£m	£m
Underwriting year:			
2013 & prior	25.6	68.1	132.8
2014	12.8	17.0	25.5
2015	27.3	4.1	(2.4)
2016	18.6	3.1	10.0
2017	7.5	-	-
Total net release (UK Motor Insurance)	**91.8**	**92.3**	**165.9**
Total net release (UK Household Insurance)	1.2	-	0.5
Total net release (International Car Insurance)	6.0	5.2	9.5
Total net release	**99.0**	**97.5**	**175.9**
Releases on Admiral's original net share	63.8	50.1	102.1
Releases on commuted quota share reinsurance contracts	35.2	47.4	73.8
Total net release (UK Insurance) as above	**99.0**	**97.5**	**175.9**

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

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Underwriting year:			
2013 & prior	14.2	37.5	74.7
2014	7.5	9.9	14.9
2015	12.4	-	(15.8)
2016	1.1	-	-
Total releases on commuted quota share reinsurance contracts	**35.2**	**47.4**	**73.8**

UK Car Insurance loss ratio development is as follows:

	31 December:					**30 June**
UK Car Insurance loss ratio development	2013	2014	2015	2016	2017	**2018**
Underwriting year (UK car only)						
2014	-	92%	89%	84%	81%	**79%**
2015	-	-	87%	87%	83%	**79%**
2016	-	-	-	88%	84%	**80%**
2017	-	-	-	-	87%	**83%**
2018	-	-	-	-	-	**92%**

(iii) Reconciliation of movement in claims provision:

30 June 2018	Gross £m	Reinsurance £m	Net £m
Claims provision at 1 January 2018	**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 30 June 2018	**2,556.1**	**(950.0)**	**1,606.1**

30 June 2017	Gross £m	Reinsurance £m	Net £m
Claims provision at 1 January 2017	**2,030.8**	**(701.6)**	**1,329.2**
Claims incurred (excluding releases)	709.3	(452.3)	257.0
Reserve releases	(114.0)	16.5	(97.5)
Movement in claims provision due to commutation	-	-	-
Claims paid and other movements	(423.8)	232.2	(191.6)
Claims provision at 30 June 2017	**2,202.3**	**(905.2)**	**1,297.1**

31 December 2017	Gross £m	Reinsurance £m	Net £m
Claims provision at 1 January 2017	**2,030.8**	**(701.6)**	**1,329.2**
Claims incurred (excluding releases)	1,512.1	(1,000.2)	511.9
Reserve releases	(238.8)	62.9	(175.9)
Movement in claims provision due to commutation	-	109.1	109.1
Claims paid and other movements	(900.9)	501.0	(399.9)
Claims provision at 31 December 2017	**2,403.2**	**(1,028.8)**	**1,374.4**

i. Reconciliation of movement in net unearned premium provision:

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision 1 January 2018	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 30 June 2018	**987.4**	**(658.5)**	**328.9**

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision 1 January 2017	718.7	(424.8)	293.9

Written in the period	928.7	(627.0)	301.7
Earned in the period	(795.6)	496.1	(299.5)
Unearned premium provision at 30 June 2017	**851.8**	**(555.7)**	**296.1**

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision 1 January 2017	718.7	(424.8)	293.9
Written in the period	1,927.7	(1,299.7)	628.0
Earned in the period	(1,735.7)	1,115.7	(620.0)
Unearned premium provision at 31 December 2017	**910.7**	**(608.8)**	**301.9**

6. Investments

Accounting policies under IFRS 9

Initial recognition and measurement

At initial recognition, the Group measures financial assets and liabilities at fair value plus or minus, in the case of financial instruments not measured at fair value through profit and loss, directly attributable transaction costs. Transaction costs of financial instruments measured at fair value through profit and loss are expensed to the profit and loss when incurred.

An expected credit loss allowance is then recognised for assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income.

Financial assets

i. Classification and subsequent measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

(a) the Group's business model for managing the financial assets and

(a) the contractual cash flow characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

· Amortised cost - assets which are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

The carrying amount is adjusted by the expected credit loss allowance. Interest income from these assets is included in 'Interest return' using the effective interest rate method. For the Group these include deposits with credit institutions, cash and cash equivalents, insurance receivables, trade and other receivables and loans and advances to customers.

· Fair value through other comprehensive income (FVOCI) - assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

Movements in the carrying amount are taken through OCI, with the exception of recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss. For the Group these assets include government gilts and debt securities. In addition, IFRS 9 allows an irrevocable election at initial recognition to designate equity investments at FVOCI that otherwise would be held at FVTPL, provided these are not held for trading. The Group has made this election for certain equity investments.

· Fair value through profit or loss (FVTPL) - assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL. For the Group these assets include investment liquidity funds investing in short duration assets and derivative financial instruments.

A gain or loss on a debt instrument measured at FVTPL which is not part of a hedging relationship is recognised in profit or loss and presented within 'Investment return' in the period in which it arises.

i. Impairment

Loans and advances to customers

IFRS 9 outlines an expected credit loss model for impairments, which replaces the incurred loss model under IAS 39. The expected credit loss model is a three stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using a probability of default (PD), exposure at default (EAD) and loss given default (LGD). The three stages of the model are defined as follows:

- Stage 1 - no significant increase in credit risk of the financial asset since inception;
- Stage 2 - significant increase in credit risk of the financial asset since inception;
- Stage 3 - financial asset is credit impaired.

For instruments in stage 1, the allowance is calculated as the expected credit losses that result from default events possible within 12 months after the reporting date. For instruments in stages 2 and 3 the allowance is calculated as the expected credit loss on a lifetime basis.

Significant increase in credit risk

A significant increase in credit risk is deemed to have occurred where:

- The loan is 1 to 3 loan payments in arrears, excluding those 1- 5 days in arrears;
- Two or more payments are overdue elsewhere, other than within the Admiral loans business;
- The loan is up to date but has cured during the last 3 months, after being in arrears for at least 6 days.

The Group does not intend to rebut the presumption within IFRS 9 that loans which are 30 days past due have experienced a significant increase in credit risk.

A loan is deemed to be credit impaired where 4 or more payments have been missed, or where there is a confirmed IVA agreement or debt collection agency instruction. The Group do not intend to rebut the presumption within IFRS 9 that default has occurred when an exposure is greater than 90 days past due.

Write-off policy

Loans are written off where there is no reasonable expectation of recovery. The Group's policy is to write off all default balances which are 6 or more payments overdue to their net realisable value, defined by expected recovery. Individual cases such as recovery through an IVA will be considered separately.

Expected credit loss models

The expected credit loss is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

· Probability of Default (PD): The likelihood of an account default.

· Exposure at Default (EAD): The amount of balance at the time of default.

· Loss Given Default (LGD): The amount of the asset lost if a borrower defaults.

Forward-looking information

The ECL calculation relies heavily on forward-looking information. In order to stress the underlying assumptions in the calculation, scenarios have been produced to include a 'Base Case', a 'Downturn' and an 'Upturn' scenario which will be assessed every six months.

Other assets

Under IFRS 9 the ECL model is applied to all assets measured at amortised cost, as well as debt instruments measured at FVOCI.

Government gilts and debt securities are measured at FVOCI and as such fall under the scope of the ECL model.

The fair value of the gilts and debt securities is calculated with reference to quoted market valuations and as such take into account future expected credit losses. As a result, no material impairment provision is required.

The Group's deposits with credit institutions are held with well rated institutions. As such, the fair value approximates to the book value of the investment based on the interest rates of the instruments, credit risk movements and durations of the assets. There is no history of significant impairment losses arising. The amortised cost carrying amount of receivables is therefore a reasonable approximation of fair value and no further material impairment provision has been recognised.

Trade and other receivables are measured at amortised cost, being made up of multiple types of receivable. Where a provision is required for these receivables, it is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. In this case, the provision is based on historic experience of write-offs for each receivable, which are not material.

Insurance receivables are also measured at amortised cost. Given the short-term duration of these assets no significant impairment provision has been recognised.

i. De-recognition

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

i. Cash and cash equivalents

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. All cash and cash equivalents are measured at amortised cost.

Financial Liabilities

i. Classification and subsequent measurement

Subsequent measurement of financial liabilities is at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement.

i. De-recognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

6a. Investment return

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Investment return:			
On assets classified as FVTPL	1.8	0.9	1.9
On debt securities classified as FVOCI	13.0	13.4	27.9
On deposits with credit institutions	1.3	1.9	3.4
On government gilt assets	2.0	2.6	4.6
Net realised gains:			
Realised gains on sale of gilt assets	-	5.4	5.4
Net unrealised gains/(losses):			
Unrealised losses on forward contracts	(1.4)	(1.1)	(2.3)
Interest receivable on cash and cash equivalents	0.5	0.2	0.8
Total investment return*1	**17.2**	**23.3**	**41.7**

[*1] Total investment return excludes £0.3 million of intra-group interest (30 June 2017: nil, 31 December 2017: nil)

6b. Finance costs

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Interest payable on subordinated loan notes	5.6	5.6	11.4
Total finance costs	**5.6**	**5.6**	**11.4**

6c. Financial assets and liabilities

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

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Financial investments mandatorily measured at FVTPL			
Money market funds	1,200.4	965.2	1,069.3
Derivative financial instruments	0.9	3.6	2.4
Financial investments classified as FVOCI			
Government gilts	170.9	174.6	173.8
Debt securities	1,371.6	1,321.8	1,319.7
Equity investments	2.5	-	2.6
Financial investments measured at amortised cost			
Deposits with credit institutions	130.0	130.0	130.0
Total financial investments	**2,876.3**	**2,595.2**	**2,697.8**
Other financial assets measured at amortised cost			
Cash and cash equivalents	309.5	348.6	326.8
Insurance receivables	865.6	740.7	737.6
Trade and other receivables	259.2	212.9	202.1
Loans and advances to customers	214.2	11.4	66.2
Total financial assets	**4,524.8**	**3,908.8**	**4,030.5**

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Financial liabilities:			
Subordinated notes	204.0	203.9	204.0

Other borrowings	200.0	20.0	20.0
Trade and other payables	1,664.0	1,635.9	1,641.6
Total financial liabilities	**2,068.0**	**1,859.8**	**1,865.6**

All investments held at fair value at the end of the period are invested in 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 2018.

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 £130.0 million (2017: £130.0 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 2018 is £219.3 million (H1 2017: £223.4 million, FY 2017: £229.2 million).

6d. Cash and cash equivalents

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Cash at bank and in hand	308.9	348.6	325.3
Short-term deposits	0.6	-	1.5
Total cash and cash equivalents	**309.5**	**348.6**	**326.8**

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.

7. Other revenue

The Group has applied IFRS 15 using the cumulative effect method therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. No material differences in the accounting treatment between these standards has been identified.

7a. Accounting policy

Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of the amount charged.

Commission from the provision of insurance intermediary services is credited to revenue on the sale of the underlying insurance policy.

There has been no change in revenue recognition from the comparative period, as revenue recognition was in line with the requirements of IFRS 15.

7b. Nature of goods and services

The following is a description of the principle activities within the scope of IFRS 15 from which the Group generates its other revenue.

Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Profit commission from co-insurers	The performance obligation is the provision of insurance intermediary services. Profit commission revenue is calculated as a proportion of the ultimate profitability of individual underwriting years. Uncertainty over the ultimate profitability of an underwriting year results in the recognition of profit commission revenue being constrained through the use of margin for uncertainty within the calculation of underwriting year profit. This ensures that at any point in time, in line with the requirements of IFRS 15, there is a high probability that there will be no significant reversal of revenue in any financial period. Further detail on the recognition of profit commission is included in note 5.
Price Comparison	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time.
Commission on underlying products	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time. Payment of the commission is due within 30 days of the period close.
Administration fees	The performance obligation is the change requested being made to the underlying policy, at which point the performance obligation is met. Revenue is therefore recognised at a point in time and is collected immediately or in line with direct debit instalments.
Revenue from law firms	The performance obligation is the pursuit of the compensation from the other side's insurer (OSI) on behalf of the customer. Revenue is therefore recognised over time using inputs and the expected value method. Inputs including hours incurred and a 12 month realisable rate are used to calculate the expected value of revenue. Payment is due within 28 days of invoice.

7c. Disaggregation of revenue

In the following tables, other revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £253.0 million (H1 2017: £225.9 million, FY 2017: £466.9 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

30 June 2018	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Major products					
Price 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**

30 June 2017	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Major products					
Price Comparison*1	-	-	62.0	-	62.0
Instalment income	22.5	1.3	-	-	23.8
Fee and commission revenue	77.2	6.8	-	-	84.0
Revenue from law firms	14.4	-	-	-	14.4
Other	4.6	-	-	7.1	11.7
Total other revenue	**118.7**	**8.1**	**62.0**	**7.1**	**195.9**
Profit commission	30.0	-	-	-	30.0
Total other revenue and profit commission	**148.7**	**8.1**	**62.0**	**7.1**	**225.9**

Timing of revenue recognition

Point in time	109.1	6.8	62.0	7.1	185.0
Over time	15.9	-	-	-	15.9
Revenue outside the scope of IFRS 15	23.7	1.3	-	-	25.0
	148.7	**8.1**	**62.0**	**7.1**	**225.9**

	31 December 2017				
	UK Insurance	International Car Insurance	Price Comparison	Other	Total
	£m	£m	£m	£m	£m
Major products					
Price Comparison*1	-	-	123.8	-	123.8
Instalment income	56.6	2.6	-	-	59.2
Fee and commission revenue	156.2	14.1	-	-	170.3
Revenue from law firms	28.8	-	-	-	28.8
Other	8.2	-	-	9.6	17.8
Total other revenue	**249.8**	**16.7**	**123.8**	**9.6**	**399.9**
Profit commission	67.0	-	-	-	67.0
Total other revenue and profit commission	**316.8**	**16.7**	**123.8**	**9.6**	**466.9**
Timing of revenue recognition					
Point in time	226.1	14.1	123.8	9.6	373.6
Over time	31.8	-	-	-	31.8
Revenue outside the scope of IFRS 15	58.9	2.6	-	-	61.5
	316.8	**16.7**	**123.8**	**9.6**	**466.9**

[*1] Price comparison revenue excludes £10.5 million (30 June 2017: £10.5 million, 31 December 2017: £19.8 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.

8. Expenses

8a. Operating expenses and share scheme charges

	30 June 2018		
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£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**

	30 June 2017		
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	72.5	(58.6)	13.9
Administration and other marketing costs (insurance contracts)	143.2	(103.9)	39.3
Insurance contract expenses	**215.7**	**(162.5)**	**53.2**
Administration and other marketing costs (other)	116.4	-	116.4
Share scheme charges	27.4	(10.3)	17.1
Total expenses and share scheme charges	**359.5**	**(172.8)**	**186.7**

	31 December 2017		
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts*1	122.0	(93.3)	28.7
Administration and other marketing costs (insurance contracts)	353.5	(274.5)	79.0
Insurance contract expenses	**475.5**	**(367.8)**	**107.7**
Administration and other marketing costs (other)	223.6	-	223.6
Share scheme charges	54.4	(18.8)	35.6
Total expenses and share scheme charges	**753.5**	**(386.6)**	**366.9**

[*1] Acquisition of insurance contracts expense excludes £10.5 million (H1 2017: £10.5 million, FY 2017: £19.8 million) of price comparison fees from other Group companies.

The £43.2 million (H1 2017: £39.3 million, FY 2017: £79.0 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 2018 £m	30 June 2017 £m	31 December 2017 £m
Expenses relating to additional products and services	32.1	29.4	58.9
Price Comparison operating expenses	74.0	70.1	138.2
Loans operating expenses	10.3	1.7	5.6
Other expenses	7.3	15.2	20.9
Total	**123.7**	**116.4**	**223.6**

Refer to note 12 for a reconciliation between insurance contract expenses and the reported expense ratio.

8b. Staff share schemes

Analysis of share scheme costs (per income statement):

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Share Incentive Plan (SIP) charge	5.9	5.6	6.7

Discretionary Free Share Scheme (DFSS) charge

	16.0	11.5	28.9
Total share scheme charges	**21.9**	**17.1**	**35.6**

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in the gross credit to reserves reported in the consolidated statement of changes in equity (H1 2018: £24.9 million, H1 2017: £18.7 million, FY 2017: £37.9 million).

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.

9. Taxation

9a. Taxation

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
UK corporation tax			
Current charge at 19.00% (2017: 19.25%)	37.2	31.6	68.8
(Over)/under provision relating to prior periods	0.4	-	(3.7)
Current tax charge	37.6	31.6	65.1
Deferred tax			
Current period deferred taxation movement	(2.8)	(0.1)	3.1
Under provision relating to prior periods	-	-	3.7
Total tax charge per income statement	**34.8**	**31.5**	**71.9**

Factors affecting the total tax charge are:

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Profit before taxation	210.7	193.4	403.5
Corporation tax thereon at 19.0% (2017: 19.25%)	40.0	37.2	77.7
Expenses and provisions not deductible for tax purposes	-	0.5	0.9
Non-taxable income	(2.7)	(2.8)	(5.7)
Impact of change in UK tax rate on deferred tax balances	(0.6)	-	0.3
Adjustments relating to prior periods	0.4	-	(0.8)
Impact of different overseas tax rates	(4.1)	(5.9)	(5.7)
Unrecognised deferred tax	1.9	3.5	5.2
Other differences	(0.1)	(1.0)	-
Tax charge for the period as above	**34.8**	**31.5**	**71.9**

9b. Deferred income tax asset

Analysis of deferred tax asset	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Other differences £m	Total £m
Balance brought forward at 1 January 2017	5.7	(2.4)	4.9	0.2	8.4
Tax treatment of share scheme charges through income or expense	1.5	-	-	-	1.5
Tax treatment of share scheme charges through reserves	1.9	-	-	-	1.9
Capital allowances	-	(1.7)	-	-	(1.7)
Carried forward losses	-	-	-	-	-
Other difference	-	-	-	(3.8)	(3.8)
Balance carried forward 30 June 2017	**9.1**	**(4.1)**	**4.9**	**(3.6)**	**6.3**
Balance brought forward at 1 January 2017	5.7	(2.4)	4.9	0.2	8.4
Tax treatment of share scheme charges through income or expense	(2.4)	-	-	-	(2.4)
Tax treatment of share scheme charges through reserves	2.8	-	-	-	2.8
Capital allowances	-	(2.1)	-	-	(2.1)
Carried forward losses	-	-	(2.0)	-	(2.0)
Movement in fair value reserve	-	-	-	(4.1)	(4.1)
Other difference	-	-	-	(0.3)	(0.3)
Balance carried forward 31 December 2017	**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
Carried forward losses	-	-	-	-	-
Other difference	-	-	-	(0.1)	(0.1)
Balance carried forward 30 June 2018	**10.2**	**(4.4)**	**2.9**	**(4.3)**	**4.4**

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The average effective rate of tax for 2018 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 2018 has been calculated based on the rate at which each timing difference is most likely to reverse.

The deferred tax asset relating to carried forward losses of £2.9 million relates to losses incurred in the Group's US Price Comparison business compare.com, and is calculated at the local US rate of tax (21%). The recognised asset has been limited to the amount supported by forecast cash flows over the next five

years. The forecasts and underlying assumptions have been reviewed and approved by the Board. In addition, the forecasts have been stressed for both revenue and profit reductions and the asset remains recoverable under the stressed scenarios.

At 30 June 2018 the Group had unused tax losses amounting to £173.7 million (H1 2017: £152.6 million, FY 2017: £166.1 million), relating to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognised.

10. Other assets and other liabilities

10a. Property and equipment

	Leasehold improvements	Computer equipment	Office equipment	Furniture and fittings	Total

	£m	£m	£m	£m	£m
Cost					
At 1 January 2017	27.6	52.1	17.0	9.4	106.1
Additions	1.0	2.0	1.5	0.2	4.7
Disposals	(0.2)	-	-	-	(0.2)
Foreign exchange movement	-	(0.1)	0.1	-	-
At 30 June 2017	28.4	54.0	18.6	9.6	110.6
Depreciation					
At 1 January 2017	12.4	40.5	14.1	7.1	74.1
Charge for the year	1.3	2.5	0.5	0.7	5.0
Disposals	-	-	-	-	-
Foreign exchange movement	-	-	0.1	-	0.1
At 30 June 2017	13.7	43.0	14.7	7.8	79.2
Net book amount					
At 30 June 2017	**14.7**	**11.0**	**3.9**	**1.8**	**31.4**
Cost					
At 1 January 2017	27.6	52.1	17.0	9.4	106.1
Additions	1.1	5.4	2.6	0.6	9.7
Disposals	-	(0.1)	-	(0.1)	(0.2)
Foreign exchange movement	-	(0.2)	0.1	(0.1)	(0.2)
At 31 December 2017	28.7	57.2	19.7	9.8	115.4
Depreciation					
At 1 January 2017	12.4	40.5	14.1	7.1	74.1
Charge for the year	2.5	5.6	1.0	1.0	10.1
Disposals	-	(0.1)	-	-	(0.1)
Foreign exchange movement	-	(0.1)	0.1	-	-
At 31 December 2017	14.9	45.9	15.2	8.1	84.1
Net book amount					
At 31 December 2017	**13.8**	**11.3**	**4.5**	**1.7**	**31.3**
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 30 June 2018	**12.3**	**10.3**	**4.2**	**1.3**	**28.1**

10b. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£m	£m	£m	£m
Carrying amount:				
At 1 January 2017	62.3	23.4	76.6	162.3
Additions	-	22.4	5.0	27.4
Amortisation charge	-	(24.5)	(7.3)	(31.8)
Disposals	-	-	-	-
Foreign exchange movement	-	(0.2)	0.6	0.4
At 30 June 2017	**62.3**	**21.1**	**74.9**	**158.3**
At 1 January 2017	62.3	23.4	76.6	162.3
Additions	-	46.0	13.0	59.0
Amortisation charge	-	(48.4)	(13.8)	(62.2)
Disposals	-	-	-	-
Foreign exchange movement	-	(0.4)	0.7	0.3
At 31 December 2017	**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**

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 2017 financial statements for further information.

10c. Insurance and other receivables

	30 June 2018	30 June 2017	31 December 2017
	£m	£m	£m
Insurance Receivables*1	865.6	740.7	737.6
Trade receivables	224.1	181.8	172.9
Contract assets	22.8	19.5	20.8
Prepayments and accrued income	12.3	11.6	8.4
Total insurance and other receivables	**1,124.8**	**953.6**	**939.7**

[*1] Insurance receivables at 30 June 2018 include £50.9 million in respect of salvage and subrogation recoveries (H1 2017: £43.5 million, FY 2017: £42.7 million).

The Group has taken the opportunity to re-present the analysis of insurance and other receivables in line with the adoption of IFRS 9, resulting in the separation of contract assets from trade receivables.

10d. Loans and advances to customers

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Loans and advances to customers	219.5	11.6	67.4
Provision on loans and advances to customers	(5.3)	(0.2)	(1.2)
Total loans and advances to customers	**214.2**	**11.4**	**66.2**

Loans and advances to customers relate to the Admiral Loans business.

10e. Trade and other payables

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Trade payables	34.3	24.4	39.8
Amounts owed to co-insurers	169.8	225.2	130.7
Amounts owed to reinsurers	967.5	958.6	1,026.8
Other taxation and social security liabilities	74.4	67.1	62.0
Other payables	198.6	176.6	140.9
Accruals and deferred income	219.4	184.0	241.4
Total trade and other payables	**1,664.0**	**1,635.9**	**1,641.6**

Of amounts owed to reinsurers, £873.7 million (H1 2017: £860.1 million, FY 2017: £938.4 million) is held under funds withheld arrangements.

11. Share capital

11a. Dividends

Dividends were declared and paid as follows.

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
March 2017 (51.5 pence per share, paid June 2017)	-	143.7	143.7
August 2017 (56.0 pence per share, paid October 2017)	-	-	156.6
March 2018 (58.0 pence per share, paid June 2018)	163.3	-	-
Total dividends	**163.3**	**143.7**	**300.3**

The dividend declared in March 2017 represented the final dividend paid in respect of the 2016 financial year (August 2017 - interim dividend for 2017). The dividend declared in March 2018 was the final dividend paid in respect of the 2017 financial year.

An interim dividend of 60.0 pence per share (£169 million) has been declared in respect of the 2018 financial year.

11b. Earnings per share

	30 June 2018	30 June 2017	31 December 2017
Profit for the period after taxation attributable to equity shareholders (£m)	177.2	163.2	334.2
Weighted average number of shares - basic	287,511,161	284,587,560	285,164,396
Unadjusted earnings per share - basic	**61.6p**	**57.3p**	**117.2p**
Weighted average number of shares - diluted	288,172,467	285,144,904	285,751,149
Unadjusted earnings per share - diluted	**61.5p**	**57.2p**	**117.0p**

The difference between the basic and diluted number of shares at the end the period (being 661,306; H1 2017: 557,344, FY 2017: 586,753) relates to awards committed, but not yet issued under the Group's share schemes.

11c. Share capital

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Authorised:			
500,000,000 ordinary shares of 0.1p	**0.5**	**0.5**	**0.5**
Issued, called up and fully paid:			
287,214,262 ordinary shares of 0.1p	-	-	0.3
284,782,447 ordinary shares of 0.1p	-	0.3	-
287,741,113 ordinary shares of 0.1p	0.3	-	-
	0.3	**0.3**	**0.3**

During the first half of 2018, 526,851 (30 June 2017: 430,177; 31 December 2017: 2,861,992) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

526,851 (30 June 2017: 430,177; 31 December 2017: 811,992) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme.

No shares (30 June 2017: nil; 31 December 2017: 2,050,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme.

11d. 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.

11e. 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 2017 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 2017 Annual Report.

12. Reconciliations

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

12a. Reconciliation of turnover to reported total premiums written and other revenue as per the financial statements

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Gross Premiums Written after co-insurance as per note 5a of financial statements	1,085.7	928.7	1,927.7
Premiums underwritten through co-insurance arrangements	315.4	291.1	571.7
Total Premiums Written before co-insurance arrangements per note 5a of financial statements	1,401.1	1,219.8	2,499.4
Other revenue	223.4	195.9	399.9
Interest Income- Admiral Loans	5.1	0.1	1.6
	1,629.6	1,415.8	2,900.9
Other[*1]	21.9	19.4	37.5
Turnover as per note 4 of financial statements	**1,651.5**	**1,435.2**	**2,938.4**
Intra-group income elimination[*2]	10.5	10.5	19.8
Total turnover	1,662.0	1,445.7	2,958.2

[*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 relates to price comparison income earned in the Group from other Group companies.

12b. Reconciliation of claims incurred to reported loss ratio, excluding releases on commuted reinsurance

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 (Home)	-	(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 earned premium	**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%	-	**83.3%**	87.0%	-	-	**83.8%**
Loss ratio - current period weather events	-	25.3%	-	**1.5%**	-	-	-	**1.1%**
Loss ratio - prior year release/strengthening (net original share)	(25.6%)	(8.4%)	-	**(22.7%)**	(9.1%)	-	-	**(19.7%)**
Loss ratio - reported	**60.3%**	**87.6%**	-	**62.1%**	**77.8%**	-	-	**65.2%**

June 2017	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	100.9	7.7	7.9	**116.5**	47.2	1.2	**48.4**	**164.9**
Deduct claims handling costs	(5.3)	(0.1)	-	**(5.4)**	-	-	**-**	**(5.4)**
Prior year release/strengthening - net original share	44.9	-	-	**44.9**	5.2	-	**5.2**	**50.1**
Prior year release/strengthening - commuted share	47.4	-	-	**47.4**	-	-	**-**	**47.4**
Impact of reinsurer caps	-	-	-	**-**	(2.0)	-	**(2.0)**	**(2.0)**
Impact of weather events (Home)	-	-	-	**-**	-	-	**-**	**-**
Attritional current period claims	**187.9**	**7.6**	**7.9**	**203.4**	**50.4**	**1.2**	**51.6**	**255.0**
Net earned premium	**214.7**	**11.0**	**15.3**	**241.0**	**58.2**	**2.1**	**60.3**	**301.3**
Loss ratio - current period attritional	87.5%	68.7%	-	**84.4%**	86.6%	-	-	**84.6%**
Loss ratio - current period weather events	-	-	-	**-**	-	-	-	**-**
Loss ratio - prior year release/strengthening (net original share)	(20.9%)	-	-	**(18.6%)**	(9.0%)	-	-	**(16.6%)**
Loss ratio - reported	**66.6%**	**68.7%**	-	**65.8%**	**77.6%**	-	-	**68.0%**

December 2017	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	214.2	17.4	18.5	**250.1**	94.1	2.9	**97.0**	**347.1**
Deduct claims handling costs	(10.7)	(0.4)	-	**(11.1)**	-	-	**-**	**(11.1)**
Prior year release/strengthening - net original share	92.1	0.5	-	**92.6**	9.5	-	**9.5**	**102.1**
Prior year release/strengthening - commuted share	73.8	-	-	**73.8**	-	-	**-**	**73.8**
Impact of reinsurer caps	-	-	-	**-**	(0.1)	-	**(0.1)**	**(0.1)**
Impact of weather events (Home)	-	-	-	**-**	-	-	**-**	**-**
Attritional current period claims	**369.4**	**17.5**	**18.5**	**405.4**	**103.5**	**2.9**	**106.4**	**511.8**
Net earned premium	**433.2**	**23.1**	**35.3**	**491.6**	**123.0**	**4.5**	**127.5**	**619.1**
Loss ratio - current period attritional	85.3%	75.6%	-	**82.5%**	84.2%	-	-	**82.7%**
Loss ratio - current period weather events	-	-	-	**-**	-	-	-	**-**
Loss ratio - prior year release/strengthening (net original share)	(21.2%)	(2.1%)	-	**(18.8%)**	(7.8%)	-	-	**(16.5%)**
Loss ratio - reported	**64.1%**	**73.5%**	-	**63.7%**	**76.4%**	-	-	**66.2%**

12c. Reconciliation of expenses related to insurance contracts to reported expense ratio

June 2018	UK Motor	UK Home	UK Other	**UK Total**	Int. Car	Int. Other	**Int. Total**	**Group**

	£m	£m	£m	**£m**	£m	£m	**£m**	**£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 earned premium	221.1	14.7	18.8	**254.6**	66.2	2.9	**69.1**	**323.7**
Expense ratio - reported	**17.9%**	**32.1%**	**-**	**18.0%**	**39.4%**	**-**	**37.8%**	**22.2%**

June 2017	UK Motor	UK Home	UK Other	**UK Total**	Int. Car	Int. Other	**Int. Total**	**Group**
	£m	£m	£m	**£m**	£m	£m	**£m**	**£m**
Net insurance expenses	23.8	3.6	0.6	**28.0**	24.2	1.0	**25.2**	**53.2**
Claims handling costs	5.3	0.1	**-**	**5.4**	**-**	**-**	**-**	**5.4**
Intra-group expenses elimination*1	6.3	0.3	**-**	**6.6**	3.9	**-**	**3.9**	**10.5**
Impact of reinsurer caps	**-**	**-**	**-**	**-**	(1.7)	**-**	**(1.7)**	**(1.7)**
Other adjustment*2	**-**	**-**	**-**	**-**	**-**	(1.0)	**(1.0)**	**(1.0)**
Adjusted net insurance expenses	**35.4**	**4.0**	**0.6**	**40.0**	**26.4**	**-**	**26.4**	**66.4**
Net earned premium	214.7	11.0	15.3	**241.0**	58.2	2.1	**60.3**	**301.3**
Expense ratio - reported	**16.5%**	**36.8%**	**-**	**16.6%**	**45.4%**	**-**	**43.8%**	**22.0%**

December 2017	UK Motor	UK Home	UK Other	**UK Total**	Int. Car	Int. Other	**Int. Total**	**Group**
	£m	£m	£m	**£m**	£m	£m	**£m**	**£m**
Net insurance expenses	47.8	5.8	1.7	**55.3**	50.8	1.6	**52.4**	**107.7**
Claims handling costs	10.7	0.4	**-**	**11.1**	**-**	**-**	**-**	**11.1**
Intra-group expenses elimination*1	11.8	0.7	**-**	**12.5**	7.3	**-**	**7.3**	**19.8**
Impact of reinsurer caps	**-**	**-**	**-**	**-**	(3.7)	**-**	**(3.7)**	**(3.7)**
Other adjustment*2	**-**	**-**	**-**	**-**	**-**	(1.6)	**(1.6)**	**(1.6)**
Adjusted net insurance expenses	**70.3**	**6.9**	**1.7**	**78.9**	**54.4**	**-**	**54.4**	**133.3**
Net earned premium	433.2	23.1	35.3	**491.6**	123.0	4.5	**127.5**	**619.1**
Expense ratio - reported	16.2%	30.0%		**16.1%**	44.2%		**42.6%**	**21.5%**

[*1] The intra-group expenses elimination amount relates to aggregator fees charged by the Group's price 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.

12d. Reconciliation of reported profit before tax to adjusted profit before tax

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Reported profit before tax per the condensed consolidated income statement	210.7	193.4	403.5
Non-controlling interest share of profit before tax	1.0	1.1	1.9
Group's share of profit before tax	**211.7**	**194.5**	**405.4**

13. Statutory information

The financial information set out above does not constitute the Company's statutory accounts. Statutory accounts for 2017 have been delivered to the registrar of companies, and those for 2018 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) and other revenue. It is reconciled to financial statement line items in note 12a 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 growth in this revenue. 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 premiums written within the Group, including co- insurance. It is reconciled to financial statement line items in note 12a 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 12d 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 12b to the accounts and explanation is as follows. UK reported car insurance loss ratio: Within the UK Insurance segment we 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 12c to the accounts and explanation is as follows. UK reported car expense ratio: Within the UK Insurance segment we 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 price 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 price 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 price 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 12b and 12c.
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 car, household, van and travel policyholders within the Group, combined with active loans customers. 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	The 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.
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, the most recent rate of minus 0.75% being announced on 27 February 2017.
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).
Ultimate loss ratio	A projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the latest policy term was 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
14 August 2018

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 2018 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 13. 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.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. As disclosed in note 1, 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 2018 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
14 August 2018