



Admiral Group plc results for the six months ended 30 June 2016

17 August 2016 6:00 AM BST

17 August 2016

H1 2016 Group Highlights

	H1 2016	H1 2015	% change
Group profit before tax ^{*1}	£193 million	£186 million	+4%
Earnings per share	55.9 pence	54.8 pence	+2%
Interim dividend	62.9 p/share	51.0 p/share	+23%
Return on equity	49%	50%	
Group turnover ^{*2}	£1.26 billion	£1.06 billion	+19%
Group customers	4.82 million	4.19 million	+15%
UK Car Insurance			
Turnover	£993 million	£858 million	+16%
Customers	3.52 million	3.18 million	+11%
International Car Insurance			
Turnover	£159 million	£110 million	+44%
Customers	757,900	631,700	+20%
Solvency ratio (post dividend)	180%	206% (FY 2015)	

David Stevens, Chief Executive Officer, commented:

"What a great time to take on the stewardship of Admiral. The last six months have shown the enduring, and indeed increasing, strength of the UK business and has seen a step change upwards in growth from our developing international businesses.

In the core UK car insurance business, we've benefitted from an increasingly rational motor market with evidence of a move towards a less violent cycle. Prices have been rising, and we've used this opportunity to grow our motor book strongly. Meanwhile, the growth of our household book continued apace, demonstrating our ability to expand successfully beyond our car insurance core in the UK.

Overseas, Elephant launched into two new states and our longer-established European insurance operations, collectively, moved tantalisingly close to profitability, while also accelerating the rate of growth and investing more in promoting our brands. All our price comparison businesses, including Confused, grew rapidly.

I'm very happy to be able to pick up where Henry left off, with yet another Admiral record for both turnover and profits."

[*1] Profit or loss figures represent Group's share of profit or loss before tax excluding minority interests. Statutory profit before tax increased 4% to £189.5 million (H1 2015: £181.7 million)

[*2] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurer's share) and Other revenue

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation, which commences at 9.00am on Wednesday 17 August 2016, by dialling +44 203 059 8125.

A copy of the presentation slides and webcast, along with a PDF version of this interim results announcement, will be available at www.admiralgroup.co.uk.

Group overview

The first half of 2016 has been a positive period for the Group with strong growth in turnover and customer numbers, both to record levels. Pre-tax profit also increased to a new record for a first half.

The Group's main UK Car Insurance business enjoyed favourable market conditions and delivered particularly positive results, seeing a 16% increase in turnover, a 217,000 increase in customer numbers and a record H1 result of £222.8 million. UK Household Insurance also recorded continued strong growth (reaching 382,000 customers), improved key metrics (including expense ratio) and another profitable half year.

Outside the UK, Admiral's International Insurance businesses grew turnover (44%) and customer numbers (13%) strongly and at faster rates than in recent periods. Encouraging progress was made in combined ratio terms, and although in aggregate the segment recorded losses of £12.9 million (up from £11.2 million) mainly as a result of the growth in the US and France, ConTe recorded another profitable six month period.

And finally in Price Comparison, results were also encouraging: Confused.com in the UK grew revenue and saw a significant increase in profit to £8.3 million from £4.8 million; the Group's European operations retained leadership positions in their respective markets; and continued encouraging progress in developing the panel of insurers and key metrics was made in the US at compare.com.

As a result of the positive performance and first half profit along with a strong solvency position, Admiral has also declared a record interim dividend of £174.7 million (62.9 pence per share), up from £140.2 million (51.0 pence per share) for H1 2015. The interim dividend includes £33 million (11.9 pence per share) of additional return of capital as a result of the strong solvency ratio.

As noted further into the report, the UK's decision to leave the EU (Brexit) resulted in market volatility which impacted the solvency ratio (which nonetheless remains strong at 180%, or 196% on a volatility adjusted basis). Brexit brings some additional risks to the Group which are discussed later in the report.

Business performance, along with further detail on Brexit and dividends is set out in the following sections.

Group key performance indicators

	H1 2014	H1 2015	H1 2016	FY 2015
Turnover ^{*1}	£1,037m	£1,058m	£1,261m	£2,119m
Net revenue	£445m	£448m	£512m	£905m
Number of customers	3.94m	4.19m	4.82m	4.43m
Loss ratio ^{*2, *3}	67.1%	60.8%	59.5%	65.1%
Expense ratio ^{*2, *3}	18.0%	21.9%	22.7%	20.5%
Combined ratio ^{*2, *3}	85.1%	82.7%	82.2%	85.6%
Profit before tax ^{*4}	£185m	£186m	£193m	£377m
Earnings per share	52.7p	54.8p	55.9p	107.3p
Dividend per share	49.4p	51.0p	62.9p	114.4p
Return on equity	54%	50%	49%	49%
Solvency ratio ^{*5}	-	-	180%	206%

[*1] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurer's share) and Other revenue, refer to Note 12a for reconciliation to income statement.

[*2] Loss ratios presented to exclude releases on business that was originally ceded under quota share reinsurance contracts. Result in H1 2016 including releases from commuted reinsurance contracts would have been a loss ratio of 54.5% and combined ratio of 77.2%.

[*3] Loss and expense ratios exclude the impact of reinsurer cap accruals, refer to Note 12b and 12c.

[*4] Profit before tax adjusted to exclude minority interests' share, refer to Note 12d for reconciliation to statutory profit.

[*5] Solvency ratio is estimated and unaudited and reflects the Solvency II position at the date of this report. H1 2016 solvency ratio on a volatility adjusted basis is 196%.

Earnings per share

Earnings per share increased by 2% to 55.9 pence (H1 2015: 54.8 pence). The increase is lower than the increase in pre-tax profit due to the higher effective tax rate.

Dividends

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 Group entered into the new Solvency II regime in January with surplus capital and is returning additional capital to shareholders in a phased manner, up to the first half of 2018. The current expectation is for the total additional return on capital to be in the region of £100 million - £150 million.

The Directors have declared a total interim dividend of 62.9 pence per share (£174.7 million), comprising three elements,

- 36.8 pence per share normal dividend;
- A special dividend of 14.2 pence per share; and

- A further additional return of capital of 11.9 pence per share, representing an element of surplus capital not required for solvency as noted above.

The normal and special elements total 51.0 pence per share, in line with the total interim dividend for 2015. The additional special element of 11.9 pence per (£33 million) is the second instalment of the additional returns of capital referred to above.

The total 2016 interim dividend is 23% ahead of the interim 2015 dividend.

The payment date is 7 October 2016, ex-dividend date 8 September 2016 and record date 9 September 2016.

Divisional Performance Highlights

- UK Car Insurance profit increased by 2% to £222.8 million (H1 2015: £219.2 million).
- International Car Insurance losses totalled £12.9 million (H1 2015: £11.2 million).
- Admiral Group's share of Price Comparison losses totalled £1.1 million (H1 2015: loss of £4.0 million) reflecting higher profit from Confused.com, offset by continued investment in compare.com.
- The net cost from Other Group Items, including employee share schemes and net debt financing charges, amounted to a cost of £15.6 million (H1 2015: £17.7 million).

In the six months to 30 June 2016 Admiral continued to grow its share of the UK private motor insurance market, resulting in a total customer base of 3.52 million (H1 2015: 3.18 million). During this period Admiral implemented a number of premium increases. The improvement in pre-tax profit was mainly due to an improved Combined Ratio of 72.0% (H1 2015: 73.1%) and higher reported investment income.

Admiral's International Car Insurance businesses also continued to grow, achieving an increase in turnover of 44% to £159.2 million (H1 2015: £110.3 million) and insuring 20% more vehicles at 30 June 2016 compared with a year earlier. As a result of this continued strong growth in the first half, development of the businesses produced losses of £12.9 million compared to £11.2 million in the first half of 2015 although the combined ratio improved to 131% at H1 2016 from 137% at H1 2015. The higher loss was mainly driven by the continuing investment in the Group's US insurance operation, Elephant. The overall international insurance loss equated to 7% of the Group's profit before tax for the period (H1 2015: 6%).

Admiral's Price Comparison businesses made a combined loss of £1.1 million (H1 2015: £4.0 million) excluding minority interests' share. This improvement was due to a significantly improved result from the Group's UK Price Comparison business, Confused.com. In International Price Comparison, the Group continued to invest in compare.com, the Group's US operation, which reported a loss of £10.1 million (H1 2015: £10.4 million) offsetting the profit from the Group's European Price Comparison operations.

Investments and Cash

Analysis of cash and investments:

	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Fixed income and debt securities	1,483.3	1,428.2	1,324.3
Money market funds	693.4	627.7	671.0
Cash deposits	178.7	267.6	247.5
Cash	295.4	265.3	216.0
Total	2,650.8	2,588.8	2,458.8

Money market funds, fixed income and debt securities continue to comprise the majority of the total; 82% at 30 June 2016 compared with 81% at 30 June 2015.

Investment return and interest income increased by £23.8 million to £33.4 million in H1 2016 (H1 2015: £9.6 million). £14.3 million of the increase is due to movements in accruals relating to quota share reinsurance arrangements, with the balance due to additional investment income earned on higher average balances. Refer to page 10 for further detail on the movement of quota share reinsurance accruals.

The underlying rate of return (excluding the reinsurance accrual) on the Group's cash and investments was 1.4% (H1 2015: 1.2%).

Capital Structure and Financial Position

Admiral's capital-efficient and profitable business model led to a return on equity of 49% (H1 2015: 50%). A key feature of the business model is the extensive use of co- and reinsurance across the Group. The Group's quota share reinsurance arrangements for the UK car insurance business are in place until at least the end of 2018. In 2017 and 2018, the Group will reduce its net share of that business from 25% to 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 from January 2016 is based on the Solvency II Standard Formula, with a capital add-on agreed by the PRA 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 Periodic Payment Order (PPO) claims).

The capital add-on to the Standard Formula approved by the PRA in December 2015 will be the subject of a review in December 2016. The Group plans to submit an application for approval to use an internal model to calculate capital requirements during 2017.

The majority of the Group's current capital requirement is derived from its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). The estimated (and unaudited) Solvency II position for the Group at the date of this report was as follows:

Group	£bn
Eligible Own Funds (pre 2016 interim dividend)	1.02
2016 interim dividend	0.17
Eligible Own Funds (post 2016 interim dividend)	0.85
Solvency II capital requirement	0.47
Surplus over regulatory capital requirement	0.38
Solvency ratio¹	180%

[*1] Solvency ratio on a volatility adjusted basis is 196%.

In July 2014, the Group completed the issue of £200 million of 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 lower tier two capital under the Solvency II regulatory regime and are included in the Own Funds figures in the table above.

Significant downwards movements in risk free interest rates during 2016 (especially post the EU referendum result in June) led to an increase in the regulatory valuation of the UK car insurance business claims liabilities and a consequent reduction in the value of the Group's Own Funds. This amounted to a downwards movement of approximately 20% in solvency ratio terms following the EU referendum result. The Directors are satisfied that the Group's solvency position as noted above includes a strong level of buffer above capital requirements.

An application has been made to the PRA and the Gibraltar FSC for the use of a volatility adjusted yield curve in discounting claims liabilities. If approved, the impact of the volatility adjustment would be an improvement in the solvency ratio reported above to 196%.

Estimated sensitivities to the current Group solvency ratio (excluding the volatility adjustment) of 180% 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.

UK Motor - incurred loss ratio +5%	-26%
UK Motor - 1 in 200 catastrophe event	-1%
UK Household - 1 in 200 catastrophe event	-2%
Interest rate - yield curve down 50 bps	-26%
Credit spreads widen 100 bps	-4%
Currency - 25% movement in euro and US dollar	-2%
ASHE - long term inflation assumption up 0.5%	-20%

Taxation

The tax charge reported in the income statement is £36.2 million (H1 2015: £33.4 million) which equates to 19.1% (H1 2015: 18.4%) of profit before tax. The higher effective rate of tax compared to the prior year results from the impact of losses in the Group's US operations, partially offset by a reduction in the rate of UK corporation tax. The average rate of UK corporation tax in 2016 is 20.0% (2015: 20.25%).

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.

Market volatility that resulted from Brexit (notably very significant reductions in risk free interest rates) has adversely impacted the Group's solvency position at the end of the first half. This is due to an increased regulatory valuation of claims liabilities, in particular in relation to longer dated potential PPO claims, and hence reduced capital.

As discussed above, the solvency ratio remains very strong at 180% (196% on a volatility adjusted basis) after the interim dividend is accounted for. The Directors are satisfied this represents a very satisfactory level of surplus above regulatory requirements and buffers.

Brexit also brings additional risks including:

- potential further 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 will closely monitor developments over the coming months and years and will take appropriate steps to deal with the outcomes. At the current time the Group does not foresee a material adverse impact on day to day operations (including customers or staff), whilst recognising that other issues may emerge over time.

The Group's results are presented in three key segments - UK Car Insurance, International Car Insurance and Price Comparison. Other Group items are summarised in a fourth section.

UK Car Insurance

Non-GAAP^[1] format income statement

£m	H1 2014	H1 2015	H1 2016	FY 2015
Turnover ^[2]	849.8	857.9	993.2	1,708.2
Total premiums written ^[3]	776.0	779.0	899.7	1,539.7
Net insurance premium revenue	197.9	188.9	210.7	386.5
Investment income	6.0	6.3	24.5	26.1
Net insurance claims	(92.6)	(69.3)	(108.9)	(161.3)
Net insurance expenses	(21.7)	(26.2)	(30.1)	(52.1)
Underwriting profit	89.6	99.7	96.2	199.2
Profit commission	35.8	44.2	41.7	85.2
Underwriting profit plus profit commission	125.4	143.9	137.9	284.4
Net other income	71.2	63.3	69.6	131.9
Instalment income	11.1	12.0	15.3	26.7
UK Car Insurance profit before tax	207.7	219.2	222.8	443.0

[*1] GAAP = Generally Accepted Accounting Practice

[*2] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurer's share) and Other revenue. Refer to Note 12a for a reconciliation to financial statement line items

[*3] Total premiums written is a non-GAAP measure and includes premium underwritten by co-insurers

Split of underwriting profit

£m	H1 2014	H1 2015	H1 2016	FY 2015
Motor	80.0	91.5	85.5	183.2
Additional products	9.6	8.2	10.7	16.0
Underwriting profit	89.6	99.7	96.2	199.2

Segment key performance indicators

	H1 2014	H1 2015	H1 2016	FY 2015
Reported motor loss ratio ^[1]	66.0%	58.2%	56.9%	64.1%
Reported motor expense ratio ^[2]	14.2%	17.4%	18.1%	16.9%
Reported motor combined ratio	80.2%	75.6%	75.0%	81.0%
Written basis motor expense ratio	15.2%	16.2%	17.0%	16.3%
Reported total combined ratio ^[3]	76.8%	73.1%	72.0%	78.2%
Claims reserve releases - original net share ^[4]	£35.4m	£50.0m	£55.9m	£84.6m
Claims reserve releases - commuted reinsurance ^[5]	£37.7m	£42.6m	£12.8m	£88.8m
Total claims reserve releases	£73.1m	£92.6m	£68.7m	£173.4m
Vehicles insured at period-end	3.15m	3.18m	3.52m	3.30m
Other Revenue per vehicle	£67	£64	£64	£63

[*1] Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in Note 12b.

[*2] Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the Income Statement. Reconciliation in Note 12c.

[*3] Reported total combined ratio includes additional products underwritten by Admiral.

[*4] Original net share shows reserve releases excluding the commuted share.

[*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 the underwriting result and not profit commission.

UK Car Insurance Financial Performance

Admiral delivered strong growth in turnover and customers in its UK Car Insurance business in H1, taking advantage of favourable market conditions with increasing prices and shopping activity. Profit was also higher in H1 2016 (£222.8 million v £219.2 million) with a number of factors contributing to the change:

- Higher net insurance premium revenue (£210.7 million v £188.9 million) resulting from the growth in the portfolio over the past year
- An improved combined ratio (72.0% v 73.1%) with positive back year claims development slightly offset by a higher expense ratio as a result of strong growth in new business
- Higher contribution from Other Revenue sources (£84.9 million v £75.3 million) resulting from growth in the portfolio

- Higher investment return (£24.5 million v £6.3 million) as explained in the Investments and Cash section above
- Lower reserve releases on the portion of the business originally ceded under quota share reinsurance contracts (£12.8 million v £42.6 million) as explained further below

Admiral continued to increase its prices in the first half and saw average premiums written increase by around 3%.

As a result of a larger book and increasing prices, UK turnover of £993.2 million was 16% higher (H1 2015: £857.9 million) and total premiums written increased by 15% to £899.7 million (H1 2015: £779.0 million).

Claims reserving

Admiral's reserving policy (both within the claims function and in the financial statements) is initially to reserve conservatively, above internal and independent projections of ultimate loss ratios. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in Admiral making above industry average reserve releases. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

The reported motor loss ratio improved to 56.9% from 58.2% mainly due to higher reserve releases of £55.9 million (H1 2015: £50.0 million), excluding reserve releases from commuted reinsurance contracts. These higher releases were due to positive claims cost development in the first half of 2016, which led to significant improvements in projected ultimate claims costs on business earned to the end of June 2016 (in particular for the 2012 to 2013 underwriting years). Notwithstanding these higher reserve releases, Admiral continues to hold a material margin in reserves against the level of uncertainty in the ultimate costs of claims. This margin, expressed as a percentage of the actuarial best estimate, was marginally lower at 30 June 2016 compared to the end of 2015. If claims continue to develop as expected, there is scope for further reserve releases in the future.

Commutations of quota share reinsurance

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

After the commutation is executed, movements in booked loss ratios result in reserve releases (or strengthening if the booked loss ratio were to increase) rather than reduced or increased reinsurance claims recoveries or profit commission.

During H1 2016, reinsurance contracts covering the 2014 underwriting year were commuted. Whilst there is a satisfactory level of confidence in the ultimate outcome of that year, Admiral's prudent approach to booking loss ratios, which tend to improve over time from an initial cautious level to the ultimate outcome, has meant that the 2014 year is booked at a loss making combined ratio level.

As a result of the commutation, no reinsurance recovery is accounted for on the 2014 year and the net claims incurred for the 2014 year have increased by £31.8 million, with Admiral taking a larger net share of the year.

Note that the ultimate projection of the 2014 year continues to show a profitable outcome.

A further impact of the 2014 year commutation is a release of an accrual held for notional investment income relating to the funds-withheld nature of the contract. As noted on page 5, movements in the notional investment income accruals resulted in an increase in investment income of £14.3 million compared to the first half of 2015.

Excluding reserve releases, the reported motor loss ratio improved to 85.8% (H1 2015: 86.8%). The improvement in ratio reflects more favourable loss ratio assumptions for business earned in the current six month period compared to the prior period, given the achieved price increases.

The most recent projection of the ultimate combined ratio for the 2015 accident year is 94% up from 90% for 2014, with the increase largely attributable to lower average earned premium in 2015 compared to 2014. The market combined ratio for 2015, excluding prior year reserve releases is 115%.

The earned motor expense ratio increased modestly to 18.1% from 17.4% mainly reflecting the increase in acquisition costs resulting from the strong growth in new business. The written basis expense ratio also increased to 17.0% from 16.2%.

Profit Commission

Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the business. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In H1 2016 Admiral recognised profit commission revenue of £41.7 million, a decrease of 6% from £44.2 million in H1 2015. The decrease arose from the higher loss ratio on the 2014 underwriting year compared to previous underwriting years at the same stage of development.

As noted above, when a quota share reinsurance contract is commuted (typically after two years from the start of an underwriting year), further improvement or deterioration in claims costs are reported within net claims. If the contracts were not commuted, the movement would be reported in profit commission.

If 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 2016 rises to £54.5 million compared to £86.8 million in H1 2015, a decrease of 37%. The decrease mainly arises as a result of the 2014 underwriting year commutation which is discussed above.

Other Revenue

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 are:

- Revenue 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 fees and referral income
- Interest charged to customers paying for cover in instalments

Contribution from Other Revenue increased by 13% to £84.9 million (H1 2015: £75.3 million). Whilst there were a number of smaller offsetting changes within the total, the main reason for the increase is the growth in the portfolio over the period.

Other Revenue per vehicle remained stable at £64 (H1 2015: £64). Net of costs, Other Revenue per vehicle was £56 (H1 2015: £55).

UK Car Insurance Other Revenue - analysis of contribution:

£m	H1 2014	H1 2015	H1 2016	FY 2015
Contribution from additional products and fees	89.6	84.6	90.7	173.7
Contribution from additional products underwritten by Admiral ¹				
	9.6	8.2	10.7	16.0
Instalment income	11.1	12.0	15.3	26.7
Other Revenue	110.3	104.8	116.7	216.4
Internal costs	(18.4)	(21.3)	(21.1)	(41.8)
Net Other Revenue	91.9	83.5	95.6	174.6
Other Revenue per vehicle²	£67	£64	£64	£63
Other Revenue per vehicle net of internal costs	£58	£55	£56	£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 twelve month basis.

Instalment Income

Instalment income reflects amounts charged to customers paying for cover in instalments. During the first half of 2016 Admiral earned £15.3 million, up £3.3 million on the prior period (H1 2015: £12.0 million) from instalment income. The increase is due to rising average premiums and customer growth.

Additional products underwritten by Admiral

Besides car insurance, there are a number of other products underwritten by Admiral that are core to providing motor insurance to customers (personal injury insurance, breakdown cover and car hire cover). Contribution from these products during the first half of 2016 was £10.7 million (H1 2015: £8.2 million). This is included in underwriting profit in the income statement, but reallocated to Other Revenue for the purpose of management key performance indicators.

International Car Insurance

Non-GAAP format income statement

£m	H1 2014	H1 2015	H1 2016	FY 2015
Turnover	104.3	110.3	159.2	232.4
Total premiums written	94.1	101.0	142.9	213.3
Net insurance premium revenue	27.8	29.7	39.4	62.3
Investment income	0.1	-	0.2	-
Net insurance claims	(27.6)	(25.4)	(32.7)	(50.9)
Net insurance expenses	(18.9)	(18.9)	(24.6)	(40.1)
Underwriting result	(18.6)	(14.6)	(17.7)	(28.7)
Net other income	3.1	3.4	4.8	6.5
International Car Insurance loss before tax	(15.5)	(11.2)	(12.9)	(22.2)

Key Performance Indicators

	H1 2014	H1 2015	H1 2016	FY 2015
Adjusted loss ratio ^{*1}	92%	82%	80%	77%
Adjusted expense ratio ^{*1}	47%	55%	51%	49%
Adjusted combined ratio ^{*2}	139%	137%	131%	126%
Adjusted combined ratio, net of Other Revenue ^{*3}	128%	126%	118%	115%
Vehicles insured at period-end	555,600	631,700	757,900	673,000

[*1] Adjusted reported loss ratio and adjusted reported expense ratio have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.

[*2] Adjusted reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It has been adjusted to remove the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be H1 2014: 167%; H1 2015: 149%; H1 2016: 145%; FY 2015: 146%.

[*3] Reported 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 2014: 156%; H1 2015: 138%; H1 2016: 133%; FY 2015: 136%.

Geographical Analysis

H1 2016

	Spain	Italy	France	USA	Total
Customers insured	169,850	362,250	75,400	150,400	757,900
Turnover (£m) ^{*1}	22.9	54.7	17.1	64.5	159.2

FY 2015

	Spain	Italy	France	USA	Total
Customers insured	160,700	315,300	56,800	140,200	673,000
Turnover (£m) ^{*1}	38.6	77.9	21.2	94.7	232.4

H1 2015

	Spain	Italy	France	USA	Total
Customers insured	168,750	298,000	43,450	121,500	631,700
Turnover (£m) ^{*1}	20.0	38.9	9.8	41.6	110.3

[*1] Turnover includes total premium written and income generated by the sale of additional products and services and fees

International Car Insurance Financial Performance

The Group has car insurance businesses in four markets outside the UK - in Spain (Admiral Seguros), Italy (ConTe), the USA (Elephant Auto) and France (L'olivier - assurance auto). The operations were launched between 2006 and 2010. As the businesses develop, it is expected that they will make losses until appropriate scale has been achieved (generally expected to occur 6-10 years after launch, though this timescale will vary subject to market conditions amongst other things).

The combined operations insured 757,900 vehicles at 30 June 2016 - 20% higher than a year earlier (H1 2015: 631,700). Turnover was £159.2 million, up 44% compared to H1 2015. Customers and turnover from outside the UK represent 16% and 13% of the Group totals respectively, up from 15% and 10% in H1 2015.

The total International Insurance loss for the period was £12.9 million, an increase on £11.2 million in H1 2015, mainly due to the ongoing investment in growing the US and French operations. The loss ratio improved to 80% (H1 2015: 82%), and the expense ratio also improved to 51% (H1 2015: 55%). The combined ratio therefore decreased to 131% (H1 2015: 137%).

The European operations in Spain, Italy and France insured 607,500 vehicles at 30 June 2016 - 19% higher than a year earlier (H1 2015: 510,200). Turnover was up 38% at £94.7 million (H1 2015: £68.7 million). The consolidated result of Admiral's European insurance operations was a loss of £2.1 million compared to £3.2 million in H1 2015, with a small profit in ConTe offset by losses in Spain and France. The combined ratio improved to 114% from 115% primarily due to an improvement in claims performance.

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. It trades under the Balumba and Qualitas Auto brands. During 2015 Admiral Seguros focused on cost control rather than growth, to achieve break-even (on an underwriting year basis) and as a result customer numbers reduced slightly in the second half of 2015. In contrast, during the first six months of 2016 Admiral Seguros focused on growth to take advantage of a growing Spanish market and at 30 June 2016 the business insured 169,850 customers, 1% higher than a year earlier and 6% higher than 31 December 2015.

The Group's largest international operation is ConTe in Italy with over 360,000 vehicles insured at the end of June 2016, 22% higher than a year earlier. During the first half of 2016, ConTe achieved another small profit as a result of positive development in the projected ultimate outcomes of most underwriting years allowing further reserve releases in H1 2016. Despite this, ConTe continues to hold a prudent margin in its claims reserves above actuarial best estimate.

Admiral's youngest and smallest international insurance business is L'olivier - assurance auto, launched in 2010 in France. L'olivier insured 75,400 vehicles at the end of June 2016, up 74% on a year earlier.

In the USA, Admiral underwrites motor insurance in six states (Virginia, Maryland, Illinois, Texas, Indiana and Tennessee) through its Elephant Auto business, which launched in 2009. At the end of June 2016, Elephant insured over 150,000 vehicles, up 24% year-on-year. Turnover was £64.5 million, up 55% compared to H1 2015. Elephant's result for the period was a loss of £10.8 million, compared to £8.0 million in H1 2015, reflecting ongoing investment in the business. Elephant Auto's adjusted combined ratio net of Other Revenue improved to 143% (H1 2015: 159%).

Price Comparison

Non-GAAP format income statement

£m	H1 2014	H1 2015	H1 2016	FY 2015
Revenue:				
Car insurance price comparison	43.2	42.6	48.6	82.3

Other	13.9	12.6	15.4	25.8
Total	57.1	55.2	64.0	108.1
Operating expenses	(53.1)	(63.8)	(68.8)	(123.6)
Operating profit/(loss)	4.0	(8.6)	(4.8)	(15.5)
Confused.com profit	9.1	4.8	8.3	12.5
International price comparison result	(5.1)	(13.4)	(13.1)	(28.0)
	4.0	(8.6)	(4.8)	(15.5)
Group share of operating profit/(loss):*1				
Confused.com profit	9.1	4.8	8.3	12.5
International price comparison result*1	(3.2)	(8.8)	(9.4)	(19.7)
	5.9	(4.0)	(1.1)	(7.2)

[*1] Represents the Group's share of Price Comparison profit/ (loss) and excludes the impact of Minority Interests.

UK Price Comparison - Confused.com

The UK price comparison market remains fiercely competitive, but favourable market conditions (rising prices and more shopping activity) in the first half saw more visitors to Confused.com's website and consequently higher quote volumes. This in turn led to higher revenue (£44.0 million v £38.9 million) and increased profitability (£8.3 million v £4.8 million). Revenue from other products remained stable at 24% of total revenue (H1 2015: 24%). Confused.com's operating margin improved to 19% (H1 2015: 12%).

International Price Comparison

The Group operates three price comparison businesses outside the UK; in Spain (Rastreator), France (LeLynx) and USA (compare.com).

The combined revenue from the European operations in H1 2016 increased by 16% to £16.7 million (H1 2015: £14.4 million) reflecting an increase of 9% in quote volumes and improved conversion rates. Both Rastreator and LeLynx have market-leading positions and strong brand recognition in their respective markets. The Group's share of the combined result for Rastreator and LeLynx was a profit of £0.7 million (H1 2015: £1.6 million) with the decrease mainly due to the continuing development of multi product offerings and the brands in both countries.

Admiral Group owns 75% of Rastreator, with the remaining 25% owned by Mapfre.

The Group continues to invest in compare.com, its US comparison operation. During H1 2016 Admiral's share of compare.com's loss was £10.1 million before tax, broadly in line with the prior period (£10.4 million). With sustained investment in compare.com, the Group's share of compare.com's losses for the 2016 full year is expected to be in the range of \$30 to \$35 million.

The Group's share of the combined result for International Price Comparison was, therefore, a loss of £9.4 million (H1 2015: loss of £8.8 million) - the profit from European price comparison offset by investment in compare.com.

Other Group Items

£m	H1 2014	H1 2015	H1 2016	FY 2015
UK Household Insurance result	0.5	0.6	1.2	1.2
UK Commercial Vehicle operating profit	1.5	1.0	0.8	1.5
Other interest and investment income	0.6	3.3	8.7	6.5
Share scheme charges	(12.5)	(11.9)	(14.7)	(27.2)
Business development costs	(0.2)	(0.5)	(2.2)	(1.9)
Other central overheads and charges	(2.8)	(4.7)	(3.8)	(5.6)
Finance charges	-	(5.5)	(5.6)	(11.1)

UK Household Insurance

UK Household Insurance was launched in December 2012 under the Admiral brand. The product is underwritten within the Group and in common with other businesses it is supported by proportional reinsurance covering 70% of the risk (shared between Munich Re, 40%, and Swiss Re, 30%).

The business enjoyed another period of strong growth with policy numbers increasing by more than 60% to over 380,000 (H1 2015: 239,000). Profit from Household doubled from a year earlier to £1.2 million (H1 2015: £0.6 million) and its expense ratio is already materially lower than the UK market ratio.

UK Commercial Vehicle

The Group operates a Commercial Vehicle insurance broker (Gladiator) offering van insurance and associated products, typically to small businesses. Distribution is via telephone and the internet (including price comparison websites).

Gladiator has been impacted by operational changes which, together with a very competitive environment, have resulted in a reduced operating profit of £0.8 million (H1 2015: £1.0 million), although customer numbers increased by 13% to 161,000 at the end of June 2016 (H1 2015: 143,000).

Other interest and investment income

Other interest and investment income includes £5.5 million (H1 2015: £nil) of unrealised gains on forward foreign exchange contracts which have been impacted in H1 2016 by downward movements in the value of sterling following the UK's decision to leave the European Union. These gains have the potential to reverse over time as the contracts expire.

Share scheme charges

These costs relate to the Group's two employee share schemes, further detail on which is set out in the notes to the financial statements. The increase in the charge is due to an increase in the number of awards across the Group resulting from headcount growth and the higher share price.

Finance charges

Finance charges primarily reflect interest on the £200 million subordinated loan notes issued in July 2014 of £5.5 million (H1 2015: £5.5 million). Refer to note 6 to the financial statements for further details.

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 2015 Annual Report and Accounts, pages 34-37.

Admiral notes that emerging risks have arisen as a result of the UK's decision to leave the EU and the potential decisions that will be made in negotiating the exit.

Further detail on Brexit is included on page 7.

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 2016 £m	30 June 2015 £m	Year ended: 31 December 2015 £m
Insurance premium revenue	635.8	549.6	1,130.2
Insurance premium ceded to reinsurers	(376.1)	(320.7)	(663.2)
Net insurance premium revenue	259.7	228.9	467.0
Other revenue	7	176.2	165.0
Profit commission	5	42.2	44.2
Investment and interest income	6	33.4	9.6
Net revenue	511.5	447.7	904.8
Insurance claims and claims handling expenses	(400.0)	(352.3)	(769.1)
Insurance claims and claims handling expenses recoverable from reinsurers			
	251.6	250.9	542.6
Net insurance claims	(148.4)	(101.4)	(226.5)

Operating expenses and share scheme charges	8	(316.9)	(279.0)	(548.0)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	148.9	119.9	249.5
Net operating expenses and share scheme charges		(168.0)	(159.1)	(298.5)
Total expenses		(316.4)	(260.5)	(525.0)
Operating profit		195.1	187.2	379.8
Finance costs	6	(5.6)	(5.5)	(11.1)
Profit before tax		189.5	181.7	368.7
Taxation expense	9	(36.2)	(33.4)	(76.9)
Profit after tax		153.3	148.3	291.8
Profit after tax attributable to:				
Equity holders of the parent		157.4	152.9	300.0
Non-controlling interests		(4.1)	(4.6)	(8.2)
		153.3	148.3	291.8
Earnings per share:				
Basic	11	55.9p	54.8p	107.3p
Diluted	11	55.8p	54.7p	107.1p
Dividends declared and paid (total)	11	175.4	134.4	274.6
Dividends declared and paid (per share)	11	63.4p	49.0p	100.0p

Condensed consolidated statement of comprehensive income (unaudited)

	6 months ended:		Year ended:
	30 June 2016	30 June 2015	December 2015
	£m	£m	£m
Profit for the period	153.3	148.3	291.8
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	20.9	(8.8)	(12.6)
Exchange differences on translation of foreign operations	12.1	(1.3)	2.6
Other comprehensive income for the period, net of income tax	33.0	(10.1)	(10.0)
Total comprehensive income for the period	186.3	138.2	281.8
Total comprehensive income for the period attributable to:			
Equity holders of the parent	189.2	142.8	289.5
Non-controlling interests	(2.9)	(4.6)	(7.7)
	186.3	138.2	281.8

Condensed consolidated statement of financial position (unaudited)

	Note:	As at:		
		30 June 2016	30 June 2015	December 2015
		£m	£m	£m
ASSETS				
Property and equipment	10	33.9	32.3	34.9
Intangible assets	10	156.2	119.3	142.3
Deferred income tax	9	25.4	29.5	20.6
Reinsurance assets	5	914.1	720.5	878.7
Insurance and other receivables	6, 10	697.4	499.3	537.1
Financial investments	6	2,355.4	2,242.8	2,323.5
Cash and cash equivalents	6	295.4	216.0	265.3
Total assets		4,477.8	3,859.7	4,202.4
EQUITY				
Share capital	11	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Fair value reserve		19.2	2.1	(1.7)
Foreign exchange reserve		15.3	1.0	4.4
Retained profit and loss		600.6	574.2	599.6
Total equity attributable to equity holders of the parent		648.5	590.7	615.7
Non-controlling interests		14.1	8.9	17.2
Total equity		662.6	599.6	632.9
LIABILITIES				
Insurance contracts	5	2,484.2	2,148.3	2,295.0
Subordinated and other financial liabilities	6	223.9	203.8	223.9
Trade and other payables	6, 10	1,070.8	876.2	1,015.0
Current tax liabilities		36.3	31.8	35.6
Total liabilities		3,815.2	3,260.1	3,569.5
Total equity and total liabilities		4,477.8	3,859.7	4,202.4

Condensed consolidated cash flow statement (unaudited)

Note:	6 months ended:		Year ended:
	30 June 2016	Restated*1 30 June 2015	Restated*1 31 December 2015
	£m	£m	£m

Profit after tax		153.3	148.3	291.8
Adjustments for non-cash items:				
- Depreciation	10	5.2	3.9	8.2
- Amortisation of software	10	5.5	2.6	6.1
- Other gains and losses		1.2	(2.4)	3.2
- Share scheme charges		14.2	12.9	29.5
- Investment and interest income	6	(33.4)	(9.6)	(32.6)
- Finance costs	6	5.6	5.5	11.1
- Taxation expense	9	36.2	33.4	76.9
Change in gross insurance contract liabilities		189.2	50.9	197.6
Change in reinsurance assets		(35.4)	109.3	(48.9)
Change in insurance and other receivables		(164.7)	(64.2)	(103.5)
Change in trade and other payables, including tax and social security				
		56.8	(88.5)	47.8
Cash flows from operating activities, before movements in investments		233.7	202.1	487.2
Purchases of financial instruments		(142.7)	(359.8)	(542.0)
Proceeds on disposal/ maturity of financial instruments		157.0	309.9	420.9
Interest and investment income received		5.6	4.8	8.6
Cash flows from operating activities, net of movements in investments		253.6	157.0	374.7
Taxation payments		(36.6)	(35.6)	(63.8)
Taxation receipts		1.1	-	-
Net cash flow from operating activities		218.1	121.4	310.9
Cash flows from investing activities:				
Purchases of property, equipment and software		(17.3)	(18.9)	(47.8)
Net cash used in investing activities		(17.3)	(18.9)	(47.8)
Cash flows from financing activities:				
Non-controlling interest capital contribution		(0.2)	(0.2)	10.7
Proceeds on issue of financial liabilities		-	-	20.0
Finance costs paid		(5.5)	(5.5)	(11.0)
Repayment of finance lease liabilities		(1.7)	(1.0)	(1.4)
Equity dividends paid	11	(175.4)	(134.4)	(274.6)
Net cash used in financing activities		(182.8)	(141.1)	(256.3)
Net increase / (decrease) in cash and cash equivalents		18.0	(38.6)	6.8
Cash and cash equivalents at 1 January		265.3	255.9	255.9
Effects of changes in foreign exchange rates		12.1	(1.3)	2.6
Cash and cash equivalents at end of period	6	295.4	216.0	265.3

[*1] Refer to note 2 for details.

Consolidated statement of changes in equity (unaudited)

Attributable to the owners of the company

	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	Total NCI ¹ £m	Total equity £m	
At 1 January 2015	0.3	13.1	10.9	2.3	540.6	567.2	13.7	580.9
Profit for the period	-	-	-	-	152.9	152.9	(4.6)	148.3
Other comprehensive income								
Movements in fair value reserve	-	-	(8.8)	-	-	(8.8)	-	(8.8)
Currency translation differences	-	-	-	(1.3)	-	(1.3)	-	(1.3)
Total comprehensive income for the period	-	-	(8.8)	(1.3)	152.9	142.8	(4.6)	138.2
Transactions with equity-holders								
Dividends	-	-	-	-	(134.4)	(134.4)	-	(134.4)
Share scheme credit	-	-	-	-	12.9	12.9	-	12.9
Deferred tax credit on share scheme credit	-	-	-	-	2.2	2.2	-	2.2
Contributions by NCIs	-	-	-	-	-	-	(0.2)	(0.2)
Total transactions with equity-holders	-	-	-	-	(119.3)	(119.3)	(0.2)	(119.5)
As at 30 June 2015	0.3	13.1	2.1	1.0	574.2	590.7	8.9	599.6
At 1 January 2015	0.3	13.1	10.9	2.3	540.6	567.2	13.7	580.9
Profit for the period	-	-	-	-	300.0	300.0	(8.2)	291.8
Other comprehensive income								
Movements in fair value reserve	-	-	(12.6)	-	-	(12.6)	-	(12.6)
Currency translation differences	-	-	-	2.1	-	2.1	0.5	2.6
Total comprehensive income for the period	-	-	(12.6)	2.1	300.0	289.5	(7.7)	281.8
Transactions with equity-holders								
Dividends	-	-	-	-	(274.6)	(274.6)	-	(274.6)
Share scheme credit	-	-	-	-	29.5	29.5	-	29.5
Deferred tax credit on share scheme credit	-	-	-	-	4.7	4.7	-	4.7
Contributions by NCIs	-	-	-	-	(0.1)	(0.1)	10.7	10.6
Changes in ownership interests without a change in control	-	-	-	-	(0.5)	(0.5)	0.5	-
Total transactions with equity-holders	-	-	-	-	(241.0)	(241.0)	11.2	(229.8)

As at 31 December 2015	0.3	13.1	(1.7)	4.4	599.6	615.7	17.2	632.9
	Attributable to the owners of the company							
	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	Total NCI ^[*1] £m	Total equity £m	Total equity £m
At 1 January 2016	0.3	13.1	(1.7)	4.4	599.6	615.7	17.2	632.9
Profit for the period	-	-	-	-	157.4	157.4	(4.1)	153.3
Other comprehensive income								
Movements in fair value reserve	-	-	20.9	-	-	20.9	-	20.9
Currency translation differences	-	-	-	10.9	-	10.9	1.2	12.1
Total comprehensive income for the period	-	-	20.9	10.9	157.4	189.2	(2.9)	186.3
Transactions with equity-holders								
Dividends	-	-	-	-	(175.4)	(175.4)	-	(175.4)
Share scheme credit	-	-	-	-	14.2	14.2	-	14.2
Deferred tax credit on share scheme credit	-	-	-	-	-	-	-	-
Contributions by NCIs	-	-	-	-	4.8	4.8	-	4.8
	-	-	-	-	-	-	(0.2)	(0.2)
Total transactions with equity-holders	-	-	-	-	(156.4)	(156.4)	(0.2)	(156.6)
As at 30 June 2016	0.3	13.1	19.2	15.3	600.6	648.5	14.1	662.6

[*1] Non-controlling interests

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc is a Company incorporated 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 2016 and the comparative periods for the six-months ended 30 June 2015 and the year ended 31 December 2015. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 2015.

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 2015 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 the Basis of preparation 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 2015. A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2016 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

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.
- 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 2015 Annual Report. Updates to the Group's principal risks and uncertainties since the 2015 year end are included in the business review preceding these financial statements. In addition, the Governance report in the 2015 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 as 'available for sale'. 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.

Re-presentation of Comparative Information

Comparative amounts within the Condensed consolidated cash flow statement relating to investments have been re-presented. Net cash flows into investments have been analysed into purchases of financial instruments and proceeds from financial instruments. Additionally, investment return and interest income on financial investments are now captured within the adjustments to profit after tax for non-cash items. There is no impact on total cash and cash equivalents or on net cash flow from operating activities for any period.

3. Critical accounting judgements and estimates

The Group's 2015 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

Judgements

In applying the Group's accounting policies, management has primarily applied judgement in the following three areas:

- Calculation of insurance claims reserves:

The Group's reserving policy requires management to set insurance claims reserves for the purpose of the financial statements, within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development. Management applies judgement in determining where, within this range of potential outcomes, the insurance claims reserves should sit.

- Classification of the Group's contracts with reinsurers as reinsurance contracts:

A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make this judgement.

- Recognition of deferred tax assets relating to unused tax losses:

Management applies judgement in determining the probability of future taxable profits of an entity against which to utilise accumulated losses in determining the recognition of deferred tax assets. In applying this judgement, management makes an assessment of the reliability of approved business plan projections using both qualitative and quantitative factors including the age and status of the business, the Group's previous experience in similar markets, historic performance against business plans and the application of a number of stress and sensitivity tests to the projections.

Estimation techniques used in calculation of claims provisions and profit commission:

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate cost of settling claims that have occurred prior to the balance sheet date and remain unsettled at the balance sheet date.

The key area where these techniques are used relates to the ultimate cost of reported claims. A secondary area relates to the emergence of claims that occurred prior to the balance sheet date, but had not been reported at that date.

The estimates of the ultimate cost of reported claims are based on the setting of claim provisions on a case-by-case basis, for all but the simplest of claims.

The sum of these provisions is compared with projected ultimate costs using a variety of different projection techniques (including incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their potential outcome. They include allowance for unreported claims.

The most significant sensitivity in the use of the projection techniques arises from any future step change in claims costs, which would cause future claim cost inflation to deviate from historic trends. This is most likely to arise from a change in the regulatory or judicial regime that leads to an increase in awards or legal costs for bodily injury claims that is significantly above or below the historical trend.

The Group's independent actuarial advisors project best estimate claims reserves using a variety of recognised actuarial techniques.

As noted above, the Group's reserving policy requires management to reserve within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development.

Future changes in claims reserves also impact profit commission income, as the measurement of this income is dependent on the loss ratio booked in the financial statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

4. Operating segments

The Group has four reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8 *Operating Segments*.

UK Car Insurance

The segment consists of the underwriting of car insurance and other products that supplement the car insurance policy. It also includes the generation of revenue from additional products and fees from underwriting car insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Car Insurance

The segment consists of the underwriting of car insurance and the generation of revenue from additional products and fees, from underwriting car insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier assurance auto in France and Elephant Auto in the USA. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Price Comparison

The segment relates to the Group's price comparison websites; Confused.com in the UK, Rastreator in Spain, LeLynx in France and compare.com in the USA. Each of the Price Comparison businesses are operating in individual geographical segments but are grouped into one reporting segment as Rastreator, LeLynx and compare.com do not individually meet the threshold requirements in IFRS 8.

Other

The 'Other' segment is designed to be comprised of all other operating segments that do not meet the threshold requirements for individual reporting. It includes UK household insurance, the Group's commercial van insurance broker, Gladiator, and commercial van insurance.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the Consolidated Income Statement and Consolidated Statement of Financial Position.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2016, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2015 Group financial statements.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations ² £m	30 June 2016 Segment total £m
Turnover ¹	993.2	159.2	64.0	44.3	(9.8)	1,250.9
Net insurance premium revenue	210.7	41.3	-	7.7	-	259.7
Other revenue and profit commission	147.7	5.6	64.0	10.9	(9.8)	218.4
Investment and interest income	24.5	0.2	-	-	-	24.7
Net revenue	382.9	47.1	64.0	18.6	(9.8)	502.8
Net insurance claims	(108.9)	(33.7)	-	(5.8)	-	(148.4)
Expenses	(51.2)	(26.3)	(68.8)	(10.8)	9.8	(147.3)
Segment profit / (loss) before tax	222.8	(12.9)	(4.8)	2.0	-	207.1

Other central revenue and expenses, including share scheme charges	(20.7)
Interest and investment income	8.7
Finance costs	(5.6)
Consolidated profit before tax	189.5
Taxation expense	(36.2)
Consolidated profit after tax	153.3

[*1] Turnover is a non-GAAP 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. No elimination was made in H1 2015 on the grounds of materiality.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2015 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations* ² £m	30 June 2015 Segment total £m
Turnover* ¹	857.9	110.3	55.2	34.1	-	1,057.5
Net insurance premium revenue	188.9	31.8	-	8.2	-	228.9
Other revenue and profit commission	140.8	4.0	55.2	9.2	-	209.2
Investment and interest income	6.3	-	-	-	-	6.3
Net revenue	336.0	35.8	55.2	17.4	-	444.4
Net insurance claims	(69.3)	(25.6)	-	(6.5)	-	(101.4)
Expenses	(47.5)	(21.4)	(63.8)	(9.3)	-	(142.0)
Segment profit / (loss) before tax	219.2	(11.2)	(8.6)	1.6	-	201.0

Other central revenue and expenses, including share scheme charges	(17.1)
Interest income	3.3
Finance costs	(5.5)
Consolidated profit before tax	181.7
Taxation expense	(33.4)
Consolidated profit after tax	148.3

Revenue and results for the corresponding reportable segments for the year ended 31 December 2015 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations* ² £m	31 December 2015 Segment total £m
Turnover* ¹	1,708.2	232.4	108.1	70.1	(14.2)	2,104.6
Net insurance premium revenue	386.5	64.5	-	16.0	-	467.0
Other revenue and profit commission	285.6	7.7	108.1	18.0	(14.2)	405.2
Investment and interest income	26.1	-	-	-	-	26.1
Net revenue	698.2	72.2	108.1	34.0	(14.2)	898.3
Net insurance claims	(161.3)	(51.6)	-	(13.6)	-	(226.5)
Expenses	(93.9)	(42.8)	(123.6)	(17.7)	14.2	(263.8)
Segment profit / (loss) before tax	443.0	(22.2)	(15.5)	2.7	-	408.0

Other central revenue and expenses, including share scheme charges	(34.7)
Interest and investment income	6.5
Finance costs	(11.1)
Consolidated profit before tax	368.7
Taxation expense	(76.9)
Consolidated profit after tax	291.8

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 £9.8 million (FY 2015: £14.2 million) which has been eliminated on consolidation. In H1 2015 the total of price comparison revenues from transactions with other reportable segments was £7.2 million and was not eliminated on the grounds of materiality. 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 2016 £m	30 June 2015 £m	31 December 2015 £m
Total insurance premiums before co-insurance	1,076.5	904.9	1,805.2

Group gross premiums written after co-insurance	717.8	597.9	1,199.9
Outwards reinsurance premiums	<u>(425.2)</u>	<u>(351.2)</u>	<u>(709.8)</u>
Net insurance premiums written	292.6	246.7	490.1
Change in gross unearned premium provision	(82.3)	(48.3)	(69.7)
Change in reinsurers' share of unearned premium provision	<u>49.4</u>	<u>30.5</u>	<u>46.6</u>
Net insurance premium revenue	<u>259.7</u>	<u>228.9</u>	<u>467.0</u>

The Group's share of the car 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 10 or 12 months.

5b. Profit commission

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Underwriting year:			
2010 & prior	1.4	2.9	5.3
2011	3.7	12.1	26.1
2012	14.8	19.0	36.9
2013	21.8	10.2	16.9
2014	-	-	-
2015	<u>0.5</u>	<u>-</u>	<u>0.2</u>

Total profit commission **42.2** **44.2** **85.4**

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Gross:			
Claims outstanding*1	1,819.91	1,603.9	1,725.0
Unearned premium provision	<u>664.3</u>	<u>544.4</u>	<u>570.0</u>
Total gross insurance liabilities	<u>2,484.22</u>	<u>2,148.3</u>	<u>2,295.0</u>
Recoverable from reinsurers:			
Claims outstanding	523.9	403.5	544.8
Unearned premium provision	<u>390.2</u>	<u>317.0</u>	<u>333.9</u>
Total reinsurers' share of insurance liabilities	<u>914.1</u>	<u>720.5</u>	<u>878.7</u>
Net:			
Claims outstanding*2	1,296.01	1,200.4	1,180.2
Unearned premium provision	<u>274.1</u>	<u>227.4</u>	<u>236.1</u>
Total insurance liabilities - net	<u>1,570.11</u>	<u>1,427.8</u>	<u>1,416.3</u>

[*1] Gross claims outstanding at 30 June 2016 is presented before the deduction of salvage and subrogation recoveries totalling £30.4 million (H1 2015: £nil, FY 2015: £28.4 million).

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

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Gross			
Underwriting year:			
2011 & prior	7.3	27.1	59.3
2012	27.5	35.3	69.0
2013	42.4	38.3	53.4
2014	47.0	16.0	16.0
2015	<u>9.2</u>	<u>-</u>	<u>-</u>
Total gross release (UK Car Insurance)	133.4	116.7	197.7
Total gross release (International Car Insurance)	<u>9.2</u>	<u>5.9</u>	<u>14.0</u>
Total gross release	<u>142.6</u>	<u>122.6</u>	<u>211.7</u>
Net			
Underwriting year:			
2011 & prior	7.3	27.1	59.3
2012	27.5	35.3	69.0
2013	42.4	23.5	38.4
2014	(12.3)	6.7	6.7
2015	<u>3.8</u>	<u>-</u>	<u>-</u>
Total net release (UK Car Insurance)	68.7	92.6	173.4
Total net release (International Car Insurance)	<u>4.4</u>	<u>2.8</u>	<u>6.5</u>
Total net release	<u>73.1</u>	<u>95.4</u>	<u>179.9</u>
Releases on Admiral's original net share	55.9	50.0	84.6
Releases on commuted quota share reinsurance contracts	<u>12.8</u>	<u>42.6</u>	<u>88.8</u>
Total net release (UK Car Insurance) as above	<u>68.7</u>	<u>92.6</u>	<u>173.4</u>

Releases on commuted quota share contracts are analysed by underwriting year as follows:

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m

Underwriting year:			
2011 & prior		3.9	14.5
2012		16.0	20.6
2013		24.7	7.5
2014		(31.8)	-

Total releases on commuted quota share reinsurance contracts

12.8 42.6 88.8

Profit commission is analysed in note 5b.

Included within releases on commuted quota share contracts are accruals for additional reserves arising from the commutation of 2014 year UK motor quota share contracts. Refer to the business review earlier in this report for further detail.

	31 December:					30 June
UK loss ratio development	2011	2012	2013	2014	2015	2016
Underwriting year (UK motor only)						
2011	82%	76%	72%	67%	62%	61%
2012	-	84%	78%	73%	66%	64%
2013	-	-	85%	82%	76%	71%
2014	-	-	-	92%	89%	83%
2015	-	-	-	-	87%	85%

(iii) Reconciliation of movement in claims provision:

	30 June 2016		
	Gross	Reinsurance	Net
	£m	£m	£m
Claims provision at 1 January 2016	1,725.0	(544.8)	1,180.2
Claims incurred (excluding releases)	603.2	(387.3)	215.9
Reserve releases	(142.6)	69.5	(73.1)
Movement in claims provision due to commutation	-	186.2	186.2
Claims paid and other movements	(365.7)	152.5	(213.2)
Claims provision at 30 June 2016	<u>1,819.9</u>	<u>(523.9)</u>	<u>1,296.0</u>

	30 June 2015		
	Gross	Reinsurance	Net
	£m	£m	£m
Claims provision at 1 January 2015	1,596.0	(538.2)	1,057.8
Claims incurred (excluding releases)	462.3	(270.2)	192.1
Reserve releases	(122.6)	27.2	(95.4)
Movement in claims provision due to commutation	-	233.8	233.8
Claims paid and other movements	(331.8)	143.9	(187.9)
Claims provision at 30 June 2015	<u>1,603.9</u>	<u>(403.5)</u>	<u>1,200.4</u>

	31 December 2015		
	Gross	Reinsurance	Net
	£m	£m	£m
Claims provision at 1 January 2015	1,596.0	(538.2)	1,057.8
Claims incurred (excluding releases)	963.4	(566.3)	397.1
Reserve releases	(211.7)	31.8	(179.9)
Movement in claims provision due to commutation	-	233.8	233.8
Claims paid and other movements	(622.7)	294.1	(328.6)
Claims provision at 31 December 2015	<u>1,725.0</u>	<u>(544.8)</u>	<u>1,180.2</u>

(iv) Reconciliation of movement in net unearned premium provision:

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Net unearned premium provision at start of period	236.1	209.8	209.8
Written in the period	292.6	246.7	490.1
Earned in the period	(254.6)	(229.1)	(463.8)
Net unearned premium provision at end of period	<u>274.1</u>	<u>227.4</u>	<u>236.1</u>

6. Investments

6a. Investment and interest income

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Investment income:			
Investment return on assets classified as FVTPL	1.6	1.9	2.2
Unrealised gains on forward contracts	5.5	-	-
Interest income on available for sale debt securities	11.5	7.3	19.2
Interest income on term deposits with credit institutions	2.5	2.2	4.7
Interest income on held to maturity gilt assets	3.0	3.0	6.1
Net investment return	24.1	14.4	32.2
Unwind of discount on gilts	(0.4)	(0.4)	(0.8)
Notional accrual for reinsurers' share of investment return	9.2	(5.1)	-
	<u>32.9</u>	<u>8.9</u>	<u>31.4</u>
Interest receivable on cash and cash equivalents	0.5	0.7	1.2
Total investment and interest income	<u>33.4</u>	<u>9.6</u>	<u>32.6</u>

6b. Finance costs

	June 2016	June 2015	December 2015
	£m	£m	£m
Interest payable	5.6	5.5	11.1

Total finance costs 5.6 5.5 11.1

6c. Financial assets and liabilities

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

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Investments held at fair value through profit and loss:			
Money market funds	693.4	671.0	627.7
Investments classified as available for sale:			
Available for sale debt securities	1,285.51	1,222.6	1,230.0
Investments classified as held to maturity:			
Term deposits with credit institutions	178.7	247.5	267.6
UK government gilts	197.8	201.7	198.2
Total financial investments	2,355.42	2,422.8	2,323.5
Insurance and other receivables:			
Amounts owed by policyholders	551.6	398.3	437.0
Trade and other receivables	145.8	101.0	100.1
Cash and cash equivalents	295.4	216.0	265.3
Total financial assets	3,348.22	2,958.1	3,125.9

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Financial liabilities:			
Subordinated notes	203.9	203.8	203.9
Other borrowings	20.0	-	20.0
Trade and other payables	1,070.8	876.2	1,015.0
Total financial liabilities	1,294.71	1,080.0	1,238.9

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

The measurement of these investments is based on active quoted market values (level one).

Available for sale debt securities include holdings in fixed income and other debt securities, and are held at fair value with interest income recognised in the income statement and unrealised movements in fair value taken through other comprehensive income.

Investments classified as held to maturity are comprised of term deposits and UK government gilts, and are held in the Condensed consolidated statement of financial position at amortised cost.

Term deposits are held with well rated institutions and as such the fair value of these investments is considered to approximate to the carrying value 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 carrying value of term deposits is £178.7 million (H1 2015: £247.5 million, FY 2015: £267.6 million).

The fair value of the holding of UK government gilts at 30 June 2016 is £233.2 million (level one valuation) (H1 2015: £209.7 million, FY 2015: £211.7 million). The fair value of subordinated notes (level one valuation) at 30 June 2016 is £199.0 million (H1 2015: £198.8 million, FY 2015: £202.4 million).

Insurance and other receivables are also valued at amortised cost in the Condensed consolidated statement of financial position. This carrying value is a reasonable approximation of fair value.

6d. Cash and cash equivalents

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Cash at bank and in hand	295.4	216.0	265.3
Total cash and cash equivalents	295.4	216.0	265.3

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

7a. Contribution from additional products and fees and other revenue

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Contribution from additional products and fees	96.8	89.0	182.4
Price Comparison revenue ^{*1}	54.2	55.2	93.9
Other revenue	25.2	20.8	43.5
Total other revenue	176.2	165.0	319.8

[*1] Price comparison revenue excludes £9.8 million (H1 2015: £nil, FY 2015: £14.2 million) of income from other Group companies.

8. Expenses

8a. Operating expenses and share scheme charges

	30 June 2016	30 June 2015	31 December 2015
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts ^{*1}	44.1	(34.2)	9.9
Administration and other marketing costs (insurance contracts)	144.3	(105.6)	38.7
Insurance contract expenses	188.4	(139.8)	48.6
Administration and other marketing costs (Other)	104.7		-104.7

Share scheme charges	23.8	(9.1)	14.7
Total expenses and share scheme charges	316.9	(148.9)	168.0

	30 June 2015		
	Gross Recoverable from co- and reinsurers	Net	
	£m	£m	£m
Acquisition of insurance contracts	44.5	(27.3)	17.2
Administration and other marketing costs (insurance contracts)			
	117.3	(85.1)	32.2
Insurance contract expenses	161.8	(112.4)	49.4
Administration and other marketing costs (Other)	97.8	-	97.8
Share scheme charges	19.4	(7.5)	11.9
Total expenses and share scheme charges	279.0	(119.9)	159.1

	31 December 2015		
	Gross Recoverable from co- and reinsurers	Net	
	£m	£m	£m
Acquisition of insurance contracts*1	77.5	(57.8)	19.7
Administration and other marketing costs (insurance contracts)	238.5	(175.1)	63.4
Insurance contract expenses	316.0	(232.9)	83.1
Administration and other marketing costs (Other)	188.2	-	188.2
Share scheme charges	43.8	(16.6)	27.2
Total expenses and share scheme charges	548.0	(249.5)	298.5

[*1] Acquisition of insurance contracts expense excludes £9.8 million (H1 2015: £nil, FY 2015: £14.2 million) of price comparison fees from other Group companies.

The £38.7 million (H1 2015: £32.2 million, FY 2015: £63.4 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 2016	30 June 2015	31 December 2015
	£m	£m	£m
Expenses relating to additional products and fees	22.3	21.9	43.0
Price Comparison operating expenses	68.8	63.8	123.6
Other expenses	13.6	12.1	21.6
Total	104.7	97.8	188.2

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 2016	30 June 2015	31 December 2015
	£m	£m	£m
Share Incentive Plan (SIP) charge	5.1	4.7	8.7
Discretionary Free Share Scheme (DFSS) charge	9.6	7.2	18.5
Total share scheme charges	14.7	11.9	27.2

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 2016: £14.2 million, H1 2015: £12.9 million, FY 2015: £29.5 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 2016	30 June 2015	31 December 2015
	£m	£m	£m
UK Corporation tax			
Current charge at 20% (2015: 20.25%)	36.5	37.9	70.9
(Over) provision relating to prior periods - corporation tax	-	-	(1.0)
Current tax charge	36.5	37.9	69.9
Deferred tax			
Current period deferred taxation movement	(0.3)	(4.5)	7.5
(Over) provision relating to prior periods - deferred tax	-	-	(0.5)
Total tax charge per income statement	36.2	33.4	76.9

Factors affecting the total tax charge are:

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Profit before taxation	189.5	181.7	368.7

Corporation tax thereon at 20% (2015: 20.25%)	37.9	36.8	74.7
Expenses and provisions not deductible for tax purposes	-	-	1.4
Non-taxable income	(4.5)	-	(4.8)
Impact of change in UK tax rate on deferred tax balances	-	-	0.3
Adjustments relating to prior periods	-	-	(1.5)
Impact of different overseas tax rates	(5.5)	(6.0)	(12.9)
Unrecognised deferred tax	8.8	2.4	19.7
Other differences	(0.5)	0.2	-

Tax charge for the period as above 36.2 33.4 76.9

9b. Deferred income tax (asset)

Analysis of deferred tax (asset)

	Tax treatment of share schemes	Capital allowances	Carried forward losses	Other differences	Total
	£m	£m	£m	£m	£m
Balance brought forward at 1 January 2015	(4.8)	(4.6)	(13.4)	(0.1)	(22.9)
Tax treatment of share scheme charges through income or expense	(0.7)	-	-	-	(0.7)
Tax treatment of share scheme charges through reserves	(2.2)	-	-	-	(2.2)
Capital allowances	-	1.3	-	-	1.3
Carried forward losses	-	-	(4.0)	-	(4.0)
Other difference	-	-	-	(1.0)	(1.0)
Balance carried forward 30 June 2015	(7.7)	(3.3)	(17.4)	(1.1)	(29.5)
Balance brought forward at 1 January 2015	(4.8)	(4.6)	(13.4)	(0.1)	(22.9)
Tax treatment of share scheme charges through income or expense	2.4	-	-	-	2.4
Tax treatment of share scheme charges through reserves	(4.7)	-	-	-	(4.7)
Capital allowances	-	1.9	-	-	1.9
Carried forward losses	-	-	3.5	-	3.5
Other difference	-	-	-	(0.8)	(0.8)
Balance carried forward 31 December 2015	(7.1)	(2.7)	(9.9)	(0.9)	(20.6)
Tax treatment of share scheme charges through income or expense	(0.5)	-	-	-	(0.5)
Tax treatment of share scheme charges through reserves	(4.8)	-	-	-	(4.8)
Capital allowances	-	0.5	-	-	0.5
Carried forward losses	-	-	-	-	-
Other difference	-	-	-	-	-
Balance carried forward 30 June 2016	(12.4)	(2.2)	(9.9)	(0.9)	(25.4)

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015. The average effective rate of tax for 2016 is 20.0% (2015: 20.25%). Further reductions to the main rate of corporation tax to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2016 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 £9.9 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 (35%). 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 2016 the Group had unused tax losses amounting to £114.6 million (H1 2015: £45.4 million, FY 2015: £89.6 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 2015	24.9	39.5	14.0	7.8	86.2
Additions	0.3	3.8	0.2	-	4.3
Disposals	-	(0.5)	-	-	(0.5)
At 30 June 2015	<u>25.2</u>	<u>42.8</u>	<u>14.2</u>	<u>7.8</u>	<u>90.0</u>
Depreciation					
At 1 January 2015	7.6	29.7	11.6	5.0	53.9
Charge for the year	1.1	2.1	0.3	0.4	3.9
Disposals	-	(0.1)	-	-	(0.1)
At 30 June 2015	<u>8.7</u>	<u>31.7</u>	<u>11.9</u>	<u>5.4</u>	<u>57.7</u>
Net book amount					
At 30 June 2015	<u>16.5</u>	<u>11.1</u>	<u>2.3</u>	<u>2.4</u>	<u>32.3</u>
Cost					
At 1 January 2015	24.9	39.5	14.0	7.8	86.2
Additions	0.8	8.8	1.2	0.4	11.2
Disposals	-	(0.5)	-	-	(0.5)
At 31 December 2015	<u>25.7</u>	<u>47.8</u>	<u>15.2</u>	<u>8.2</u>	<u>96.9</u>
Depreciation					
At 1 January 2015	7.6	29.7	11.6	5.0	53.9
Charge for the year	2.4	3.8	1.0	1.0	8.2
Disposals	-	(0.1)	-	-	(0.1)
At 31 December 2015	<u>10.0</u>	<u>33.4</u>	<u>12.6</u>	<u>6.0</u>	<u>62.0</u>
Net book amount					
At 31 December 2015	<u>15.7</u>	<u>14.4</u>	<u>2.6</u>	<u>2.2</u>	<u>34.9</u>
Cost					
At 1 January 2016	25.7	47.8	15.2	8.2	96.9
Additions	0.5	2.6	0.3	0.4	3.8
Disposals	-	-	(0.2)	-	(0.2)
Foreign exchange movement	0.4	0.5	0.6	0.2	1.7
At 30 June 2016	<u>26.6</u>	<u>50.9</u>	<u>15.9</u>	<u>8.8</u>	<u>102.2</u>
Depreciation					
At 1 January 2016	10.0	33.4	12.6	6.0	62.0
Charge for the year	0.8	3.6	0.5	0.3	5.2
Disposals	-	-	(0.1)	-	(0.1)
Foreign exchange movement	0.2	0.4	0.5	0.1	1.2

At 30 June 2016	11.0	37.4	13.5	6.4	68.3
Net book amount					
At 30 June 2016	15.6	13.5	2.4	2.4	33.9

10b. Intangible assets

	Goodwill	Deferred acquisition costs ¹	Software	Total
	£m	£m	£m	£m
Carrying amount:				
At 1 January 2015	62.3	14.8	30.1	107.2
Additions	-	17.1	14.6	31.7
Amortisation charge	-	(16.9)	(2.6)	(19.5)
Disposals	-	-	(0.1)	(0.1)
At 30 June 2015	62.3	15.0	42.0	119.3
At 1 January 2015	62.3	14.8	30.1	107.2
Additions	-	35.8	39.5	75.3
Amortisation charge	-	(34.0)	(6.1)	(40.1)
Disposals	-	-	(0.1)	(0.1)
At 31 December 2015	62.3	16.6	63.4	142.3
Additions	-	23.2	14.1	37.3
Amortisation charge	-	(19.7)	(5.5)	(25.2)
Disposals	-	-	(0.1)	(0.1)
Foreign exchange movement	-	0.9	1.0	1.9
At 30 June 2016	62.3	21.0	72.9	156.2

[*1] Deferred acquisition costs additions and amortisation charges from prior periods have been re-presented to reflect appropriate net of reinsurance movements in each period. There are no changes to the carried forward or brought forward deferred acquisition costs balance for any period.

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 2015 financial statements for further information.

10c. Insurance and other receivables

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Insurance receivables ¹	551.6	398.3	437.0
Trade receivables	141.4	89.1	92.1
Prepayments and accrued income	4.4	11.9	8.0
Total insurance and other receivables	697.4	499.3	537.1

[*1] Insurance receivables at 30 June 2016 includes £30.4 million in respect of salvage and subrogation recoveries (H1 2015: £nil, FY 2015: £28.4 million).

10d. Trade and other payables

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Trade payables	23.9	22.8	35.1
Amounts owed to co-insurers and reinsurers	746.0	632.9	764.7
Finance leases due within 12 months	1.8	0.4	2.8
Other taxation and social security liabilities	43.1	25.7	28.3
Other payables	130.5	117.2	88.5
Accruals and deferred income	125.5	77.2	95.6
Total trade and other payables	1,070.8	887.6	1,015.0

Of amounts owed to co-insurers and reinsurers, £500.2 million (H1 2015: £475.6 million, FY 2015: £554.3 million) is held under funds withheld arrangements.

11. Share capital

11a. Dividends

Dividends were declared and paid as follows.

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
March 2015 (49.0 pence per share, paid May 2015)	-	-	134.4
August 2015 (51.0 pence per share, paid October 2015)	-	-	140.2
March 2016 (63.4 pence per share, paid May 2016)	175.4	-	-
Total dividends	175.4	134.4	274.6

The dividend declared in March 2015 represented the final dividend paid in respect of the 2014 financial year (August 2015 - interim dividend for 2015). The dividend declared in March 2016 was the final dividend paid in respect of the 2015 financial year.

An interim dividend of 62.9 pence per share (£174.7 million) has been declared in respect of the 2016 financial year.

11b. Earnings per share

	30 June 2016	30 June 2015	31 December 2015
Profit for the period after taxation attributable to equity share-holders (£m)	157.4	152.9	300.0
Weighted average number of shares - basic	281,806,787	278,930,161	279,627,738
Unadjusted earnings per share - basic	55.9p	54.8p	107.3p
Weighted average number of shares - diluted	282,194,592	279,399,127	280,018,741
Unadjusted earnings per share - diluted	55.8p	54.7p	107.1p

The difference between the basic and diluted number of shares at the end the period (being 387,805; H1 2015: 468,966, FY 2015: 391,003) relates to awards committed, but not yet issued under the Group's share schemes.

11c. Share capital

	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m

Authorised:

500,000,000 ordinary shares of 0.1p 0.5 0.5 0.5

Issued, called up and fully paid:

279,108,163 ordinary shares of 0.1p	-	0.3	-
281,587,953 ordinary shares of 0.1p	-	-	0.3
281,967,266 ordinary shares of 0.1p	<u>0.3</u>	-	-
	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>

During the first half of 2016 379,313 (H1 2015: 418,421) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

379,313 (H1 2015: 418,421) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at H1 2016 of 8,559,918 (H1 2015: 7,650,815). These shares are entitled to receive dividends.

No shares (H1 2015: nil) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at H1 2016 of 14,811,948 (H1 2015: 12,861,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

The number of shares in issue at flotation was 258,595,400.

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 make distributions after taking into account capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further prudent buffer against unforeseen events. This policy gives the Directors flexibility in managing the Group's capital.

Refer to the business 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 2015 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 2015 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 2016 £m	30 June 2015 £m	31 December 2015 £m
Total Premiums Written before co-insurance arrangements per note 5a of financial statements	1,076.5	904.9	1,805.2
Other revenue per note 7a of financial statements	<u>176.2</u>	<u>165.0</u>	<u>319.8</u>
	1,252.7	1,069.9	2,125.0
UK vehicle commission ¹	(12.5)	(17.7)	(31.8)
Other ²	<u>10.7</u>	<u>5.3</u>	<u>11.4</u>
	<u>1,250.9</u>	<u>1,057.5</u>	<u>2,104.6</u>
Turnover as per note 4 of financial statements	<u>9.8</u>	-	<u>14.2</u>
	<u>1,260.7</u>	<u>1,057.5</u>	<u>2,118.8</u>

[*1] During 2012 Admiral ceased earning other revenue from the sale of legal protection policies. At the same point, the Group began charging its panel of co- and reinsurers a vehicle commission. The substance of these changes meant that the total premiums written increased by the amount of revenue that was previously earned from the sale of legal protection policies. The vehicle commission included within Other revenue is therefore eliminated from the Turnover measure to avoid double-counting.

[*2] Other reconciling items represent co-insurer and reinsurer shares of Other revenue in the Group's International Car Insurance businesses.

[*3] Intra-group income elimination relates to price comparison income earned in the Group from other Group companies. This income was not eliminated in H1 2015 on the grounds of materiality.

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

	30 June 2016		30 June 2015		31 December 2015	
	UK motor	Group	UK motor	Group	UK motor	Group
	£m	£m	£m	£m	£m	£m
Net insurance claims	102.4	148.4	64.0	101.4	150.5	226.5
Net claims handling expenses	(5.5)	(5.6)	(4.8)	(4.8)	(9.4)	(9.4)
Reinsurer cap impact	-	(1.3)	-	(1.1)	-	(2.9)
Reserve releases on commuted reinsurance	12.8	12.8	42.6	42.6	88.8	88.8
Other adjustment ¹	-	(1.0)	-	(0.1)	-	(0.6)
Adjusted net claims	<u>109.7</u>	<u>153.3</u>	<u>101.8</u>	<u>138.0</u>	<u>229.9</u>	<u>302.4</u>
Net insurance premium revenue	192.9	259.7	174.9	228.9	358.6	467.0
Other adjustment ¹	-	(1.9)	-	(2.1)	-	(2.2)
Adjusted net insurance premium revenue	<u>192.9</u>	<u>257.8</u>	<u>174.9</u>	<u>226.8</u>	<u>358.6</u>	<u>464.8</u>
Reported loss ratio	<u>56.9%</u>	<u>59.5%</u>	<u>58.2%</u>	<u>60.8%</u>	<u>64.1%</u>	<u>65.1%</u>

[*1] 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 loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

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

	30 June 2016		30 June 2015		31 December 2015	
	UK motor	Group	UK motor	Group	UK motor	Group
	£m	£m	£m	£m	£m	£m
Net insurance expenses	22.6	48.6	25.7	49.4	41.5	83.1
Net claims handling expenses	5.5	5.6	4.8	4.8	9.4	9.4

Reinsurer cap impacts	-	(4.5)	-	(2.6)	-	(9.8)
Intra-group expenses elimination*1	6.9	9.8	-	-	9.5	14.2
Other adjustment*2	-	(0.9)	-	(2.0)	-	(1.6)
Adjusted net expenses	35.0	58.6	30.5	49.6	60.4	95.3
Net insurance premium revenue	192.9	259.7	174.9	228.9	358.6	467.0
Other adjustment*2	-	(1.9)	-	(2.1)	-	(2.2)
Adjusted net insurance premium revenue	192.9	257.8	174.9	226.8	358.6	464.8
Reported expense ratio	18.1%	22.7%	17.4%	21.9%	16.9%	20.5%

[*1] The intra-group expenses elimination amount relates to aggregator fees charged by the Group's price comparison entities to other Group companies. These expenses were not eliminated in H1 2015 on the grounds of materiality.

[*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 loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

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

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Reported profit before tax per the condensed consolidated income statement	189.5	181.7	368.7
Non-controlling interest share of profit before tax	3.8	4.4	8.1
Adjusted profit before tax	193.3	186.1	376.8

13. Statutory information

The financial information set out above does not constitute the company's statutory accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 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.

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
16 August 2016

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC (the company)

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 2016 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated cash flow statement, 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 Auditing Practices Board. 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board 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 Ireland) 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
16 August 2016