



## Admiral Group plc Results for the Six Months Ended 30 June 2012

30 August 2012 6:00 AM BST

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Admiral announces another record half-year profit and continued growth. Profit before tax at £171.8 million was 7% ahead of H1 2011, while turnover rose 6% to £1.17 billion.

The Board is declaring a record interim dividend payment of 45.1 pence per share.

### H1 2012 Highlights

- Group profit before tax up 7% at £171.8 million (H1 2011: £160.6 million)
- Earnings per share up 9% at 47.3 pence (H1 2011: 43.3 pence)
- Interim dividend up 15% at 45.1 pence per share (2011 interim: 39.1 pence)
- Group turnover\* up 6% at £1.17 billion (H1 2011: £1.10 billion)
- Group vehicle count up 11% to 3.50 million from 3.15 million at 30 June 2011
- 6,500 employees receive £1,500 of shares each in the Employee Share Scheme based on the H1 2012 result

\*Turnover is defined as total premium written (including co-insurers' share) and Other Revenue

### Comment from Henry Engelhardt, Chief Executive Officer

"Admiral has delivered a further increase in both turnover and profit in the first half of 2012, and a record dividend for our shareholders. In the UK, following the very significant growth in 2010 and 2011, we continue to slow our rate of growth to a more modest level, which we believe is a sensible response to the increased competition in the market.

"I am particularly proud that Admiral was placed first in the recent Great Place to Work list for the UK and fourth in Europe, which is gratifying as the awards are based on what our employees themselves think about working for Admiral. Everyone here works incredibly hard to provide excellent customer service and make Admiral the success it is, and I'd like to thank all of the team in the UK, Spain, Italy, USA, France, Canada and India for what they have achieved.

"All in all, I am pleased with our performance in the first half of 2012 and we are on track to meet our 2012 expectations."

### Comment from Alastair Lyons, Chairman

"With a further advance in first half profits we are delighted once again to be able to declare an increase in our interim dividend, now at 45.1 pence per ordinary share. This represents 95% of after-tax earnings for the first six months of 2012, testament to the strength of Admiral's capital-efficient, cash-generative business model."

### Interim dividend

The interim dividend of 45.1 pence per share will be paid on 12 October 2012. The ex-dividend date is 12 September 2012 and the record date is 14 September 2012. The dividend consists of a normal dividend of 21.3 pence per share and a special dividend of 23.8 pence per share.

### Management presentation

Analysts and investors will be able to access the Admiral Group management presentation, which commences at 9.00am on Thursday 30 August 2012, 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](http://www.admiralgroup.co.uk).

### Group financial highlights and key performance indicators

	H1 2010	H1 2011	H1 2012	FY 2011
Turnover*	£720.5m	£1,104.4m	£1,169.3m	£2,190.3m
Net revenue	£296.4m	£425.1m	£488.4m	£870.3m
Number of vehicles	2.37m	3.15m	3.50m	3.36m
Loss ratio	67.8%	77.5%	78.9%	78.9%
Expense ratio	21.5%	16.7%	16.3%	16.8%
Combined ratio	89.3%	94.2%	95.2%	95.7%
Profit before tax	£126.9m	£160.6m	£171.8m	£299.1m
Earnings per share	33.7p	43.3p	47.3p	81.9p
Dividend per share	32.6p	39.1p	45.1p	75.6p
Return on capital	58%	63%	61%	59%

\*Turnover comprises total premiums written and other revenue

### Key Group Highlights

Admiral continued to grow in the first half of 2012 - increasing turnover compared with H1 2011 by 6% to £1.17 billion and adding over 140,000 vehicles since the end of 2011. Year-on-year growth of 350,000 (11%) vehicles meant the Group closed 30 June 2012 with over 3.5 million vehicles.

After favourable conditions during 2010 and the first half of 2011 in the Group's core UK Car Insurance market, there has been a marked change in 2012, with premium rates falling and competitors seeking to add market share. In this environment it was appropriate to moderate the rate of growth in the UK, leading to a year-on-year increase in vehicles of 7% to just over three million.

Admiral continues to grow its International Insurance businesses, delivering a combined increase in premiums of around 50% (to £74 million) and insuring over 60% more vehicles at 30 June 2012 compared with a year earlier. The Group's four International Insurance businesses now account for 7% of total turnover and 11% of vehicles.

Group pre-tax profit increased by 7% to £171.8 million (from £160.6 million). The UK Car Insurance business result was £183.3 million - 9% higher than H1 2011 (£168.2 million), driven by higher net premium revenue and an improved combined ratio.

The combined loss of the Group's International Car Insurance businesses increased to £8.9 million (H1 2011: £3.2 million), reflecting investment in further growth in Italy and a significant increase in premium and vehicles in the US. This loss represented 5% of the Group result for the period.

Admiral's Price Comparison businesses generated pre-tax profit of £8.1 million - significantly ahead of the £5.0 million result in H1 2011 - reflecting positive development in the Group's international price comparison businesses. Confused.com had a solid first half with a profit of £8.4 million (H1 2011: £8.2 million).

Admiral's capital efficient and highly profitable business model led to return on capital of 61% (H1 2011: 63%). A key part of the business model is the extensive use of co- and reinsurance across the Group. During the first half of 2012 Admiral announced extensions to its UK reinsurance arrangements until at least the end of 2014, while its UK co-insurance agreement runs to at least the end of 2016.

Earnings per share increased by 9% to 47.3 pence (H1 2011: 43.3 pence) and an interim dividend of 45.1 pence per share has been declared (15% higher than the interim 2011 payment of 39.1 pence) - a payout ratio of 95% (H1 2011: 90%).

At the core of Admiral's success is its skilled and motivated workforce and the Group invests significant time and money in four key areas to underpin this: communication; equality; reward and recognition; and fun. During 2012 the Group has received numerous awards in recognition of this investment:

- Best Large Place to Work in the UK
- Fourth Best Workplace in Europe

- Third Best Workplace in Spain
- Fourth Best Workplace in Canada
- Eighth Best Workplace in Italy
- Fifteenth Best Workplace in Virginia USA

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<sup>1</sup> format income statement**

£m	H1 2010	H1 2011	H1 2012	FY 2011
Turnover <sup>2</sup>	639.4	999.3	1,030.0	1,966.0
Total premiums written <sup>3</sup>	555.8	881.7	922.8	1,728.8
Net insurance premium revenue	117.2	190.0	226.8	418.6
Investment income	3.2	3.4	5.9	10.6
Net insurance claims	(81.0)	(151.0)	(179.7)	(335.5)
Net insurance expenses	(16.1)	(20.7)	(21.9)	(46.7)
<b>Underwriting profit</b>	<b>23.3</b>	<b>21.7</b>	<b>31.1</b>	<b>47.0</b>
Profit commission	36.9	45.3	47.8	61.8
Net ancillary income	65.5	90.7	90.1	181.5
Instalment income	5.8	10.5	14.3	23.3
<b>UK Car Insurance profit before tax</b>	<b>131.5</b>	<b>168.2</b>	<b>183.3</b>	<b>313.6</b>

<sup>1</sup> GAAP = Generally Accepted Accounting Practice

<sup>2</sup> Turnover (a non-GAAP measure) comprises total premiums written and other revenue

<sup>3</sup> Total premiums written (non-GAAP) includes premium underwritten by co-insurers

**Key performance indicators**

	H1 2010	H1 2011	H1 2012	FY 2011
Reported loss ratio	65.9%	76.3%	76.7%	77.3%
Reported expense ratio	17.0%	14.1%	12.2%	14.0%
Reported combined ratio	82.9%	90.4%	88.9%	91.3%
Written basis expense ratio	14.6%	12.8%	12.6%	13.2%
Claims reserve releases	£17.3m	£4.0m	£10.9m	£10.3m
Vehicles insured at period-end	2.12m	2.83m	3.02m	2.97m
Other Revenue per vehicle	£80	£86	£82	£84

**UK Car Insurance Financial Performance**

After two years of significant rate increases, the market has become more price competitive in 2012. Admiral's UK business has continued to grow, though the rate of growth in premium and vehicle count has, as planned, moderated in 2012.

In H1, total premium of £923 million was 5% higher than H1 2011, while closing vehicle count was 7% above a year earlier at 3.02 million. Average premium fell by around 3% in H1, mainly driven by changes in the portfolio mix. The annualised rate of vehicle growth during H1 was around 4%.

There was a modest improvement in the combined ratio, which reduced to 88.9% from 90.4%. The expense ratio improved to 12.2% from 14.1%, benefitting from a one-off reduction in levy costs.

The reported loss ratio was slightly higher at 76.7% v 76.3%. The loss ratio included higher reserve releases (£10.9 million v £4.0 million), which reflected positive development in the projected outcome of prior year claims costs, especially in relation to the 2011 and 2010 years. The loss ratio excluding releases is 81.5%, which compares to 78.4% in H1 2011 (and 79.8% in FY 2011). Admiral's accounted loss ratios continue to include a significant margin above projected best estimates of claims costs.

Other revenue (net of costs) increased by 3% to £104.4 million, equal to £82 per vehicle (before internal costs) - down from £86 in H1 2011. The reduced revenue per vehicle resulted largely from changes in arrangements related to legal expenses insurance (refer below).

**Other Revenue - analysis of contribution:**

£m	H1 2010	H1 2011	H1 2012	FY 2011
Ancillary contribution	77.6	107.1	108.0	213.9
Instalment income	5.8	10.5	14.3	23.3
<b>Other Revenue</b>	<b>83.4</b>	<b>117.6</b>	<b>122.3</b>	<b>237.2</b>
Internal costs	(12.1)	(16.4)	(17.9)	(32.4)
<b>Net Other Revenue</b>	<b>71.3</b>	<b>101.2</b>	<b>104.4</b>	<b>204.8</b>
<b>Other Revenue per vehicle</b>	<b>£80</b>	<b>£86</b>	<b>£82</b>	<b>£84</b>

**Other Revenue**

With effect from 1 April 2012, Admiral no longer earns Other Revenue from the sale of legal protection policies. In addition, the Group began charging its panel of co and reinsurers a vehicle commission.

The economic impact of these two changes is not significant. However, a time lag in recognising vehicle commission results in Other Revenue per vehicle in 2012 being reduced by approximately £6, of which £3.50 is reflected in H1. Admiral's car insurance policies will continue to include legal protection as an integral feature and there will be no impact on customers in the level of cover or cost of policies as a result of this change.

There are a number of products which are core to providing car insurance to customers (including personal injury insurance, breakdown cover and car hire cover). During the second half of 2012, Admiral will begin to underwrite the majority of these within the Group (after previously being underwritten by external insurers). The advantages of doing this include improved products for customers and increased control and flexibility as regards their features and terms. There is no impact on the income statement in H1 2012, and the full year impact in 2012 is expected to be insignificant.

As previously announced, personal injury referral fees will be banned from April 2013 - Admiral currently earns revenue of around £7 per vehicle from this source.

Profit from UK Car Insurance increased by 9% to £183.3 million (H1 2011: £168.2 million) - largely a result of the better combined ratio and higher net insurance premium revenue.

The underwriting arrangements are unchanged from those disclosed in the 2011 Annual Report (Admiral retains 25% of the underwriting in 2012).

**International Car Insurance**  
**Non-GAAP format income statement**

£m	H1 2010	H1 2011	H1 2012	FY 2011
Turnover	37.1	53.9	79.7	122.2
Total premiums written	34.0	49.5	74.4	112.5
Net insurance premium revenue	8.1	11.5	19.7	27.2
Investment income	0.1	0.1	0.1	0.2
Net insurance claims	(7.8)	(11.1)	(20.5)	(28.3)
Net insurance expenses	(7.1)	(6.9)	(12.6)	(16.2)
<b>Underwriting result</b>	<b>(6.7)</b>	<b>(6.4)</b>	<b>(13.3)</b>	<b>(17.1)</b>

Net ancillary income	2.4	3.6	4.3	8.0
Other revenue and charges	0.2	(0.4)	0.1	(0.4)
<b>International Car Insurance loss before tax</b>	<b>(4.1)</b>	<b>(3.2)</b>	<b>(8.9)</b>	<b>(9.5)</b>

#### Key Performance Indicators

	H1 2010	H1 2011	H1 2012	FY 2011
Reported loss ratio	96%	97%	104%	104%
Reported expense ratio	87%	60%	64%	60%
Reported combined ratio	183%	157%	168%	164%
Vehicles insured at period-end	154,100	235,900	385,600	306,000
Other Revenue per vehicle	£40	£37	£27	£32

#### 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 Assurances). All four businesses continue to grow and make good progress towards the Group's aim of establishing growing, sustainable, profitable businesses outside the UK.

The combined operations insured 385,600 vehicles at 30 June 2012 - 63% higher than a year earlier (235,900). Turnover from the four businesses was £79.7 million, up almost 50% compared with H1 2011. Vehicles and turnover from outside the UK now represent 11% and 7% of the Group totals respectively, up from 7% and 5% in H1 2011.

The total International Insurance loss was £8.9 million, up from £3.2 million in H1 2011. The increase resulted from a higher combined ratio (168% v 157%) on higher net insurance premium revenue (which increased by 71% to £19.7 million).

The higher combined ratio was the result of two factors: Firstly, the expense ratio of each business improved compared with H1 2011. However, as newer operations grow to become more significant contributors to the overall international result, the expense ratios of those operations drove a higher overall expense ratio of 64% (up from 60%). Secondly, the loss ratio increased to 104% from 97%, though this was in line with FY 2011.

#### Price Comparison

##### Non-GAAP format income statement

£m	H1 2010	H1 2011	H1 2012	FY 2011
Revenue:				
Motor	29.9	36.7	43.0	72.2
Other	8.1	8.7	10.3	18.2
<b>Total</b>	<b>38.0</b>	<b>45.4</b>	<b>53.3</b>	<b>90.4</b>
Operating expenses	(30.9)	(40.4)	(45.2)	(79.9)
<b>Operating profit</b>	<b>7.1</b>	<b>5.0</b>	<b>8.1</b>	<b>10.5</b>
Confused.com profit	8.8	8.2	8.4	16.1
International Price Comparison	(1.7)	(3.2)	(0.3)	(5.6)

(note - all figures include Chiarezza, sold in H1 2012)

#### UK Price Comparison - Confused.com

The UK market remains highly competitive, with four players continuing to dominate market share and advertising spend. Confused had a positive half-year, maintaining market share in its core car insurance comparison market and increasing total revenue by around 7% to £43.2 million (H1 2011: £40.4 million).

Operating margin remained broadly flat at around 20%, resulting in profit for Confused of £8.4 million - up from £8.2 million in H1 2011.

Revenue from other products was stable at 20% of total revenue.

#### International Price Comparison

Following the sale of the Italian price comparison operation (Chiarezza) during H1, the Group now operates two price comparison websites outside the UK; in Spain (Rastreator) and France (LeLynx).

On a like-for-like basis, revenue from these operations more than doubled to £10.0 million in H1 2012 reflecting improved conversion rates. Total quotes generated across all products increased by 64% to 2.2 million.

The combined result for International Price Comparison was a loss of £0.3 million - notably improved from a £3.2 million loss in H1 2011. The disposal of Chiarezza had an insignificant impact on the income statement.

#### Other Group Items

£m	H1 2010	H1 2011	H1 2012	FY 2011
Gladiator operating profit	1.5	1.2	1.3	2.8
Group net interest income	0.3	1.6	0.9	2.9
Share scheme charges	(7.5)	(10.8)	(9.9)	(18.6)
Expansion costs	(0.9)	(0.4)	(0.8)	(0.8)
Other central overhead	(1.0)	(1.0)	(2.2)	(1.8)

- Other central overheads include Group Directors' fees and other Group central costs
- Expansion costs of £0.8 million in H1 2012 primarily relate to the ongoing development of a UK Household insurance product, expected to launch around the end of 2012

#### Investments and Cash

##### Investment Strategy

There has been no change in the Group's cautious investment strategy. Funds continue to be held either in money market funds, term deposits or as cash at bank. The Group's Investment Committee continues to perform regular reviews of this strategy to ensure it remains appropriate.

The key focus of the Group's investment strategy is capital preservation, with an additional priority being a focus on low volatility of investment return.

#### Cash and investments analysis

	30 June 2012				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	906.5	48.5	-	5.2	960.2
Long-term deposits	361.9	4.5	-	18.9	385.3
Cash	148.0	68.4	24.6	36.1	277.1
<b>Total</b>	<b>1,416.4</b>	<b>121.4</b>	<b>24.6</b>	<b>60.2</b>	<b>1,622.6</b>

31 December 2011

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	761.1	66.0	-	35.0	862.1
Long-term deposits	290.7	6.3	-	-	297.0
Cash	117.8	38.9	8.8	59.1	224.6
<b>Total</b>	<b>1,169.6</b>	<b>111.2</b>	<b>8.8</b>	<b>94.1</b>	<b>1,383.7</b>

	30 June 2011				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	548.0	-	31.8	-	579.8
Long-term deposits	289.7	-	3.6	10.0	303.3
Cash	128.0	12.7	58.3	82.4	281.4
<b>Total</b>	<b>965.7</b>	<b>12.7</b>	<b>93.7</b>	<b>92.4</b>	<b>1,164.5</b>

Money market funds comprise the majority of the total - 59% at 30 June 2012, up from 50% a year earlier. Exposure to Spanish and Italian counterparties amounts to only around 2% of the total balance (there is no exposure to counterparties in Ireland, Portugal or Greece).

Investment return and interest income totalled £6.9 million in H1 2012, up from £5.1 million in H1 2011, with a rate of return of around 1% - in line with last year.

#### Other financial items

##### Taxation

The tax charge reported in the income statement is £43.6 million (H1 2011: £44.1 million), which equates to 25.4% (H1 2011: 27.5%) of profit before tax. The lower effective rate of taxation results from the reductions in UK corporation tax in 2011 and 2012.

##### Earnings per share

Basic earnings per share rose by 9% to 47.3 pence from 43.3 pence in H1 2011. The change is broadly in line with pre- and post-tax profit growth (the difference being largely related to the lower effective rate of corporation tax in H1 2012).

##### Dividends

The proposed dividend is 45.1 pence per share, which is 15% higher than the interim payment in 2011. It is equal to 95% of earnings per share.

The dividend is made up of a 21.3 pence normal element based on the stated dividend policy of distributing 45% of post tax profits, and a further special element of 23.8 pence. The special dividend is calculated with reference to distributable reserves after considering 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.

The payment date is 12 October, ex-dividend date 12 September and record date 14 September.

##### Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are set out in note 22 to this half-yearly financial report.

#### Condensed consolidated income statement

		6 months ended		Year ended
	Note	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Insurance premium revenue	3	560.5	425.2	959.7
Insurance premium ceded to reinsurers	3	(314.0)	(223.7)	(513.9)
<b>Net insurance premium revenue</b>		<b>246.5</b>	<b>201.5</b>	<b>445.8</b>
Other revenue	4	187.2	173.2	349.0
Profit commission	5	47.8	45.3	61.8
Investment and interest income	6	6.9	5.1	13.7
<b>Net revenue</b>		<b>488.4</b>	<b>425.1</b>	<b>870.3</b>
Insurance claims and claims handling expenses		(456.7)	(340.0)	(785.9)
Insurance claims and claims handling expenses recovered from reinsurers		256.5	177.9	422.1
<b>Net insurance claims</b>		<b>(200.2)</b>	<b>(162.1)</b>	<b>(363.8)</b>
Operating expenses	7	(106.5)	(91.6)	(188.8)
Share scheme charges	20	(9.9)	(10.8)	(18.6)
Total expenses		<b>(316.6)</b>	<b>(264.5)</b>	<b>(571.2)</b>
<b>Profit before tax</b>		<b>171.8</b>	<b>160.6</b>	<b>299.1</b>
Taxation expense	8	(43.6)	(44.1)	(77.8)
<b>Profit after tax</b>		<b>128.2</b>	<b>116.5</b>	<b>221.3</b>
Profit after tax attributable to:				
Equity holders of the parent		128.1	116.5	221.2
Non-controlling interests		0.1	-	0.1
		<b>128.2</b>	<b>116.5</b>	<b>221.3</b>
Earnings per share:				
Basic	9	<u>47.3p</u>	<u>43.3p</u>	<u>81.9p</u>
Diluted	9	<u>47.2p</u>	<u>43.2p</u>	<u>81.7p</u>
Dividends declared and paid (total)	10	98.0	94.5	198.8
Dividends declared and paid (per share)	10	36.5p	35.5p	74.6p

#### Condensed consolidated statement of comprehensive income

		6 months ended		Year ended
		30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
<b>Profit for the period</b>		<b>128.2</b>	<b>116.5</b>	<b>221.3</b>

<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	(1.1)	2.6	(1.0)
Other comprehensive income for the period, net of income tax	(1.1)	2.6	(1.0)
<b>Total comprehensive income for the period</b>	<b>127.1</b>	<b>119.1</b>	<b>220.3</b>

Total comprehensive income for the period, attributable to:

Equity holders of the parent	127.0	119.1	220.2
Non-controlling interests	0.1	-	0.1
	<u>127.1</u>	<u>119.1</u>	<u>220.3</u>

#### Condensed consolidated statement of financial position

	Note	As at:		
		30 June 2012	30 June 2011	31 December 2011
		£m	£m	£m
<b>ASSETS</b>				
Property, plant and equipment	11	16.4	14.1	17.6
Intangible assets	12	88.9	84.2	87.5
Reinsurance assets	14	723.6	479.7	639.8
Financial assets	13	1,793.6	1,319.3	1,583.0
Deferred income tax	17	10.0	11.7	10.3
Trade and other receivables	15	65.7	75.5	52.1
Cash and cash equivalents	16	277.1	281.4	224.6
<b>Total assets</b>		<b>2,975.3</b>	<b>2,265.9</b>	<b>2,614.9</b>

#### EQUITY

Share capital	20	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Other reserves		2.1	6.8	3.2
Retained earnings		419.6	371.1	377.3
<b>Total equity attributable to equity holders of the parent</b>		<b>435.1</b>	<b>391.3</b>	<b>393.9</b>
Non-controlling interests		5.2	0.4	0.5
<b>Total equity</b>		<b>440.3</b>	<b>391.7</b>	<b>394.4</b>

#### LIABILITIES

Insurance contracts	14	1,586.4	1,083.9	1,333.7
Trade and other payables	18	910.0	747.6	856.6
Current tax liabilities		38.6	42.7	30.2
<b>Total liabilities</b>		<b>2,535.0</b>	<b>1,874.2</b>	<b>2,220.5</b>
<b>Total equity and total liabilities</b>		<b>2,975.3</b>	<b>2,265.9</b>	<b>2,614.9</b>

#### Condensed consolidated cash flow statement

	6 months ended		Year ended
	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
<b>Profit after tax</b>	<b>128.2</b>	<b>116.5</b>	<b>221.3</b>
Adjustments for non-cash items:			
- Depreciation	3.4	2.7	6.1
- Amortisation of software	1.8	1.6	3.3
- Change in unrealised gains/(losses) on investments	2.6	(1.6)	(1.9)
- Other gains and losses	0.1	2.2	0.9
- Share scheme charge	10.7	14.8	23.6
Change in gross insurance contract liabilities	252.7	277.3	527.1
Change in reinsurance assets	(83.8)	(122.7)	(282.8)
Change in trade and other receivables, including from policyholders	(39.7)	(124.1)	(88.4)
Change in trade and other payables, including tax and social security	53.5	186.6	292.1
Taxation expense	43.6	44.1	77.8
<b>Cash flows from operating activities, before movements in investments</b>	<b>373.1</b>	<b>397.4</b>	<b>779.1</b>
Net cash flow into investments	(189.0)	(218.3)	(493.9)
Cash flows from operating activities, net of movements in investments	184.1	179.1	285.2
Taxation payments	(33.4)	(47.4)	(95.3)
<b>Net cash flow from operating activities</b>	<b>150.7</b>	<b>131.7</b>	<b>189.9</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment and software	(3.7)	(5.1)	(16.8)
Proceeds from investing activities	-	-	3.9
<b>Net cash used in investing activities</b>	<b>(3.7)</b>	<b>(5.1)</b>	<b>(12.9)</b>
<b>Cash flows from financing activities:</b>			
Minority interest capital contribution	4.6	-	-
Capital element of new finance leases	-	-	1.0
Repayment of finance lease liabilities	-	-	(0.3)
Equity dividends paid	(98.0)	(94.5)	(198.8)
<b>Net cash used in financing activities</b>	<b>(93.4)</b>	<b>(94.5)</b>	<b>(198.1)</b>

<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>53.6</b>	<b>32.1</b>	<b>(21.1)</b>
Cash and cash equivalents at 1 January	224.6	246.7	246.7
Effects of changes in foreign exchange rates	(1.1)	2.6	(1.0)
<b>Cash and cash equivalents at end of period</b>	<b>16 277.1</b>	<b>281.4</b>	<b>224.6</b>

#### Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Minority interest £m	Total equity £m
At 1 January 2011	0.3	13.1	4.2	332.7	0.4	350.7
Profit for the period	-	-	-	116.5	-	116.5
<b>Other comprehensive income</b>						
Currency translation differences	-	-	2.6	-	-	2.6
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2.6</b>	<b>116.5</b>	<b>-</b>	<b>119.1</b>
<b>Transactions with equity-holders</b>						
Dividends	-	-	-	(94.5)	-	(94.5)
Share scheme credit	-	-	-	14.8	-	14.8
Deferred tax credit on share scheme charge	-	-	-	1.6	-	1.6
<b>Total transactions with equity-holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78.1)</b>	<b>-</b>	<b>(78.1)</b>
As at 30 June 2011	<b>0.3</b>	<b>13.1</b>	<b>6.8</b>	<b>371.1</b>	<b>0.4</b>	<b>391.7</b>
At 1 January 2011	0.3	13.1	4.2	332.7	0.4	350.7
Profit for the period	-	-	-	221.2	0.1	221.3
<b>Other comprehensive income</b>						
Currency translation differences	-	-	(1.0)	-	-	(1.0)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1.0)</b>	<b>221.2</b>	<b>0.1</b>	<b>220.3</b>
<b>Transactions with equity-holders</b>						
Dividends	-	-	-	(198.8)	-	(198.8)
Share scheme credit	-	-	-	23.6	-	23.6
Deferred tax charge on share scheme charge	-	-	-	(1.4)	-	(1.4)
<b>Total transactions with equity-holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(176.6)</b>	<b>-</b>	<b>(176.6)</b>
As at 31 December 2011	<b>0.3</b>	<b>13.1</b>	<b>3.2</b>	<b>377.3</b>	<b>0.5</b>	<b>394.4</b>

#### Condensed consolidated statement of changes in equity (continued)

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Minority interest £m	Total equity £m
At 1 January 2012	0.3	13.1	3.2	377.3	0.5	394.4
Profit for the period	-	-	-	128.1	0.1	128.2
<b>Other comprehensive income</b>						
Currency translation differences	-	-	(1.1)	-	-	(1.1)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1.1)</b>	<b>128.1</b>	<b>0.1</b>	<b>127.1</b>
<b>Transactions with equity-holders</b>						
Dividends	-	-	-	(98.0)	-	(98.0)
Share scheme credit	-	-	-	10.7	-	10.7
Deferred tax credit on share scheme charge	-	-	-	1.5	-	1.5
Minority interest capital contribution	-	-	-	-	4.6	4.6
<b>Total transactions with equity-holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85.8)</b>	<b>4.6</b>	<b>(81.2)</b>
As at 30 June 2012	<b>0.3</b>	<b>13.1</b>	<b>2.1</b>	<b>419.6</b>	<b>5.2</b>	<b>440.3</b>

#### Notes to the condensed interim financial statements

##### 1. General information and basis of preparation

Admiral Group plc is a Company incorporated in England and Wales. Its registered office is at Capital Tower, Greyfriars Road, Cardiff CF10 3AZ 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 2012 and the comparative periods for the 6-month period ended 30 June 2011 and the year ended 31 December 2011. 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 Disclosure and Transparency Rules of the Financial Services Authority, 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 2011.

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 2011 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, including cash flow forecasts and regulatory capital surpluses. The Group has no debt.

##### Accounting policies

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 2011. A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2012 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

#### Critical accounting judgements and estimates

The Group's 2011 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.

#### Estimation techniques used in calculation of claims provisions

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represents 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 are 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 likely accuracy. 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 either from significant deviations in claims inflation compared to expectation, or 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 claims provisions are subject to independent review by the Group's actuarial advisors.

Management's reserving policy is to reserve at a level above best estimate projections to allow for unforeseen adverse claims development. Future changes in claims reserves also impact profit commission income, as the recognition of this income is dependant on the loss ratio booked in the financial statements, and cash receivable is dependant on actuarial projections of ultimate loss ratios.

Refer to note 14 for an analysis on the changes in estimates of claims provisions for each underwriting year.

## 2. 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 the generation of other revenue 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 income 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 other revenue outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, Elephant Auto in the USA and L'olivier Assurances in France. 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 and LeLynx in France. Each of the Price Comparison businesses are operating in individual geographical segments but are grouped into one reporting segment as LeLynx and Rastreator do not individually meet the threshold requirements in IFRS 8.

The results of the Group's Italian price comparison business, Chiarezza, which was sold during the period, are included in this segment up to the date of disposal.

#### Other

The 'Other' segment is designed to be comprised of all other operating segments that do not meet the threshold requirements for individual reporting. Currently there is only one such segment, the Gladiator commercial van insurance broking operation, and so it is the results and balances of this operation that comprise the 'Other' segment.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the Condensed Consolidated Income Statement and Condensed 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 2012, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in note 3 in the 2011 Group financial statements.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	30 June 2012 Segment total £m
Turnover*	1,030.0	79.7	53.3	6.3	-	1,169.3
Net insurance premium revenue	226.8	19.7	-	-	-	246.5
Other revenue and profit commission	170.1	5.3	53.3	6.3	-	235.0
Investment and interest income	5.9	0.1	-	-	-	6.0
Net revenue	402.8	25.1	53.3	6.3	-	487.5
Net insurance claims	(179.7)	(20.5)	-	-	-	(200.2)
Expenses	(39.8)	(13.5)	(45.2)	(5.0)	-	(103.5)
<b>Segment profit / (loss) before tax</b>	<b>183.3</b>	<b>(8.9)</b>	<b>8.1</b>	<b>1.3</b>	<b>-</b>	<b>183.8</b>
Other central revenue and expenses, including share scheme charges						(12.9)
Interest income						0.9
<b>Consolidated profit before tax</b>						<b>171.8</b>
Taxation expense						(43.6)
<b>Consolidated profit after tax</b>						<b>128.2</b>
Reportable segment assets	2,682.9	241.8	35.3	71.9	(66.6)	2,965.3
Unallocated assets and liabilities						10.0
<b>Consolidated assets</b>						<b>2,975.3</b>

\*Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and other revenue.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2011 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	30 June 2011 Segment total £m
Turnover*	999.3	53.9	45.4	5.8	-	1,104.4

Net insurance premium revenue	190.0	11.5	-	-	-	201.5
Other revenue and profit commission	162.9	4.4	45.4	5.8	-	218.5
Investment and interest income	3.4	0.1	-	-	-	3.5
Net revenue	356.3	16.0	45.4	5.8	-	423.5
Net insurance claims	(151.0)	(11.1)	-	-	-	(162.1)
Expenses	(37.1)	(8.1)	(40.4)	(4.6)	-	(90.2)
<b>Segment profit / (loss) before tax</b>	<b>168.2</b>	<b>(3.2)</b>	<b>5.0</b>	<b>1.2</b>	<b>-</b>	<b>171.2</b>
Other central revenue and expenses, including share scheme charges						(12.2)
Interest income						1.6
<b>Consolidated profit before tax</b>						<b>160.6</b>
Taxation expense						(44.1)
<b>Consolidated profit after tax</b>						<b>116.5</b>

Reportable segment assets	2,045.3	151.9	20.4	15.0	(66.8)	2,165.8
Unallocated assets and liabilities						100.1
<b>Consolidated assets</b>						<b>2,265.9</b>

Revenue and results for the corresponding reportable segments for the year ended 31 December 2011 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	31 December 2011 Segment total £m
Turnover*	1,966.0	122.2	90.4	11.7	-	2,190.3
Net insurance premium revenue	418.6	27.2	-	-	-	445.8
Other revenue and profit commission	299.0	9.7	90.4	11.7	-	410.8
Investment and interest income	10.6	0.2	-	-	-	10.8
Net revenue	728.2	37.1	90.4	11.7	-	867.4
Net insurance claims	(335.5)	(28.3)	-	-	-	(363.8)
Expenses	(79.1)	(18.3)	(79.9)	(8.9)	-	(186.2)
<b>Segment profit / (loss) before tax</b>	<b>313.6</b>	<b>(9.5)</b>	<b>10.5</b>	<b>2.8</b>	<b>-</b>	<b>317.4</b>
Other central revenue and expenses, including share scheme charges						(21.2)
Interest income						2.9
<b>Consolidated profit before tax</b>						<b>299.1</b>
Taxation expense						(77.8)
<b>Consolidated profit after tax</b>						<b>221.3</b>
Reportable segment assets	2,362.1	197.7	10.8	14.1	(69.9)	2,514.8
Unallocated assets and liabilities						100.1
<b>Consolidated assets</b>						<b>2,614.9</b>

#### 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 £6.9 million (H1 2011: £8.5million, FY 2011: £16.1 million). These amounts have not been eliminated as the Directors consider that not doing so results in a better overall presentation of the financial statements. The impact on the half-yearly financial report is not material. There are no other transactions between reportable segments.

#### Information about geographical locations

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

#### 3. Net insurance premium revenue

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Total motor insurance premiums before co-insurance	997.2	931.2	1,841.3
Group gross premiums written after co-insurance	614.1	568.0	1,128.4
Outwards reinsurance premiums	(360.6)	(312.7)	(622.0)
Net insurance premiums written	253.5	255.3	506.4
Change in gross unearned premium provision	(53.6)	(142.8)	(168.7)
Change in reinsurers' share of unearned premium provision	46.6	89.0	108.1
<b>Net insurance premium revenue</b>	<b>246.5</b>	<b>201.5</b>	<b>445.8</b>

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.

#### 4. Other revenue



	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Ancillary contribution	113.1	111.3	223.3
Price Comparison revenue	53.3	45.4	90.4
Other revenue	<u>20.8</u>	<u>16.5</u>	<u>35.3</u>
<b>Total other revenue</b>	<b><u>187.2</u></b>	<b><u>173.2</u></b>	<b><u>349.0</u></b>

Ancillary contribution is primarily made up of commissions and fees earned on sales of insurance products and services complementing the car insurance policy.

#### 5. Profit commission

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Underwriting year:			
2009 & prior	(0.6)	0.4	2.3
2010	8.2	41.6	46.8
2011	39.5	3.3	12.7
2012	<u>0.7</u>	<u>-</u>	<u>-</u>
<b>Total profit commission</b>	<b><u>47.8</u></b>	<b><u>45.3</u></b>	<b><u>61.8</u></b>

#### 6. Investment and interest income

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Net investment return	6.0	3.5	10.8
Interest receivable	<u>0.9</u>	<u>1.6</u>	<u>2.9</u>
<b>Total investment and interest income</b>	<b><u>6.9</u></b>	<b><u>5.1</u></b>	<b><u>13.7</u></b>

#### 7. Expenses

	30 June 2012			30 June 2011		
	Insurance contracts £m	Other £m	Total £m	Insurance contracts £m	Other £m	Total £m
Acquisition of insurance contracts	25.5	-	25.5	14.3	-	14.3
Administration and marketing costs	9.0	72.0	81.0	13.3	64.0	77.3
	<u>34.5</u>	<u>72.0</u>	<u>106.5</u>	<u>27.6</u>	<u>64.0</u>	<u>91.6</u>
Share scheme charges	-	9.9	9.9	-	10.8	10.8
<b>Total expenses</b>	<b><u>34.5</u></b>	<b><u>81.9</u></b>	<b><u>116.4</u></b>	<b><u>27.6</u></b>	<b><u>74.8</u></b>	<b><u>102.4</u></b>

	31 December 2011		
	Insurance contracts £m	Other £m	Total £m
Acquisition of insurance contracts	36.2	-	36.2
Administration and marketing costs	<u>26.7</u>	<u>125.9</u>	<u>152.6</u>
	62.9	125.9	188.8
Share scheme charges	-	18.6	18.6
<b>Total expenses</b>	<b><u>62.9</u></b>	<b><u>144.5</u></b>	<b><u>207.4</u></b>

The £9.0 million (H1 2011: £13.3 million FY 2011: £26.7 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

#### Analysis of other administration and marketing costs:

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Ancillary sales expenses	18.7	17.0	33.8
Price Comparison operating expenses	45.2	40.4	79.9
Other expenses	<u>8.1</u>	<u>6.6</u>	<u>12.2</u>
<b>Total</b>	<b><u>72.0</u></b>	<b><u>64.0</u></b>	<b><u>125.9</u></b>

Reconciliation of expenses related to insurance contracts to reported expense ratio:

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Insurance contract expenses from above	34.5	27.6	62.9
Add: claims handling expenses	<u>5.8</u>	<u>6.1</u>	<u>11.9</u>
Adjusted expenses	40.3	33.7	74.8
Net insurance premium revenue	246.5	201.5	445.8
<b>Reported expense ratio</b>	<b><u>16.3%</u></b>	<b><u>16.7%</u></b>	<b><u>16.8%</u></b>

#### 8. Taxation

	30 June	30 June	31 December
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	2012 £m	2011 £m	2011 £m
<b>UK Corporation tax</b>			
Current charge at 24.5% (2011: 26.5%)	41.8	41.8	80.3
(Over) provision relating to prior periods - corporation tax	-	-	(3.2)
Current tax charge	41.8	41.8	77.1
<b>Deferred tax</b>			
Current period deferred taxation movement	1.8	2.3	(0.8)
Under provision relating to prior periods - deferred tax	-	-	1.5
<b>Total tax charge per income statement</b>	<b>43.6</b>	<b>44.1</b>	<b>77.8</b>

Factors affecting the tax charge are:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
<b>Profit before taxation</b>	<b>171.8</b>	<b>160.6</b>	<b>299.1</b>
Corporation tax thereon at 24.5% (2011: 26.5%)	42.1	42.5	79.3
Expenses and provisions not deductible for tax purposes	-	-	0.1
Difference in tax rates	-	-	0.5
Adjustments relating to prior periods	-	-	(1.7)
Other differences	1.5	1.6	(0.4)
<b>Tax charge for the period as above</b>	<b>43.6</b>	<b>44.1</b>	<b>77.8</b>

The UK corporation tax rate was reduced from 26% to 24% on 1 April 2012. The current corporation tax rate used for the 6 months to 30 June 2012 is the average effective rate for 2012 of 24.5% (2011: 26.5%). Deferred tax balances have been measured at 24% (H1 2011: 26%, FY 2011: 26%).

#### 9. Earnings per share

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Profit for the period after taxation (equity holders)	128.1	116.5	221.2
Weighted average number of shares - basic	271,088,885	269,171,508	269,903,301
<b>Earnings per share - basic</b>	<b>47.3p</b>	<b>43.3p</b>	<b>81.9p</b>
Weighted average number of shares - diluted	271,740,638	269,584,934	270,782,526
<b>Earnings per share - diluted</b>	<b>47.2p</b>	<b>43.2p</b>	<b>81.7p</b>

The difference between the basic and diluted number of shares at the end of the period (being 651,753, H1 2011: 413,426, FY 2011: 879,225) relates to awards committed but not yet issued under the Group's share schemes.

#### 10. Dividends

Dividends were declared and paid as follows:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
March 2011 (35.5p per share, paid May 2011)	-	94.5	94.5
August 2011 (39.1p per share, paid October 2011)	-	-	104.3
March 2012 (36.5p per share, paid June 2012)	98.0	-	-
<b>Total dividends</b>	<b>98.0</b>	<b>94.5</b>	<b>198.8</b>

The dividend declared in March 2011 represented the final dividend paid in respect of the 2010 financial year (August 2011 - interim payment for 2011). The dividend declared in March 2012 was the final dividend paid in respect of the 2011 financial year.

An interim dividend of 45.1 pence per share (£122.5 million) has been declared in respect of the 2012 financial year.

#### 11. Property, plant and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
<b>Cost:</b>					
At 1 January 2011	5.2	24.1	8.5	3.4	41.2
Additions	0.3	1.5	1.1	0.5	3.4
Disposals	-	(0.2)	-	-	(0.2)
At 30 June 2011	5.5	25.4	9.6	3.9	44.4
<b>Depreciation</b>					
At 1 January 2011	3.5	15.5	6.0	2.6	27.6
Charge for the year	0.3	1.7	0.5	0.2	2.7
Disposals	-	-	-	-	-
At 30 June 2011	3.8	17.2	6.5	2.8	30.3
<b>Net book amount</b>					
At 30 June 2011	1.7	8.2	3.1	1.1	14.1
<b>Cost</b>					
At 1 January 2011	5.2	24.1	8.5	3.4	41.2
Additions	1.5	4.5	2.9	1.5	10.4
Disposals	-	(0.3)	-	-	(0.3)
At 31 December 2011	6.7	28.3	11.4	4.9	51.3
<b>Depreciation</b>					
At 1 January 2011	3.5	15.5	6.0	2.6	27.6
Charge for the year	0.9	3.5	1.2	0.5	6.1
Disposals	-	-	-	-	-
At 31 December 2011	4.4	19.0	7.2	3.1	33.7

<b>Net book amount</b>					
At 31 December 2011	<u>2.3</u>	<u>9.3</u>	<u>4.2</u>	<u>1.8</u>	<u>17.6</u>
<b>Cost</b>					
At 1 January 2012	6.7	28.3	11.4	4.9	51.3
Additions	<u>0.4</u>	<u>1.0</u>	<u>0.8</u>	<u>-</u>	<u>2.2</u>
At 30 June 2012	<u>7.1</u>	<u>29.3</u>	<u>12.2</u>	<u>4.9</u>	<u>53.5</u>
<b>Depreciation</b>					
At 1 January 2012	4.4	19.0	7.2	3.1	33.7
Charge for the year	<u>0.5</u>	<u>1.8</u>	<u>0.8</u>	<u>0.3</u>	<u>3.4</u>
At 30 June 2012	<u>4.9</u>	<u>20.8</u>	<u>8.0</u>	<u>3.4</u>	<u>37.1</u>
<b>Net book amount</b>					
At 30 June 2012	<u>2.2</u>	<u>8.5</u>	<u>4.2</u>	<u>1.5</u>	<u>16.4</u>

The net book value of assets held under finance leases is as follows:

	30	30	31
	June	June	December
	2012	2011	2011
	£m	£m	£m

**Computer equipment** 0.9 0.5 2.8

## 12. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£m	£m	£m	£m
<b>Carrying amount:</b>				
At 1 January 2011	62.3	14.9	5.7	82.9
Additions	-	19.5	1.7	21.2
Amortisation charge	-	(18.3)	(1.6)	(19.9)
At 30 June 2011	<u>62.3</u>	<u>16.1</u>	<u>5.8</u>	<u>84.2</u>
At 1 January 2011	62.3	14.9	5.7	82.9
Additions	-	43.3	6.4	49.7
Amortisation charge	-	(41.8)	(3.3)	(45.1)
At 31 December 2011	<u>62.3</u>	<u>16.4</u>	<u>8.8</u>	<u>87.5</u>
Additions	-	22.0	1.7	23.7
Amortisation charge	-	(20.2)	(1.8)	(22.0)
Disposals	-	-	(0.3)	(0.3)
At 30 June 2012	<u>62.3</u>	<u>18.2</u>	<u>8.4</u>	<u>88.9</u>

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. As described in the accounting policies within the 2011 annual report, 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. No evidence has arisen during the 6 month period to 30 June 2012 to suggest that an interim impairment review is required.

## 13. Financial instruments

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

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Investments held at fair value	960.2	579.8	862.1
Held to maturity deposits with credit institutions	385.3	303.3	297.0
Receivables - amounts owed by policyholders	<u>448.1</u>	<u>436.2</u>	<u>423.9</u>
Total financial assets	1,793.6	1,319.3	1,583.0
Trade and other receivables	65.7	75.5	52.1
Cash and cash equivalents	<u>277.1</u>	<u>281.4</u>	<u>224.6</u>
	<u>2,136.4</u>	<u>1,676.2</u>	<u>1,859.7</u>
<b>Financial liabilities:</b>			
Trade and other payables	<u>910.0</u>	<u>747.6</u>	<u>856.6</u>

All receivables from policyholders are due within 12 months of the balance sheet date.

All investments held at fair value are invested in AAA-rated money market liquidity funds. These funds target a short-term cash return with capital security and low volatility and continue to achieve these goals.

## 14. Reinsurance assets and insurance contract liabilities

### A) Analysis of recognised amounts:

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
<b>Gross:</b>			
Claims outstanding	969.1	567.4	781.1
Unearned premium provision	<u>617.3</u>	<u>516.5</u>	<u>552.6</u>
<b>Total gross insurance liabilities</b>	<u>1,586.4</u>	<u>1,083.9</u>	<u>1,333.7</u>
<b>Recoverable from reinsurers:</b>			
Claims outstanding	366.5	201.7	334.2
Unearned premium provision	<u>357.1</u>	<u>278.0</u>	<u>305.6</u>
<b>Total reinsurers' share of insurance liabilities</b>	<u>723.6</u>	<u>479.7</u>	<u>639.8</u>

<b>Net:</b>			
Claims outstanding	602.6	365.7	446.9
Unearned premium provision	260.2	238.5	247.0
<b>Total insurance liabilities - net</b>	<b>862.8</b>	<b>604.2</b>	<b>693.9</b>

#### B) Analysis of net claims reserve releases:

The following table analyses the impact of movements in prior year UK claims provisions, in terms of their net value. The data is presented on an underwriting year basis.

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Underwriting year:			
2009 & prior	-	1.7	8.7
2010	5.5	2.3	1.6
2011	5.4	-	-
<b>Total net reserve release</b>	<b>10.9</b>	<b>4.0</b>	<b>10.3</b>
Net releases on Admiral net share <sup>1</sup>	9.0	4.4	7.8
Releases on commuted quota share reinsurance contracts <sup>1</sup>	1.9	(0.4)	2.5
<b>Total net release as above</b>	<b>10.9</b>	<b>4.0</b>	<b>10.3</b>

<sup>1</sup> Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here.

Profit commission is analysed in note 5.

#### C) Reconciliation of movement in net claims reserve:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Net claims reserve at start of period	446.9	269.0	269.0
Net claims incurred	194.4	156.1	351.9
Net claims paid	(38.7)	(59.4)	(174.0)
<b>Net claims reserve at end of period</b>	<b>602.6</b>	<b>365.7</b>	<b>446.9</b>

#### D) Reconciliation of movement in net unearned premium provision:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Net unearned premium provision at start of period	247.0	180.6	180.6
Written in the period	253.5	255.3	506.4
Earned in the period	(240.3)	(197.4)	(440.0)
<b>Net unearned premium provision at end of period</b>	<b>260.2</b>	<b>238.5</b>	<b>247.0</b>

#### 15. Trade and other receivables

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Trade receivables	64.9	70.2	51.1
Prepayments and accrued income	0.8	5.3	1.0
<b>Total trade and other receivables</b>	<b>65.7</b>	<b>75.5</b>	<b>52.1</b>

#### 16. Cash and cash equivalents

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Cash at bank and in hand	277.1	281.4	224.6
<b>Total cash and cash equivalents</b>	<b>277.1</b>	<b>281.4</b>	<b>224.6</b>

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.

#### 17. Deferred tax

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
(Asset) brought forward at start of period	(10.3)	(12.4)	(12.4)
Movement in period	0.3	0.7	2.1
<b>(Asset) carried forward at end of period</b>	<b>(10.0)</b>	<b>(11.7)</b>	<b>(10.3)</b>

The net balance provided at the end of the period is analysed as follows:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Tax treatment of share scheme charges	(2.5)	(5.5)	(3.6)
Capital allowances	(1.4)	(1.3)	(1.5)
Carried forward losses	(3.7)	(3.6)	(2.6)
Other differences	(2.4)	(1.3)	(2.6)

**Deferred tax (asset) at end of period** (10.0) (11.7) (10.3)

The UK corporation tax rate was reduced from 26% to 24% on 1 April 2012. Deferred tax balances at 30 June 2012 have therefore been measured at 24% (H1 2011: 26%, FY 2011: 25%).

The amount of deferred tax (expense) / income recognised in the income statement for each of the temporary differences reported above is:

Amounts (charged) / credited to income or expense	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Tax treatment of share scheme charges	(2.6)	(3.0)	(1.9)
Capital allowances	(0.1)	-	0.2
Carried forward losses	1.1	2.3	1.3
Other differences	(0.2)	(1.6)	(0.3)
<b>Net deferred tax (charged) to income</b>	<b><u>(1.8)</u></b>	<b><u>(2.3)</u></b>	<b><u>(0.7)</u></b>

The difference between the total movement in the deferred tax balance above and the amount charged to income relates to deferred tax on share scheme charges that has been credited directly to equity.

**18. Trade and other payables**

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Trade payables	9.7	10.8	12.1
Amounts owed to co-insurers and reinsurers	613.6	460.2	579.4
Finance leases due within 12 months	0.7	-	0.9
Finance leases due after 12 months	0.2	0.2	-
Other taxation and social security liabilities	27.5	25.9	21.9
Other payables	67.9	81.0	51.0
Accruals and deferred income (see below)	<u>190.4</u>	<u>169.5</u>	<u>191.3</u>
<b>Total trade and other payables</b>	<b><u>910.0</u></b>	<b><u>747.6</u></b>	<b><u>856.6</u></b>

Analysis of accruals and deferred income:

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Premium receivable in advance of policy inception	123.9	105.2	110.1
Accrued expenses	61.8	53.5	55.8
Deferred income	<u>4.7</u>	<u>10.8</u>	<u>25.4</u>
<b>Total accruals and deferred income as above</b>	<b><u>190.4</u></b>	<b><u>169.5</u></b>	<b><u>191.3</u></b>

**19. Obligations under finance leases**

<b>Analysis of finance lease liabilities:</b>		At 30 June 2012				At 30 June 2011		
		Minimum lease payments	Interest	Principal		Minimum lease payments	Interest	Principal
		£m	£m	£m	£m	£m	£m	
Less than one year		0.7	-	0.7	-	-	-	
Between one and five years		0.2	-	0.2	0.2	-	0.2	
		<u>0.9</u>	-	<u>0.9</u>	<u>0.2</u>	-	<u>0.2</u>	

	At 31 December 2011		
	Minimum lease payments	Interest	Principal
	£m	£m	£m
Less than one year	0.9	-	0.9
Between one and five years	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>0.9</u></b>	<b><u>-</u></b>	<b><u>0.9</u></b>

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates to their carrying amount.

**20. Share capital**

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
<b>Authorised:</b>			
500,000,000 ordinary shares of 0.1p	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Issued, called up and fully paid:</b>			
268,267,222 ordinary shares of 0.1p	-	0.3	-
270,789,075 ordinary shares of 0.1p	-	-	0.3
271,318,837 ordinary shares of 0.1p	<u>0.3</u>	<u>-</u>	<u>-</u>
	<b><u>0.3</u></b>	<b><u>0.3</u></b>	<b><u>0.3</u></b>

During the first half of 2012, 529,762 (H1 2011: 1,781,235) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

All of these (H1 2011: 281,235) were issued to the Admiral Group Share Incentive Plan (SIP) Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

No new shares (H1 2011: 1,500,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme. 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. Rights to dividends have now been waived on a total of 3,000,000 (H1 2011: 3,914,948) ordinary shares in issue.

**Staff share schemes:**

Analysis of share scheme costs (per income statement):

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
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SIP charge	3.6	3.1	6.0
DFSS charge	6.3	7.7	12.6

**Total share scheme charges** 9.9 10.8 18.6

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross credit to reserves reported in the statement of changes in equity (£10.7 million; H1 2011: £14.8 million, FY 2011: £23.6 million).

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

**Number of free share awards committed at 30 June 2012:**

	Awards outstanding*	Vesting date
SIP H1 09 scheme	396,200	September 2012
SIP H2 09 scheme	377,641	March 2013
SIP H1 10 scheme	352,100	August 2013
SIP H2 10 scheme	346,590	March 2013
SIP H1 11 scheme	489,060	September 2014
SIP H2 11 scheme	598,528	March 2014
DFSS 2009 scheme - 2 <sup>nd</sup> Award	127,020	August 2012
DFSS 2010 scheme - 1 <sup>st</sup> Award	1,542,453	April 2013
DFSS 2010 scheme - 2 <sup>nd</sup> Award	121,051	August 2013
DFSS 2011 scheme - 1 <sup>st</sup> Award	1,634,032	April 2014
DFSS 2011 scheme - 2 <sup>nd</sup> Award	157,312	September 2014
DFSS 2012 scheme - 1 <sup>st</sup> Award	181,668	April 2015

**Total awards committed** 6,323,655

\* - being the maximum number of awards expected to be made before accounting for expected staff attrition.

During the six months ended 30 June 2012, awards under the SIP H2 08 scheme and the DFSS 2009 (1<sup>st</sup> award) scheme vested. The total number of awards vesting for each scheme is as follows:

**Number of free share awards vesting during the six months ended 30 June 2012:**

	Original Awards	Awards vested
SIP H2 08 scheme	477,432	397,917
DFSS 2009 scheme 1 <sup>st</sup> award	<u>1,313,865</u>	<u>166,379</u>

**21. Related party transactions**

a) Mapfre

In 2012, the Group participated in transactions with Mapfre S.A., during the course of its Price Comparison operations. Mapfre is a related party of Admiral Group due to its 25% minority interest in Group subsidiary Rastreator.com Limited. Details of total transactions with Mapfre and balances outstanding are given in the table below:

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Total transactions	0.5	0.2	0.7
Balances outstanding	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

b) Other

Details relating to the remuneration and shareholdings of key management personnel were set out in the remuneration report of the 2011 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 only the Board of Directors of Admiral Group plc are key management personnel.

**22. Principal risks and uncertainties**

The Directors consider that the principal risks and uncertainties facing the Group are consistent with those disclosed in the Group's 2011 Annual Report (pages 25 and 26). Those are:

Risk	Description and impact	Mitigation
1. UK Car Insurance - erosion of competitive advantage	There is a risk that Admiral's combined ratio advantage over the market and/or the level of underwriting profit generated by Admiral could erode.  Admiral has been able to increase its market share significantly over recent years and (to varying degrees) is dependent on the four main UK price comparison websites as an important source of new business and growth.  The growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of leads.  The impact on the business would be a less profitable UK Car Insurance result and lower return on capital employed.	The Directors remain confident that the key strengths of the business which contribute to the outperformance (including targeted pricing and claims handling on the loss ratio side; lower cost infrastructure, efficient acquisition costs and cost control on the expense ratio side) are sustainable.  There are regular reviews of the interactions between vehicle growth, pricing and claims experience. Claims and other senior management continue to pay close attention to the key indicators of adverse developments in large bodily injury claims.  The Group's ownership of Confused.com, which is one of the leading UK price comparison websites and operates independently of the UK car insurance business, helps to mitigate the risk of over-reliance on this distribution channel. Admiral also contributes materially to the revenues of the other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost.
2. UK & International Car Insurance - claims shocks	There is a risk that claims costs could rise significantly above historic or expected levels for a wide variety of reasons.	There is a wide range of mitigating factors, including: <ul style="list-style-type: none"> <li>• Holding an appropriate and significant buffer above best estimate outcomes in claims reserves;</li> <li>• For very large claims (catastrophe and otherwise) the Group purchases excess of loss reinsurance;</li> <li>• A focus on the management of claims fraud.</li> </ul>
3. International expansion - risk of failure	There is an ongoing risk that one or more of the Group's new international operations fails to become a sustainable long-term business.  The impact on the Group could be higher than planned losses (and potentially closure costs) and distraction of key management.	The Group's approach to expansion is cautious. International insurance businesses start small and are all backed by proportional reinsurance support.  New price comparison businesses also focus on modest starts with low set-up costs and relatively small initial media spend budgets.  The Directors are mindful of management stretch and monitor this risk on a regular basis though at present the Board is confident there is a suitable management structure in place for the Group's international operations.  The Directors are not prepared to let unprofitable businesses continue to generate losses where there is limited foreseeable chance of success.
4. Other Revenue - potential diminution	There is a risk that the level of Other Revenue earned will diminish.  The impact on the Group would be lower profit and lower return on capital.	Admiral earns Other Revenue from a portfolio of products and seeks to minimise reliance on any single income stream.  Admiral continuously assesses the value of the ancillary products it offers, and makes changes to ensure the products offer value to policyholders.

	The most immediate risk to ancillary profits arises from the OFT market study in motor insurance. Whilst there are a range of possible outcomes from this study, Admiral welcomes any changes that are likely to lead to lower claims costs.	The Group's risk management framework leads to potential risks to ancillaries being identified and monitored, providing management time to respond appropriately to any such regulatory changes and minimise financial impacts where possible.
5. UK Price Comparison - effects of continued competition	Confused.com operates in a highly competitive UK market with four main businesses currently attempting to increase their market share through aggressive media activity.	Confused management continually analyse the success or otherwise of all media activity. The Directors believe Confused is a fundamentally strong business and is well positioned to maintain its position in the UK price comparison market.
6. Co-insurance and reinsurance arrangements	Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase return on the capital it does hold) and to mitigate the cost and risk of establishing new operations.  There is a risk that such support will not be available in the future if the results of either the UK business or (more realistically) one or more of the international operations are not satisfactory to the co-and/or reinsurers.  The impact on the Group would be the need to raise additional capital to support underwriting. This could be in the form of equity or debt. Return on capital would potentially be lower than current levels.	Admiral mitigates risks to its reinsurance arrangements by ensuring that it has a strongly rated and diverse range of partners. Admiral has enjoyed a long-term relationship with one of the world's strongest reinsurers, Munich Re, which has supported Admiral since 2000.  The Group also has strong relationships with a number of other reinsurers - avoiding reliance on a single partner.  In the UK, co- and reinsurance arrangements have been agreed up to the end of 2014, reflecting confidence in the Admiral UK Car Insurance business. The long-term co-insurance agreement with Munich Re will remain in place (at 40% of the business) until at least the end of 2016.
7. Credit risk	Admiral is exposed to credit risk primarily in the form of a) default of reinsurer; and b) failure of banking or investment counterparty.	The Directors consider counterparty exposure frequently and in significant detail. The Directors consider that the wide range of policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite, and no material credit losses have been experienced by the Group.

#### 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,

**Henry Engelhardt**      **Kevin Chidwick**  
**Chief Executive Officer**   **Chief Financial Officer**

#### INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

##### Introduction

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 2012 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of cash flows, the Condensed consolidated statement of changes in equity and the related explanatory notes. 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 the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

##### 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 DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

##### 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 UK. A review of interim financial information consists of making enquiries, 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**Salim Tharani**  
**For and on behalf of KPMG Audit Plc**  
*Chartered Accountants*

3 Assembly Square  
 Britannia Quay  
 Cardiff  
 CF10 4AX

29 August 2012