Admiral Group plc results for the six months ended 30 June 2014 and Directorate Change
13 August 2014

H1 2014 Group Results

- Profit before tax, adjusted to exclude minority interests' share, up 2% to £184.9 million (H1 2013: £181.6 million)
- Statutory profit before tax up 1% to £183.3 million (H1 2013: £181.4 million)
- UK Car Insurance profit before tax up 8% to £207.7 million (H1 2013: £192.7 million)
- Increased investment in International Car Insurance and International Price Comparison
- Earnings per share up 5% to 52.7 pence (H1 2013: 50.1 pence)
- Interim dividend up 1% to 49.4 pence per share (2013 interim: 48.9 pence per share)
- Group turnover down 5% to £1,037.1 million (H1 2013: £1,089.1 million)
- Group customers up 9% to 3.94 million (H1 2013: 3.60 million)
- Return on equity 54% (H1 2013: 57%)
- Nearly 7,000 employees eligible to receive £1,500 of shares each via the Employee Share Scheme, based on the H1 2014 result
- Named 3rd Best Large Workplace in the UK and 3rd Best Multinational Workplace in Europe by the Great Place to Work Institute

Henry Engelhardt, Chief Executive Officer, commented:
"Our customer numbers grew by 9%, we've continued to invest in all our businesses, profit increased by 2%, and in July we successfully issued our first bond.

"In the UK there are some signs that premiums are no longer falling but we have yet to see firm evidence of an inflection point and a return to premium growth. Admiral's premium rates have been pretty flat over the first half of the year, though as a result of the reductions in 2013, total premiums are down around 9% compared with the first half of 2013. Thanks to improved retention levels, we now insure over 130,000 more customers in the UK than at this time last year.

"UK claims development on the back years (2012 and prior) has been positive and we continue to forecast good levels of reserve releases. Our expectations for our UK business in 2014 therefore remain unchanged. However, as we've said previously, our margin expectations for business earned this year are lower than in recent years, which is unsurprising considering the decline in premium levels over the last three years.

"Outside the UK, our international insurance operations continue to grow and make progress. Our European price comparison businesses had a profitable first half of the year and we're encouraged by the very early indicators from comparenow.com in the US. We therefore plan to increase marketing investment behind comparenow.com during the second half of 2014.

"Following the bond issue in July, I'm pleased to welcome a new set of investors to Admiral. This was an opportune time to strengthen and diversify our capital resources as we make a prudent transition into the Solvency II world. The additional capital also positions us well for the growth opportunities we see in all of our businesses in the coming years."

Alastair Lyons, Chairman, commented:
"With a further increase in first half profits, we are delighted to announce that our interim dividend increases to 49.4 pence per ordinary share. This represents 94% of after-tax earnings for the first six months of 2014, and is testament to our policy of distributing surplus capital to our shareholders."

Directorate Change
Admiral Group announces the appointment of Geraint Jones as Group Chief Financial Officer (CFO) and Executive Director of Admiral Group plc with effect from 13 August 2014. Geraint takes over from Kevin Chidwick, who is handing over his CFO duties to focus on his role in the US as CEO of the Group's rapidly growing Elephant Auto Insurance business. Despite stepping off the Board, Kevin will continue to be involved in Group matters and contribute to all Group Board meetings.

Geraint joined Admiral in 2002 and has since held a number of senior finance positions including Head of Finance, before being promoted to Deputy Chief Financial Officer in January 2012. A Fellow of the Institute of Chartered Accountants in England and Wales, Geraint has also worked as an external auditor at Ernst & Young and KPMG.

Henry Engelhardt, Chief Executive Officer, commented:
"Kevin's redoubled focus on our expanding US operation will, we believe, allow him to drive forward a business with huge potential.

"I am delighted to promote Geraint to his new role as Chief Financial Officer. Geraint has a deep understanding of Admiral's business and culture, coupled with strong leadership and financial skills. I have no doubt that Geraint will make an important contribution to the success of Admiral in the coming years."

Management presentation
Analysts and investors will be able to access the Admiral Group management presentation, which commences at 9.00am on Wednesday 13 August 2014, 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 key performance indicators

	H1 2012	H1 2013	H1 2014	FY 2013
Turnover*1	£1,169.3m	£1,089.1m	£1,037.1m	£2,030.2m
Net revenue	£488.4m	£454.8m	£444.6m	£924.4m
Number of customers	3.50m	3.60m	3.94m	3.70m
Loss ratio*2	79.7%	68.8%	67.1%	69.2%
Expense ratio*2	15.6%	18.6%	18.0%	18.6%
Combined ratio*2	95.3%	87.4%	85.1%	87.8%
Adjusted profit before tax*3	£171.6m	£181.6m	£184.9m	£370.2m
Statutory profit before tax	£171.8m	£181.4m	£183.3m	£370.2m
Earnings per share	47.3p	50.1p	52.7p	104.6p
Dividend per share	45.1p	48.9p	49.4p	99.5p
Return on equity	61%	57%	54%	58%

*1 Turnover comprises total premiums written and other revenue
*2 Loss ratios show the result only on premium originally underwritten by Admiral. Result in H1 2014 including releases from commuted reinsurance contracts would have been a loss ratio of 50.8% and combined ratio of 68.8% (H1 2013 59.5% and 78.1% respectively). Refer below for details. Loss and expense ratios exclude the impact of reinsurer cap accruals, prior period expense ratios restated. Refer to note 12b and 12c
*3 Profit before tax adjusted to exclude minority interests' share

Group Results

Admiral Group's pre-tax profit in the first half of 2014 was £183.3 million, up 1% on the prior year (H1 2013: £181.4 million). The statutory profit figure includes a net £1.6 million loss attributable to minority interest ownerships in Group businesses. Adjusting for these minority interests, the pre-tax profit attributable to the shareholders of Admiral Group was £184.9 million, up 2% on the prior period (H1 2013: £181.6 million). The following commentary is based on the statutory figures. A reconciliation of pre-tax profit is presented in note 12d to the financial statements.

Group turnover of £1,037.1 million decreased by 5% compared to the first half of 2013 (£1,089.1 million). This was mainly driven by reductions in premium rates in the UK Car Insurance business during 2013. During H1 2014, the Group increased its customer base to 3.94 million from 3.70 million at 31 December 2013. Year-on-year growth was over 330,000 (9%).

The Group loss ratio improved to 67.1% (H1 2013: 68.8%), primarily due to positive UK claims experience driving higher reserve releases. The Group expense ratio was stable at 18.0% (H1 2013: 18.6%) with a high International Car Insurance business expense ratio offsetting a lower UK Car Insurance ratio.

Further details by segment are set out below.

Earnings per share

Earnings per share increased by 5% to 52.7 pence (H1 2013: 50.1 pence). The increase is higher than the 1% increase in statutory pre-tax profit due to the impact of minority interests noted above and a lower effective rate of corporation tax in 2014.

Dividends

The Directors have declared an interim dividend for the period of 49.4 pence per share, which is 1% higher than the interim payment in 2013 and equates to 94% of earnings per share.

The dividend is made up of a 23.7 pence normal element, based on the stated dividend policy of distributing 45% of post-tax profits, and a further special element of 25.7 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.

The payment date is 10 October 2014, ex-dividend date 10 September 2014 and record date 12 September 2014.

Return on equity

Admiral's capital efficient and highly profitable business model led to a return on equity of 54% (H1 2013: 57%).

A key part of the business model is the extensive use of co- and reinsurance across the Group which provides both loss protection and capital relief. During the first half of 2014 Admiral announced extensions to its UK reinsurance arrangements covering 35% of the UK car insurance business until at least the end of 2016, while the UK agreement with Munich Re (covering 40%) will now run to at least the end of 2018.

Divisional Performance Highlights

	H1 2013 £m	H1 2014 £m	Movement
Profit by segment:			
UK Car Insurance	192.7	207.7	8%
International Car Insurance	(10.8)	(15.5)	44%
Price Comparison	9.9	4.0	(60%)
Other Group Items*1	(10.4)	(12.9)	24%
	181.4	**183.3**	**1%**

*1 Other Group Items includes the cost of employee share schemes.

Admiral's strategy in its core UK Car Insurance market is to grow profitably its share of the UK private motor insurance market. In the six months to 30 June 2014 Admiral added nearly 130,000 customers resulting in a total customer base of 3.15 million. During this period Admiral's premium rates were flat. The increase in profit was due to an improvement in the combined ratio to 76.8% (H1 2013: 81.1%).

Admiral's International Car Insurance businesses continued to grow, with an overall increase in turnover of 9% to £104.3 million and a 15% rise in the number of vehicles insured at 30 June 2014 compared with a year earlier. During the first half of 2014, the International Car Insurance businesses made an aggregate loss of £15.5 million compared to £10.8 million in the first half of 2013. The higher loss was driven by a number of factors (set out in the International Car Insurance section below) and equated to 8% of the Group's profit before tax for the period (H1 2013: 6%). The Group expects a lower percentage of the Group's profit before tax to be invested in these businesses in the second half of 2014.

Admiral's Price Comparison businesses generated pre-tax profit of £4.0 million, compared with £9.9 million in H1 2013. This was primarily due to an investment in the Group's US Price Comparison business comparenow.com of £7.5 million, which offsets profits from Confused.com, Rastreator and LeLynx.

Employees

At the core of Admiral's success is a 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 the first half of 2014 the Group received numerous awards in recognition of this investment:

- Third Best Large Place to Work in the UK
- Third Best Multinational Place to Work in Europe
- Eighth Best Company to Work For in Spain
- Twenty-sixth Best Large Workplace in Canada
- Eleventh Best Small to Medium Workplace in Italy
- Eighteenth Best Workplace in Virginia USA

At 30 June 2014 the Group employed over 6,900 members of staff, of which over 5,000 are in the UK.

Investments and Cash

Investment Strategy

The Group's investment strategy remains low risk with a focus on capital preservation. Additional priorities include low volatility of returns and high levels of liquidity.

Funds are held either in money market funds, fixed income and other short-dated debt securities, in cash deposits or as cash at bank. The Group performs regular reviews of this strategy to ensure it remains appropriate.

Cash and investments analysis

	30 June 2014				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	725.1	93.2	-	42.0	860.3
Fixed income and short-dated securities	802.8	-	-	-	802.8
Cash deposits	259.7	2.9	-	-	262.6
Cash	149.0	42.0	43.9	12.8	247.7
Total	**1,936.6**	**138.1**	**43.9**	**54.8**	**2,173.4**

	31 December 2013				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	1,278.2	98.4	-	29.5	1,406.1
Fixed income and short-dated securities	202.4	-	-	-	202.4
Cash deposits	286.0	2.4	-	-	288.4
Cash	101.6	35.7	38.7	11.9	187.9
Total	**1,868.2**	**136.5**	**38.7**	**41.4**	**2,084.8**

	30 June 2013				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	1,110.7	91.9	-	57.8	1,260.4
Fixed income and short-dated securities	201.6	-	-	-	201.6
Cash deposits	307.2	4.0	-	-	311.2
Cash	113.3	48.8	28.6	14.9	205.6
Total	**1,732.8**	**144.7**	**28.6**	**72.7**	**1,978.8**

There has been a change in the allocation of funds during 2014, with a greater allocation to fixed income and other short-dated debt securities (and less to money market funds and cash deposits). This change has been made in order to increase yield without materially increasing risk. There has not been a material change in credit quality, though the change in allocation resulted in a move from AAA to A rated securities. There has only been a modest increase in average duration.

Investment return and interest income totalled £6.7 million in H1 2014 in line with H1 2013 (£6.7 million), with a rate of return of just over 0.6%.

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

Capital Structure and Financial Position

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 as well as the Group comfortably meet regulatory capital 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.

At 30 June 2014, all of the Group's capital was in equity form (primarily retained earnings). In July 2014, the Group completed the issue of £200 million of 10 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 current regulatory capital regime and are expected to qualify as tier two capital under Solvency II.

The majority of the Group's current capital requirement arises within its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). The surplus position at the end of H1 2014 for those companies, along with the overall Group position was as follows:

£m	AIGL	AICL	Group
Net assets less goodwill*1	157	76	474
Minimum capital requirement	72	27	122
Surplus over minimum requirement	**85**	**49**	**352**

£m	Group
Net assets less goodwill*1	474
Total regulatory capital requirement*2	287
Surplus over regulatory capital requirement	**187**

*1 Before accounting for the 2014 Interim Dividend of £137 million. Excludes lower tier two capital issued in July 2014
*2 Based on the sum of the individual capital requirements of Group subsidiaries

During 2015, the Group's capital requirement will be assessed under the ICAS regime in the UK with Individual Capital Guidance (ICG) applied by the Prudential Regulatory Authority (PRA) as appropriate. The Group expects to hold a significant buffer above ICG throughout 2015.

Solvency II
The Group continues to make good progress towards meeting the requirements of the Solvency II regime in advance of it taking effect on 1st January 2016 and expects to fully comply with all preparatory guidelines in effect in the UK and Gibraltar.

The Group is developing a risk based capital model which will be used to quantify the level of capital required to support the Group's Risk Appetite, as well as calculate regulatory capital requirements following appropriate approvals in the UK and Gibraltar. Approval is unlikely to be sought and achieved before 2017 and the Group will, therefore, be subject to the Solvency II 'standard formula' Solvency Capital Requirement calculation from January 2016.

The Group anticipates determining a higher level of capital requirement than the standard formula via its Own Risk and Solvency Assessment (ORSA) process, and the actual level of capital required under ORSA is still subject to agreement with the PRA in the UK and the Financial Services Commission (FSC) in Gibraltar. The Group expects to hold a significant surplus above its capital requirements under Solvency II.

Taxation
The tax charge reported in the income statement is £38.9 million (H1 2013: £44.4 million), which equates to 21.2% (H1 2013: 24.5%) of profit before tax. The lower effective rate of taxation compared to 2013 results from reductions in the rate of UK corporation tax in 2013 and 2014.

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 2012	H1 2013	H1 2014	FY 2013
Turnover[*2]	1,030.0	924.5	849.8	1,698.9
Total premiums written[*3]	922.8	851.7	776.0	1,553.0
Net insurance premium revenue	226.8	214.6	197.9	425.1
Investment income	5.9	5.6	6.0	12.4
Net insurance claims	(179.7)	(125.2)	(92.6)	(251.3)
Net insurance expenses	(21.9)	(26.3)	(21.7)	(52.1)
Underwriting profit	**31.1**	**68.7**	**89.6**	**134.1**
Profit commission	47.8	40.4	35.8	99.3
Underwriting profit plus profit commission	**78.9**	**109.1**	**125.4**	**233.4**
Net other income	90.1	71.2	71.2	136.8
Instalment income	14.3	12.4	11.1	23.7
UK Car Insurance profit before tax	**183.3**	**192.7**	**207.7**	**393.9**

*1 GAAP = Generally Accepted Accounting Practice
*2 Turnover (a non-GAAP measure) comprises Total Premiums Written and Other Revenue. Refer to Note 12 for a reconciliation to financial statement line items.
*3 Total premiums written (non-GAAP) includes premium underwritten by co-insurers.

Split of underwriting profit

£m	H1 2012	H1 2013	H1 2014	FY 2013
Motor	31.1	65.0	80.0	121.8
Additional products	-	3.7	9.6	12.3
Underwriting profit	**31.1**	**68.7**	**89.6**	**134.1**

Key performance indicators

	H1 2012	H1 2013	H1 2014	FY 2013
Reported motor loss ratio*1	77.5%	67.2%	66.0%	68.0%
Reported motor expense ratio*2	12.2%	15.0%	14.2%	15.0%
Reported motor combined ratio	89.7%	82.2%	80.2%	83.0%
Written basis motor expense ratio	12.6%	13.7%	15.2%	14.5%
Reported total combined ratio*3	89.7%	81.1%	76.8%	81.0%
Claims reserve releases – original net share*4	£9.0m	£29.7m	£35.4m	£53.3m
Claims reserve releases – commuted reinsurance*5	£1.9m	£22.5m	£37.7m	£40.9m
Total claims reserve releases	£10.9m	£52.2m	£73.1m	£94.2m
Vehicles insured at period-end	3.02m	3.02m	3.15m	3.02m
Other Revenue per vehicle	£82	£73	£67	£67

*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. Reconciliation in Note 12c
*3 Reported total combined ratio includes additional products underwritten by Admiral
*4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question
*5 Commuted reinsurance shows releases on the proportion of the portfolio that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting profit and not profit commission

UK Underwriting Arrangements for 2014 to 2016

During the first half of 2014 the Group extended its UK reinsurance arrangements such that capacity is fully placed until at least the end of 2016. The underwriting splits are as follows:

	2014	2015	2016
Admiral	25.00%	25.00%	25.00%
Great Lakes (Munich Re)	40.00%	40.00%	40.00%
New Re	13.25%	12.25%	12.25%
Hannover Re	8.75%	8.75%	8.75%
Swiss Re	9.00%	9.00%	9.00%
Mapfre Re	4.00%	5.00%	5.00%
Total	**100.00%**	**100.00%**	**100.00%**

The proportion underwritten by Great Lakes (a UK subsidiary of Munich Re) is on a co-insurance basis, such that 40% of all motor premium and claims for the 2014 year accrues directly to Great Lakes and does not appear in the Group's income statement. Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

That contract will run until at least the end of 2018, and will see Great Lakes underwrite 40% of the UK business for the remaining period.

All other agreements in the above table are quota share reinsurance.

Admiral has options to commute quota share reinsurance contracts and typically does so after two or three years of an underwriting year's development. There is little or no impact on profit or the timing of profit recognition from commutation.

After commutation, movements in booked loss ratios result in reduced or increased net claims costs (and not profit commission).

At 30 June 2014, all UK quota share reinsurance contracts for underwriting years up to and including 2012 have been commuted. All reinsurance for the 2013 and 2014 years remains in effect. Refer below for further details.

UK Car Insurance Financial Performance

After two years of significant rate increases in 2010 and 2011, the UK market experienced two years of increased price competition in 2012 and 2013. In the first half of 2014 there are early signs that prices are no longer falling but there is no clear evidence of an inflection point and a return to premium growth.

Admiral's UK business grew significantly in 2010 and 2011, adding over 1.1 million customers. In 2012 and 2013 Admiral maintained a stable vehicle count and focussed on margin rather than seeking to grow market share. In the first half of 2014, primarily due to improvements in retention levels, customer numbers increased by over 4% to 3.15 million (H1 2013: 3.02 million).

Profit from UK Car Insurance increased by 8% to £207.7 million (H1 2013: £192.7 million). Profit from underwriting and profit commission increased by 15% to £125.4 million (H1 2013: £109.1 million) driven by an improved combined ratio. Profit from Other Revenue decreased by 2% to £82.3 million (H1 2013: £83.6 million) primarily due to a reduction in instalment income reflecting lower average premiums.

UK turnover of £849.8 million decreased by 8% (H1 2013: £924.5 million) predominantly due to a 9% reduction in total premiums written (H1 2014: £776.0 million; H1 2013: £851.7 million). Whilst Admiral's premium rates have been flat in 2014, rate cuts over the course of 2013 have led to an average premium in H1 2014 of £495, compared to £555 in H1 2013 (down 11%) and £505 in FY 2013 (down 2%).

There was an improvement in the reported motor combined ratio, which reduced to 80.2% from 82.2%. The combined ratio improvement was largely due to higher reserve releases that resulted from positive claims development.

The reported motor loss ratio decreased to 66.0% from 67.2% due to the higher reserve releases of £35.4 million (H1 2013: £29.7 million). In addition there were reserve releases of £37.7 million (H1 2013: £22.5 million) from business that was originally ceded under quota share reinsurance contracts that have since been commuted. Refer to Note 5c (ii) for further detail.

These higher releases were possible due to the positive back year claims experience during 2013 and the first half of 2014, which resulted in improvements in the projected ultimate loss ratios, especially for the 2009 to 2012 underwriting years. Despite the higher reserve releases in the first half of 2014 Admiral continues to hold a material margin in booked reserves above the projected ultimate outcome and this margin remains consistent with the position at the end of 2013. If claims develop as expected, there is likely to be scope for continued reserve releases going forward.

Excluding reserve releases, the motor loss ratio increased to 85.3% (H1 2013: 81.5%) in line with Admiral's expectations that business earned in 2014 is less profitable than in recent years, primarily due to the decline in premiums. Much of the impact of the higher loss ratios will be reflected in earnings of subsequent years.

The earned motor expense ratio decreased to 14.2% from 15.0% due to the current year benefitting from a one-off adjustment to levy costs as a result of a change in accounting standards. Excluding the adjustment the earned motor expense ratio would have increased to 16.4% due to a reduction in premium rates. The reduction in average written premiums was the main reason the written basis expense ratio increased to 15.2% from 13.7%.

The projected ultimate combined ratio for Admiral for the 2013 accident year is 86% compared to 81% for 2012 (the increase was due to falling premium rates in 2012 and 2013). This contrasts favourably with the reported combined ratio for the UK market for 2013, excluding reserve releases, of 108%.

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 generated. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In H1 2014 Admiral recognised profit commission revenue of £35.8 million, down from £40.4 million in H1 2013. The decrease came despite a material improvement in the reported combined ratio and is distorted by the impact of commutations of reinsurance contracts.

When a quota share reinsurance contract is commuted (typically after two or three years from the start of an underwriting year), further improvements 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 2014 rises to £73.5 million compared to £62.9 million in H1 2013, an increase of 17%.

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:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Profit from other insurance products, not underwritten by Admiral
- Vehicle commission earned from Admiral's panel of co- and reinsurance partners
- Fees such as administration fees and referral income
- Interest charged to customers paying for cover in instalments

Other Revenue (net of costs and including contribution from additional products underwritten by Admiral) increased by 5% to £91.9 million (H1 2013: £87.3 million). Other Revenue per vehicle was £67, consistent with £67 for FY 2013, down from £73 at H1 2013 primarily due to the loss of personal injury referral fees and a reduction in instalment income due to lower average premiums. Net Other Revenue (after deducting costs) per vehicle was £58 (FY 2013: £57; H1 2013: £62).

Other Revenue - analysis of contribution:

£m	H1 2012	H1 2013	H1 2014	FY 2013
Contribution from additional products and fees	108.0	86.2	89.6	170.4
Contribution from additional products underwritten by Admiral*1	-	3.7	9.6	12.3
Instalment income	14.3	12.4	11.1	23.7
Other Revenue	**122.3**	**102.3**	**110.3**	**206.4**
Internal costs	(17.9)	(15.0)	(18.4)	(33.6)
Net Other Revenue	**104.4**	**87.3**	**91.9**	**172.8**
Other Revenue per vehicle*2	**£82**	**£73**	**£67**	**£67**
Other Revenue per vehicle net of internal costs	£71	£62	£58	£57

*1 Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of Key Performance Indicators

*2 Other Revenue (before internal costs) divided by average active vehicles, rolling twelve month basis

Instalment Income

Instalment income is interest charged to customers paying for cover in instalments. During the first half of 2014 Admiral earned £11.1 million, down 10% on the prior period (H1 2013: £12.4 million).

Instalment charges are calculated as a percentage of premium and therefore a reduction in premium leads to a reduction in instalment income.

Outlook

Referral Fees

As previously reported, credit hire referral fees may be reduced or eliminated as an outcome of the UK's Competition and Markets Authority review of the car insurance market. The final report of this review is due in September 2014. In H1 2014 Admiral earned £7.9 million in credit hire referral fees.

International Car Insurance

Non-GAAP format income statement

£m	H1 2012	H1 2013	H1 2014	FY 2013
Turnover	79.7	95.5	104.3	187.8
Total premiums written	74.4	85.5	94.1	168.3
Net insurance premium revenue	19.7	26.4	27.8	54.1
Investment income	0.1	-	0.1	-
Net insurance claims	(20.5)	(23.3)	(27.6)	(49.1)
Net insurance expenses	(12.6)	(16.9)	(18.9)	(32.9)
Underwriting result	**(13.3)**	**(13.8)**	**(18.6)**	**(27.9)**
Net other income	4.3	2.9	3.0	5.8
Other revenue and charges	0.1	0.1	0.1	-
International Car Insurance loss before tax	**(8.9)**	**(10.8)**	**(15.5)**	**(22.1)**

Key Performance Indicators

	H1 2012	H1 2013	H1 2014	FY 2013
Adjusted loss ratio*1	104%	88%	92%	91%
Adjusted expense ratio*1	55%	49%	47%	49%
Adjusted combined ratio*2	**159%**	**137%**	**139%**	**140%**
Adjusted combined ratio, net of Other Revenue*3	136%	126%	128%	129%
Vehicles insured at period-end	385,600	481,400	555,600	515,300

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

*2 Adjusted 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 2012: 168%; H1 2013: 152%; H1 2014: 167%; FY 2013: 152%.

*3 Adjusted 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 2012: 146%; H1 2013: 141%; H1 2014: 156%; FY 2013: 141%.

International Car Insurance - Geographical Analysis
H1 2014

	Spain	Italy	France	USA	Total
Customers insured	151,300	278,550	31,000	94,750	**555,600**
Turnover (£m)*1	21.5	43.0	7.1	32.7	**104.3**

FY 2013

	Spain	Italy	France	USA	Total
Customers insured	136,500	279,900	28,600	70,300	**515,300**
Turnover (£m)*1	40.6	93.4	13.0	40.8	**187.8**

H1 2013

	Spain	Italy	France	USA	Total
Customers insured	118,550	278,550	22,300	62,000	**481,400**
Turnover (£m)*1	19.3	50.4	6.5	19.3	**95.5**

*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 Assurances). The operations were launched between 2006 and 2010 and are at different stages in their development.

Each operation continues to progress towards the Group's strategic aim of establishing growing, sustainable, profitable car insurance businesses outside the UK. As these operations develop, it is expected that they will make losses until appropriate scale has been achieved.

The combined operations insured 555,600 vehicles at 30 June 2014 – 15% higher than a year earlier (H1 2013: 481,400). Turnover was £104.3 million, up 9% compared to H1 2013. Customers and turnover from outside the UK represent 14% and 10% of the Group totals respectively, up from 13% and 9% in H1 2013.

The total International Insurance loss for the period was £15.5 million, up from £10.8 million in H1 2013. The increase is due to a number of factors including increased marketing investment and claims costs in Spain, the cost of insourcing operations in France, along with a greater impact arising from exposure caps on some of the quota share reinsurance contracts. The adjusted loss ratio increased to 92% (H1 2013: 88%), whilst the adjusted expense ratio improved to 47% (H1 2013: 49%). The adjusted combined ratio increased slightly to 139% (H1 2013: 137%).

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. During the first half of the year, Admiral Seguros increased marketing investment behind its second brand (Qualitas Auto) and this contributed to growth in the number of customers to 151,000 (28% higher than a year earlier). Claims experience was less positive compared to the prior period causing an increase in the loss ratio.

The Group's largest international operation is ConTe in Italy with nearly 280,000 insured vehicles as at the end of June 2014. ConTe was launched in 2008 and after significant growth during a period of rapid rate rises the operation is responding to a period of rate declines by focussing on margin. ConTe's reported combined ratio is stable in comparison to last year, and during the first half of 2014 there has been positive development in the projected ultimate outcomes of most underwriting years. This positive development has not yet been recognised.

Admiral's youngest and smallest international insurance business is L'olivier Assurances, launched in 2010 in France. L'olivier insured 31,000 vehicles at the end of June 2014, up 39% on a year earlier and 8% up on the end of 2013. L'olivier was established with a different start-up business model to Admiral's other international operations, with certain functions outsourced in order to keep expenses low in the initial phases of development. During the first half of 2014 L'olivier has started to bring a number of these functions in-house and the number of customers has, as a consequence, been kept stable.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £9.5 million compared to £3.9 million in H1 2013, while the combined ratio*1 deteriorated to 123% from 116%.

In the USA, Admiral underwrites car insurance in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched in 2009. At the end of June 2014, Elephant insured nearly 95,000 vehicles, up around 53% year-on-year. Elephant's expense ratio has improved as the business benefits from scale and improvements to acquisition costs. Elephant's written combined ratio*1 improved from 149% in H1 2013 to 141% in H1 2014, primarily driven by an improved expense ratio due to vehicle count growth. The total result for Admiral's insurance operation in the USA was a loss of £6.0 million compared to £6.9 million in H1 2013.

*1 European combined ratio is calculated on the earned basis, Elephant combined ratio is calculated on the written basis. Both combined ratios are calculated on 100% of underwritten premium (including co and reinsurer's share) and include the results from the sale of additional products and services and fees.

Price Comparison

Non-GAAP format income statement

£m	H1 2012	H1 2013	H1 2014	FY 2013
Revenue:				
Motor	43.0	45.3	43.2	87.2
Other	10.3	12.2	13.9	25.5
Total	**53.3**	**57.5**	**57.1**	112.7
Operating expenses	(45.2)	(47.6)	(53.1)	(92.3)
Operating profit	**8.1**	**9.9**	**4.0**	**20.4**

UK Price Comparison – Confused.com

The UK market remains highly competitive, with four players continuing to dominate market share and advertising spend. Confused's total revenue was broadly stable at £44.4 million (H1 2013: £44.8 million).

Revenue from other products increased to 26% of total revenue. Operating margin was 20%, resulting in profit for Confused of £9.1 million – down from £10.2 million in H1 2013.

International Price Comparison

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

The newest of these operations – comparenow.com – was launched in Virginia, USA in March 2013. In the first half of 2014 comparenow.com has been growing its marketing investment to attract visitors to the website. The total pre-tax loss in comparenow.com was £7.5 million however, because Admiral Group owns 68% of comparenow.com, £2.4 million of this loss was borne by minority interest partners. Due to the success of marketing campaigns in the first half of 2014, comparenow.com's plan is to increase investment in the second half and through 2015. Therefore the Group's share of comparenow.com's losses could be around £10 million in the second half of 2014 and between £10 million and £30 million in 2015. These plans are subject to change in response to management information and key performance indicators.

Revenue from Rastreator and LeLynx was broadly stable at £12.6 million in H1 2014 (H1 2013: £12.7 million) whilst total quotes generated across all products increased by 20% to 3.1 million. The combined total result for Rastreator and LeLynx was a profit of £2.4 million (H1 2013: £0.8 million). Admiral Group owns 75% of Rastreator.

The aggregate result for International Price Comparison was a loss of £5.1 million (H1 2013: loss £0.3 million).

Other Group Items

£m	H1 2012	H1 2013	H1 2014	FY 2013
UK Household Insurance result	-	(0.2)	0.5	(0.1)
UK Commercial Vehicle operating profit	1.3	1.4	1.5	2.5
Group net interest income	0.9	1.1	0.6	1.9
Share scheme charges	(9.9)	(10.5)	(12.5)	(22.5)
Business development costs	(0.8)	(0.6)	(0.2)	(0.3)
Other central overheads	(2.2)	(1.6)	(2.8)	(3.5)

UK Household Insurance

UK Household Insurance was launched in December 2012. The product is underwritten within the Group and common with other businesses it is supported by proportional reinsurance covering 70% of the underwriting risk (shared between Munich Re, 40% and Swiss Re, 30%). Further detail will be provided as the business grows.

UK Commercial Vehicle

The Group operates a commercial vehicle insurance broker (Gladiator) offering van insurance and associated products, typically to small businesses. In a very competitive market Gladiator was able to increase its customer base by 33% to 137,000 and increase operating profit to £1.5 million.

Share Scheme Charges

These costs relate to the Group's two share schemes. The increase in the charge is largely due to a higher share price at 30 June 2014 compared to 30 June 2013.

Other Central Overheads

Other central overheads include Group Directors' remuneration and other Group central costs.

Condensed consolidated income statement

	Note:	6 months ended: 30 June 2014 £m	6 months ended: 30 June 2013 £m	Year ended: 31 December 2013 £m
Insurance premium revenue		544.2	570.3	1,136.4
Insurance premium ceded to reinsurers		(312.5)	(328.9)	(653.4)
Net insurance premium revenue	5	**231.7**	**241.4**	**483.0**
Other revenue	7	170.4	166.3	327.8
Profit commission	5	35.8	40.4	99.3
Investment and interest income	6	6.7	6.7	14.3
Net revenue		**444.6**	**454.8**	**924.4**
Insurance claims and claims handling expenses		(390.4)	(414.2)	(826.7)
Insurance claims and claims handling expenses recoverable from reinsurers		265.9	265.4	523.7
Net insurance claims		**(124.5)**	**(148.8)**	**(303.0)**
Operating expenses and share scheme charges	3, 8	(239.9)	(225.0)	(467.0)
Operating expenses and share scheme charges recoverable from co- and reinsurers	3, 8	103.1	100.4	215.8
Net operating expenses and share scheme charges		**(136.8)**	**(124.6)**	**(251.2)**
Total expenses		**(261.3)**	**(273.4)**	**(554.2)**
Profit before tax		**183.3**	**181.4**	**370.2**
Taxation expense	9	(38.9)	(44.4)	(83.3)
Profit after tax		**144.4**	**137.0**	**286.9**
Profit after tax attributable to:				
Equity holders of the parent		145.7	137.2	287.0
Non-controlling interests		(1.3)	(0.2)	(0.1)
		144.4	**137.0**	**286.9**
Earnings per share:				
Basic	11	52.7p	50.1p	104.6p
Diluted	11	52.7p	50.0p	104.4p
Dividends declared and paid (total)	11	138.3	123.1	255.8
Dividends declared and paid (per share)	11	50.6p	45.5p	94.4p

Condensed consolidated statement of comprehensive income

	6 months ended: 30 June 2014 £m	30 June 2013 £m	Year ended: 31 December 2013 £m
Profit for the period	**144.4**	**137.0**	**286.9**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	(1.8)	-	-
Exchange differences on translation of foreign operations	(2.3)	4.6	(1.3)
Other comprehensive income for the period, net of income tax	**(4.1)**	**4.6**	**(1.3)**
Total comprehensive income for the period	**140.3**	**141.6**	**285.6**
Total comprehensive income for the period attributable to:			
Equity holders of the parent	141.8	141.6	286.1
Non-controlling interests	(1.5)	-	(0.5)
	140.3	**141.6**	**285.6**

Condensed consolidated statement of financial position

		As at:		
		30 June 2014	30 June 2013	31 December 2013
	Note:	£m	£m	£m
ASSETS				
Property and equipment	10	28.4	15.3	12.4
Intangible assets	10	98.6	92.8	92.8
Deferred income tax	9	19.8	15.9	17.0
Reinsurance assets	5	697.6	733.3	821.2
Trade and other receivables	6, 10	91.2	75.4	77.5
Financial assets	6	2,332.9	2,194.0	2,265.0
Cash and cash equivalents	6	247.7	205.6	187.9
Total assets		**3,516.2**	**3,332.3**	**3,473.8**
EQUITY				
Share capital	11	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Fair value reserve		(1.8)	-	-
Foreign exchange reserve		(2.3)	5.1	(0.2)
Retained profit and loss		527.0	471.9	502.6
Total equity attributable to equity holders of the parent		**536.3**	**490.4**	**515.8**
Non-controlling interests		10.8	3.2	8.3
Total equity		**547.1**	**493.6**	**524.1**
LIABILITIES				
Insurance contracts	5	2,010.0	1,836.8	1,901.3
Trade and other payables	6, 10	925.6	961.4	1,013.7
Current tax liabilities		33.5	40.5	34.7
Total liabilities		**2,969.1**	**2,838.7**	**2,949.7**
Total equity and total liabilities		**3,516.2**	**3,332.3**	**3,473.8**

Condensed consolidated cash flow statement

	Note:	6 months ended: 30 June 2014 £m	6 months ended: 30 June 2013 £m	Year ended: 31 December 2013 £m
Profit after tax		**144.4**	**137.0**	**286.9**
Adjustments for non-cash items:				
- Depreciation		3.2	4.1	7.3
- Amortisation of software		2.0	2.8	4.9
- Change in unrealised gains on investments		3.2	(0.6)	-
- Other gains and losses		-	-	0.2
- Share scheme charges	8	14.2	12.6	25.7
Change in gross insurance contract liabilities		108.7	139.9	204.4
Change in reinsurance assets		123.6	69.7	(18.2)
Change in trade and other receivables, including from policyholders		(55.2)	(39.8)	14.3
Change in trade and other payables, including tax and social security		(88.5)	(41.6)	8.0
Taxation expense		38.9	44.4	83.3
Cash flows from operating activities, before movements in investments		**294.5**	**328.5**	**616.8**
Net cash flow into investments		(33.8)	(171.6)	(295.3)
Cash flows from operating activities, net of movements in investments		260.7	156.9	321.5
Taxation payments		(40.1)	(42.5)	(88.5)
Net cash flow from operating activities		**220.6**	**114.4**	**233.0**
Cash flows from investing activities:				
Purchases of property, equipment and software		(24.6)	(6.5)	(10.1)
Net cash used in investing activities		**(24.6)**	**(6.5)**	**(10.1)**
Cash flows from financing activities:				
Non-controlling interest capital contribution		4.0	-	6.4
Capital element of new finance lease liabilities		1.0	-	-
Repayment of finance lease liabilities		(0.6)	(0.2)	(0.9)
Equity dividends paid	11	(138.3)	(123.1)	(255.8)
Net cash used in financing activities		**(133.9)**	**(123.3)**	**(250.3)**
Net increase/(decrease) in cash and cash equivalents		**62.1**	**(15.4)**	**(27.4)**
Cash and cash equivalents at 1 January		187.9	216.6	216.6
Effects of changes in foreign exchange rates		(2.3)	4.4	(1.3)
Cash and cash equivalents at end of period	6	**247.7**	**205.6**	**187.9**

Consolidated statement of changes in equity

	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 £m**	NCI*1 £m	**Total equity £m**
At 1 January 2013	0.3	13.1	-	0.7	443.0	**457.1**	3.6	**460.7**
Profit for the period	-	-	-	-	137.2	**137.2**	(0.2)	**137.0**
Other comprehensive income								
Currency translation differences	-	-	-	4.4	-	**4.4**	0.2	**4.6**
Total comprehensive income for the period	-	-	-	4.4	137.2	**141.6**	-	**141.6**
Transactions with equity-holders								
Dividends	-	-	-	-	(123.1)	**(123.1)**	-	**(123.1)**
Share scheme credit	-	-	-	-	12.6	**12.6**	-	**12.6**
Deferred tax charge on share scheme credit	-	-	-	-	2.2	**2.2**	-	**2.2**
Contributions by NCIs	-	-	-	-	-	**-**	(0.4)	**(0.4)**
Total transactions with equity-holders	-	-	-	-	(108.3)	**(108.3)**	(0.4)	**(108.7)**
As at 30 June 2013	**0.3**	**13.1**	**-**	**5.1**	**471.9**	**490.4**	**3.2**	**493.6**
At 1 January 2013	0.3	13.1	-	0.7	443.0	**457.1**	3.6	**460.7**
Profit for the period	-	-	-	-	287.0	**287.0**	(0.1)	**286.9**
Other comprehensive income								
Currency translation differences	-	-	-	(0.9)	-	**(0.9)**	(0.4)	**(1.3)**
Total comprehensive income for the period	-	-	-	(0.9)	287.0	**286.1**	(0.5)	**285.6**
Transactions with equity-holders								
Dividends	-	-	-	-	(255.8)	**(255.8)**	-	**(255.8)**
Share scheme credit	-	-	-	-	25.7	**25.7**	-	**25.7**
Deferred tax credit on share scheme credit	-	-	-	-	2.1	**2.1**	-	**2.1**
Contributions by NCIs	-	-	-	-	0.3	**0.3**	5.5	**5.8**
Changes in ownership interests without a change in control	-	-	-	-	0.3	**0.3**	(0.3)	**-**
Total transactions with equity-holders	-	-	-	-	(227.4)	**(227.4)**	5.2	**(222.2)**
As at 31 December 2013	**0.3**	**13.1**	**-**	**(0.2)**	**502.6**	**515.8**	**8.3**	**524.1**

	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	NCI[*1] £m	**Total equity £m**
	Attributable to the owners of the company							
At 1 January 2014	0.3	13.1	-	(0.2)	502.6	**515.8**	8.3	**524.1**
Profit for the period	-	-	-	-	145.7	**145.7**	(1.3)	**144.4**
Other comprehensive income								
Movements in fair value reserve	-	-	(1.8)	-	-	**(1.8)**	-	**(1.8)**
Currency translation differences	-	-	-	(2.1)	-	**(2.1)**	(0.2)	**(2.3)**
Total comprehensive income for the period	-	-	(1.8)	(2.1)	145.7	**141.8**	(1.5)	**140.3**
Transactions with equity-holders								
Dividends	-	-	-	-	(138.3)	**(138.3)**	-	**(138.3)**
Share scheme credit	-	-	-	-	14.2	**14.2**	-	**14.2**
Deferred tax credit on share scheme credit	-	-	-	-	2.8	**2.8**	-	**2.8**
Contributions by NCIs	-	-	-	-	-	**-**	4.0	**4.0**
Total transactions with equity-holders	-	-	-	-	(121.3)	**(121.3)**	4.0	**(117.3)**
As at 30 June 2014	**0.3**	**13.1**	**(1.8)**	**(2.3)**	**527.0**	**536.3**	**10.8**	**547.1**

*1 Non-controlling interests

Notes to the financial statements

1. General information and basis of preparation

General information

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 2014 and the comparative periods for the six-months ended 30 June 2013 and the year ended 31 December 2013. 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 2013.

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 2013 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. During July 2014, the Group announced a successful, inaugural bond placement of £200 million, ten year, tier two subordinated notes with a fixed interest charge of 5.5%.

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 2013 except for the adoption of IFRIC Interpretation 21.

IFRIC Interpretation 21, Levies was endorsed during the period to 30 June 2014 and subsequently adopted by the Group. The IFRIC is effective for accounting periods beginning on or after 1 January 2014. It clarifies the IFRS requirements in relation to the timing of recognition of provisions for levies charged by public authorities. This is relevant to the Group in terms of its obligations to pay levies relating to insurance business, primarily to the Motor Insurers Bureau, Financial Services Compensation Scheme and other regulatory bodies in the UK.

The Group has aligned the timing of its recognition of provisions for levies to that required by the IFRIC. Whilst this is considered to be a change in accounting policy in line with IAS 8, no restatement of comparative information has been performed on materiality grounds.

2. Critical accounting judgements and estimates

The Group's 2013 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 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 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 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. 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.

The Group's 2013 Annual Report contains further detail on objectives, policies and procedures for managing insurance risk.

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.

3. Re-presentation of comparative information

Comparative amounts within the Condensed consolidated income statement relating to expenses have been re-presented. Net expenses of £124.6 million reported in the period to 30 June 2013, have been analysed into gross operating expenses and share scheme charges and operating expenses and share scheme charges recoverable from co- and reinsurers. There is no impact on reported net expenses or profit before tax in the period. The re-presentation is consistent with that included in the 2013 Annual report relating to the 2012 comparative.

4. Operating segments

4a. Segment reporting

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 Assurances 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 comparenow.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 comparenow.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 2014, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2013 Group financial statements, except for the adoption of IFRIC Interpretation 21.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	30 June 2014 Segment total £m
Turnover*1	849.8	104.3	57.1	25.9	-	1,037.1
Net insurance premium revenue	197.9	27.8	-	6.0	-	231.7
Other revenue and profit commission	136.5	3.5	57.1	9.1	-	206.2
Investment and interest income	6.0	0.1	-	-	-	6.1
Net revenue	340.4	31.4	57.1	15.1	-	444.0
Net insurance claims	(92.6)	(27.6)	-	(4.3)	-	(124.5)
Expenses	(40.1)	(19.3)	(53.1)	(8.7)	-	(121.2)
Segment profit / (loss) before tax	**207.7**	**(15.5)**	**4.0**	**2.1**	**-**	**198.3**
Other central revenue and expenses, including share scheme charges						(15.6)
Interest income						0.6
Consolidated profit before tax						**183.3**
Taxation expense						(38.9)
Consolidated profit after tax						**144.4**

*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.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2013 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	30 June 2013 Segment total £m
Turnover[*1]	924.5	95.5	57.5	11.6	-	1,089.1
Net insurance premium revenue	214.6	26.4	-	0.4	-	241.4
Other revenue and profit commission	139.0	3.4	57.5	6.8	-	206.7
Investment and interest income	5.6	-	-	-	-	5.6
Net revenue	359.2	29.8	57.5	7.2	-	453.7
Net insurance claims	(125.2)	(23.3)	-	(0.3)	-	(148.8)
Expenses	(41.3)	(17.3)	(47.6)	(5.8)	-	(112.0)
Segment profit / (loss) before tax	**192.7**	**(10.8)**	**9.9**	**1.1**	**-**	**192.9**
Other central revenue and expenses, including share scheme charges						(12.6)
Interest income						1.1
Consolidated profit before tax						**181.4**
Taxation expense						(44.4)
Consolidated profit after tax						**137.0**

Revenue and results for the corresponding reportable segments for the year ended 31 December 2013 are shown below.

						31 December 2013
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover[*1]	1,698.9	187.8	112.7	30.8	-	2,030.2
Net insurance premium revenue	425.1	54.1	-	3.8	-	483.0
Other revenue and profit commission	293.4	6.6	112.7	14.4	-	427.1
Investment and interest income	12.4	-	-	-	-	12.4
Net revenue	730.9	60.7	112.7	18.2	-	922.5
Net insurance claims	(251.3)	(49.1)	-	(2.6)	-	(303.0)
Expenses	(85.7)	(33.7)	(92.3)	(13.2)	-	(224.9)
Segment profit / (loss) before tax	**393.9**	**(22.1)**	**20.4**	**2.4**	**-**	**394.6**
Other central revenue and expenses, including share scheme charges						(26.3)
Interest income						1.9
Consolidated profit before tax						**370.2**
Taxation expense						(83.3)
Consolidated profit after tax						**286.9**

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 £5.7 million (H1 2013: £7.4 million, FY 2013: £10.8 million). These amounts have not been eliminated on consolidation as the Directors consider that not doing so results in a better overall presentation of the financial statements. The impact on the financial statements in the current and prior period is not material. There are no other transactions between reportable segments.

Within the UK Car Insurance segment, transactions between the Group's intermediary and the Group's insurance companies relating to vehicle commission totalling £7.0 million (H1 2013: £9.7 million, FY 2013: £18.4 million) have been eliminated (from the insurance expenses and Other revenue lines in the income statement) on the basis that the non-elimination would have materially distorted the presentation of key performance indicators.

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 comparenow.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 2014 £m	30 June 2013 £m	31 December 2013 £m
Total motor insurance premiums before co-insurance	886.9	942.0	1,737.6
Group gross premiums written after co-insurance	577.6	581.1	1,088.4
Outwards reinsurance premiums	(336.0)	(329.4)	(620.2)
Net insurance premiums written	241.6	251.7	468.2
Change in gross unearned premium provision	(33.4)	(10.8)	48.0
Change in reinsurers' share of unearned premium provision	23.5	0.5	(33.2)
Net insurance premium revenue	**231.7**	**241.4**	**483.0**

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 2014 £m	30 June 2013 £m	31 December 2013 £m
Underwriting year:			
2009 & prior	0.1	(0.6)	3.1
2010	6.3	14.1	24.9
2011	20.9	15.3	26.7
2012	8.5	11.6	44.6
Total profit commission	**35.8**	**40.4**	**99.3**

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Gross:			
Claims outstanding	1,478.4	1,273.9	1,400.4
Unearned premium provision	531.6	562.9	500.9
Total gross insurance liabilities	**2,010.0**	**1,836.8**	**1,901.3**
Recoverable from reinsurers:			
Claims outstanding	392.2	413.9	537.4
Unearned premium provision	305.4	319.4	283.8
Total reinsurers' share of insurance liabilities	**697.6**	**733.3**	**821.2**
Net:			
Claims outstanding*1	1,086.2	860.0	863.0
Unearned premium provision	226.2	243.5	217.1
Total insurance liabilities – net	**1,312.4**	**1,103.5**	**1,080.1**

*1 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 net claims reserve releases (UK business only):

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Underwriting year:			
2009 & prior	1.5	1.5	5.0
2010	9.8	20.6	36.7
2011	38.2	23.3	39.7
2012	19.9	6.8	12.8
2013	3.7	-	-
Total net reserve release	**73.1**	**52.2**	**94.2**
Net releases on Admiral's net share	35.4	29.7	53.3
Releases on commuted quota share reinsurance contracts	37.7	22.5	40.9
Total net release as above	**73.1**	**52.2**	**94.2**

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Underwriting year:			
2009 & prior	0.5	0.5	2.7
2010	4.9	10.3	18.4
2011	20.7	11.7	19.8
2012	11.6	-	-
Total releases on commuted quota share reinsurance contracts	**37.7**	**22.5**	**40.9**

Profit commission is analysed in note 5b.

(iii) Reconciliation of movement in net claims provision:

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Net claims reserve at start of period	863.0	660.4	660.4
Net claims incurred (excluding releases)	192.8	195.8	387.7
Net reserve releases	(73.1)	(52.2)	(94.2)
Movement in net claims provision due to commutation	280.7	208.7	208.7
Net claims paid	(177.2)	(152.7)	(299.6)
Net claims reserve at end of period*1	**1,086.2**	**860.0**	**863.0**

*1 The increase in net claims reserve from £863.0 million at 31 December 2013 to £1,086.2 million is primarily due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Net unearned premium provision at start of period	217.1	233.5	233.5
Written in the period	241.6	251.7	468.2
Earned in the period	(232.5)	(241.7)	(484.6)
Net unearned premium provision at end of period	**226.2**	**243.5**	**217.1**

6. Investments

6a. Investment and interest income

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Net investment return	6.1	5.6	12.4
Interest receivable	0.6	1.1	1.9
Total investment and interest income	**6.7**	**6.7**	**14.3**

6b. Financial assets and liabilities

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Investments held at fair value through profit and loss:			
Money market funds	860.3	1,260.4	1,406.1
Short dated debt securities	-	201.6	202.4
	860.3	**1,462.0**	**1,608.5**
Available for sale debt securities	802.8	-	-
Term deposits with credit institutions	262.6	311.2	288.4
Receivables – amounts owed by policyholders	407.2	420.8	368.1
Total financial assets	**2,332.9**	**2,194.0**	**2,265.0**
Trade and other receivables	91.2	75.4	77.5
Cash and cash equivalents	247.7	205.6	187.9
	2,671.8	**2,475.0**	**2,530.4**

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Financial liabilities:			
Trade and other payables	925.6	961.4	1,013.7
Total financial liabilities	**925.6**	**961.4**	**1,013.7**

All investments held at fair value at the end of the period 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.

The measurement of investments held at fair value is based on active quoted market values (level 1).

Available for sale debt securities include holdings in fixed income and other debt securities and are held at fair value with movements in fair value taken through other comprehensive income.

Term deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level 2 valuation is used. The book value of term deposits is £262.6 million (H1 2013, £311.2 million, FY 2013: £288.4 million).

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

6c. Cash and cash equivalents

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Cash at bank and in hand	247.7	205.6	187.9
Total cash and cash equivalents	**247.7**	**205.6**	**187.9**

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 2014 £m	30 June 2013 £m	31 December 2013 £m
Contribution from additional products and fees	93.6	89.5	177.0
Price Comparison revenue	57.1	57.5	112.7
Other revenue	19.7	19.3	38.1
Total other revenue	**170.4**	**166.3**	**327.8**

8. Expenses

8a. Operating expenses and share scheme charges

			30 June 2014
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	45.6	(27.1)	18.5
Administration and other marketing costs (insurance contracts)	92.5	(68.3)	24.2
Insurance contract expenses	**138.1**	**(95.4)**	**42.7**
Administration and other marketing costs (Other)	81.6	-	81.6
Share scheme charges	20.2	(7.7)	12.5
Total expenses and share scheme charges	**239.9**	**(103.1)**	**136.8**

			30 June 2013
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	39.0	(19.9)	19.1
Administration and other marketing costs (insurance contracts)	98.7	(74.2)	24.5
Insurance contract expenses	**137.7**	**(94.1)**	**43.6**
Administration and other marketing costs (Other)	70.5	-	70.5
Share scheme charges	16.8	(6.3)	10.5
Total expenses and share scheme charges	**225.0**	**(100.4)**	**124.6**

			31 December 2013
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	85.5	(51.8)	33.7
Administration and other marketing costs (insurance contracts)	203.5	(150.5)	53.0
Insurance contract expenses	**289.0**	**(202.3)**	**86.7**
Administration and other marketing costs (Other)	142.0	-	142.0
Share scheme charges	36.0	(13.5)	22.5
Total expenses and share scheme charges	**467.0**	**(215.8)**	**251.2**

The £24.2 million (H1 2013: £24.5 million, FY 2013: £53.0 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Expenses relating to additional products and fees	18.8	15.4	34.4
Price Comparison operating expenses	53.1	47.6	92.3
Other expenses	9.7	7.5	15.3
Total	**81.6**	**70.5**	**142.0**

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 2014 £m	30 June 2013 £m	31 December 2013 £m
Share Incentive Plan (SIP) charge	4.5	3.8	7.6
Discretionary Free Share Scheme (DFSS) charge	8.0	6.7	14.9
Total share scheme charges	**12.5**	**10.5**	**22.5**

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 2014: £14.2 million, H1 2013: £12.6 million, FY 2013: £25.7 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 2014 £m	30 June 2013 £m	31 December 2013 £m
UK Corporation tax			
Current charge at 21.5% (2013: 23.25%)	36.4	43.0	83.4
Under provision relating to prior periods – corporation tax	-	-	0.4
Current tax charge	36.4	43.0	83.8
Deferred tax			
Current period deferred taxation movement	2.5	1.4	0.1
(Over) provision relating to prior periods – deferred tax	-	-	(0.6)
Total tax charge per income statement	**38.9**	**44.4**	**83.3**

Factors affecting the total tax charge are:

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Profit before taxation	183.3	181.4	370.2
Corporation tax thereon at 21.5% (2013: 23.25%)	39.4	42.2	86.1
Expenses and provisions not deductible for tax purposes	-	-	0.2
Impact of change in UK tax rate on deferred tax balances	-	-	2.7
Adjustments relating to prior periods	-	-	(0.2)
Impact of different overseas tax rates	(3.3)	-	(5.6)
Other differences	2.8	2.2	0.1
Tax charge for the period as above	**38.9**	**44.4**	**83.3**

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 2013	(3.8)	(1.9)	(5.7)	(3.8)	(15.2)
Tax treatment of share scheme charges through income or expense	3.6	-	-	-	3.6
Tax treatment of share scheme charges through reserves	(2.2)	-	-	-	(2.2)
Capital allowances	-	(0.6)	-	-	(0.6)
Carried forward losses	-	-	(1.9)	-	(1.9)
Other difference	-	-	-	0.4	0.4
Balance carried forward 30 June 2013	**(2.4)**	**(2.5)**	**(7.6)**	**(3.4)**	**(15.9)**
Balance brought forward at 1 January 2013	(3.8)	(1.9)	(5.7)	(3.8)	(15.2)
Tax treatment of share scheme charges through income or expense	1.8	-	-	-	1.8
Tax treatment of share scheme charges through reserves	(2.1)	-	-	-	(2.1)
Capital allowances	-	(1.4)	-	-	(1.4)
Carried forward losses	-	-	(2.1)	-	(2.1)
Other difference	-	-	-	2.0	2.0
Balance carried forward 31 December 2013	**(4.1)**	**(3.3)**	**(7.8)**	**(1.8)**	**(17.0)**
Tax treatment of share scheme charges through income or expense	2.7	-	-	-	2.7
Tax treatment of share scheme charges through reserves	(2.8)	-	-	-	(2.8)
Capital allowances	-	0.4	-	-	0.4
Carried forward losses	-	-	(2.8)	-	(2.8)
Other difference	-	-	-	(0.3)	(0.3)
Balance carried forward 30 June 2014	**(4.2)**	**(2.9)**	**(10.6)**	**(2.1)**	**(19.8)**

The UK corporation tax rate reduced from 23% to 21% on 1 April 2014. The average effective rate of tax for 2014 is 21.5% (2013: 23.25%). It will fall to 20% in April 2015. Deferred tax has therefore been calculated at 20% where the temporary difference is expected to reverse after this date.

10. Other assets and other liabilities

10a. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2013	7.3	31.6	12.9	5.0	56.8
Additions	0.8	1.7	0.3	0.1	2.9
At 30 June 2013	8.1	33.3	13.2	5.1	59.7
Depreciation					
At 1 January 2013	5.3	22.6	8.7	3.7	40.3
Charge for the year	0.5	2.3	0.9	0.4	4.1
At 30 June 2013	5.8	24.9	9.6	4.1	44.4
Net book amount					
At 30 June 2013	**2.3**	**8.4**	**3.6**	**1.0**	**15.3**
Cost					
At 1 January 2013	7.3	31.6	12.9	5.0	56.8
Additions	1.2	1.7	0.1	0.3	3.3
Disposals	-	(0.5)	-	-	(0.5)
At 31 December 2013	8.5	32.8	13.0	5.3	59.6
Depreciation					
At 1 January 2013	5.3	22.6	8.7	3.7	40.3
Charge for the year	1.0	3.9	1.7	0.7	7.3
Disposals	-	(0.4)	-	-	(0.4)
At 31 December 2013	6.3	26.1	10.4	4.4	47.2
Net book amount					
At 31 December 2013	**2.2**	**6.7**	**2.6**	**0.9**	**12.4**
Cost					
At 1 January 2014	8.5	32.8	13.0	5.3	59.6
Additions	14.4	3.2	0.9	0.7	19.2
Disposals	(0.3)	-	-	-	(0.3)
At 30 June 2014	22.6	36.0	13.9	6.0	78.5
Depreciation					
At 1 January 2014	6.3	26.1	10.4	4.4	47.2
Charge for the year	0.4	2.1	0.4	0.3	3.2
Disposals	(0.3)	-	-	-	(0.3)
At 30 June 2014	6.4	28.2	10.8	4.7	50.1
Net book amount					
At 30 June 2014	**16.2**	**7.8**	**3.1**	**1.3**	**28.4**

10b. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£m	£m	£m	£m
Carrying amount:				
At 1 January 2013	62.3	20.3	9.9	92.5
Additions	-	47.0	3.6	50.6
Amortisation charge	-	(47.4)	(2.8)	(50.2)
Disposals	-	-	(0.1)	(0.1)
At 30 June 2013	**62.3**	**19.9**	**10.6**	**92.8**
At 1 January 2013	62.3	20.3	9.9	92.5
Additions	-	67.7	6.8	74.5
Amortisation charge	-	(68.8)	(4.9)	(73.7)
Disposals	-	-	(0.5)	(0.5)
At 31 December 2013	**62.3**	**19.2**	**11.3**	**92.8**
Additions	-	37.1	5.4	42.5
Amortisation charge	-	(34.7)	(2.0)	(36.7)
Disposals	-	-	-	-
At 30 June 2014	**62.3**	**21.6**	**14.7**	**98.6**

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 2013 financial statements for further information.

10c. Trade and other receivables

	30 June 2014	30 June 2013	31 December 2013
	£m	£m	£m
Trade receivables	87.2	74.3	73.9
Prepayments and accrued income	4.0	1.1	3.6
Total trade and other receivables	**91.2**	**75.4**	**77.5**

10d. Trade and other payables

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Trade payables	18.0	11.7	16.9
Amounts owed to co-insurers and reinsurers	687.8	662.7	785.3
Finance leases due within 12 months	0.4	0.6	0.1
Other taxation and social security liabilities	26.9	27.3	20.6
Other payables	127.1	116.6	90.1
Accruals and deferred income	65.4	142.5	100.7
Total trade and other payables	**925.6**	**961.4**	**1,013.7**

Of amounts owed to co-insurers and reinsurers, £513.1 million (H1 2013: £567.1 million, FY 2013: £629.3 million) is held under funds withheld arrangements.

11. Share capital

11a. Dividends

Dividends were declared and paid as follows.

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
March 2013 (45.5p per share, paid June 2013)	-	123.1	123.1
August 2013 (48.9p per share, paid October 2013)	-	-	132.7
March 2014 (50.6p per share, paid May 2014)	138.3	-	-
Total dividends	**138.3**	**123.1**	**255.8**

The dividend declared in March 2013 represented the final dividend paid in respect of the 2012 financial year (August 2013 - interim dividend for 2013). The dividend declared in March 2014 was the final dividend paid in respect of the 2013 financial year.

An interim dividend of 49.4 pence per share (£136.5 million) has been declared in respect of the 2014 financial year.

11b. Earnings per share

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Profit for the period after taxation attributable to equity share-holders (£m)	145.7	137.2	287.0
Weighted average number of shares – basic	276,328,882	273,737,377	274,311,039
Unadjusted earnings per share – basic	**52.7p**	**50.1p**	**104.6p**
Weighted average number of shares – diluted	276,749,298	274,311,039	274,813,144
Unadjusted earnings per share – diluted	**52.7p**	**50.0p**	**104.4p**

The difference between the basic and diluted number of shares at the end the period (being 420,416; H1 2013: 573,622, FY 2013: 502,105) relates to awards committed, but not yet issued under the Group's share schemes.

11c. Share capital

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Authorised:			
500,000,000 ordinary shares of 0.1p	**0.5**	**0.5**	**0.5**
Issued, called up and fully paid:			
273,906,710 ordinary shares of 0.1p	-	0.3	-
276,141,432 ordinary shares of 0.1p	-	-	0.3
276,474,064 ordinary shares of 0.1p	0.3	-	-
	0.3	**0.3**	**0.3**

During the first half of 2014 332,632 (H1 2013: 383,116) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

332,632 (H1 2013: 383,116) 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 2014 of 6,816,716 (H1 2013: 5,949,362). These shares are entitled to receive dividends.

No shares (H1 2013: 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 2014 of 11,061,948 (H1 2013: 9,361,948). 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.

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.

The Group diversified its capital base in July 2014 with the issue of £200m ten year, tier two subordinated notes. 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 2013 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 Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive Directors is disclosed in the Directors' Remuneration Report in the 2013 Annual Report.

12. Reconciliations

The following tables reconcile significant KPIs and non-GAAP 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 2014 £m	30 June 2013 £m	31 December 2013 £m
Total Premiums Written before co-insurance arrangements per note 5a of financial statements	886.9	942.0	1,737.6
Other revenue per note 7a of financial statements	170.4	166.3	327.8
	1,057.3	1,108.3	2,065.4
UK vehicle commission*1	(26.9)	(25.9)	(48.1)
Other*2	6.7	6.7	12.9
Turnover as per note 4b of financial statements	**1,037.1**	**1,089.1**	**2,030.2**

*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.

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

	30 June 2014		30 June 2013		31 December 2013	
	UK Car £m	Group £m	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance claims	88.3	124.5	122.5	148.8	243.3	303.0
Net claims handling expenses	(4.8)	(4.8)	(5.2)	(5.2)	(9.5)	(9.5)
Reinsurer cap impact	-	(2.0)	-	-	-	-
Reserve releases on commuted reinsurance	37.7	37.7	22.5	22.5	40.9	40.9
Adjusted net claims	121.2	155.4	139.8	166.1	274.7	334.4
Net insurance premium revenue	183.5	231.7	207.8	241.4	403.9	483.0
Reported loss ratio	**66.0%**	**67.1%**	**67.2%**	**68.8%**	**68.0%**	**69.2%**

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

	30 June 2014		30 June 2013		31 December 2013	
	UK Car	Group	UK Car	Group	UK Car	Group
	£m	£m	£m	£m	£m	£m
Net insurance expenses	21.2	42.7	25.9	43.6	51.2	86.7
Net claims handling expenses	4.8	4.8	5.2	5.2	9.5	9.5
Reinsurer cap impacts	-	(5.8)	-	(4.0)	-	(6.2)
Adjusted net expenses	26.0	41.7	31.1	44.8	60.7	90.0
Net insurance premium revenue	183.5	231.7	207.8	241.4	403.9	483.0
Reported expense ratio	**14.2%**	**18.0%**	**15.0%**	**18.6%**	**15.0%**	**18.6%**

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

	30 June 2014	30 June 2013	31 December 2013
	£m	£m	£m
Reported profit before tax per the condensed consolidated income statement	183.3	181.4	370.2
Minority interest share of profit before tax	1.6	0.2	-
Adjusted profit before tax	**184.9**	**181.6**	**370.2**

13. Subsequent events

During July 2014, the Group completed the issue of £200 million, 5.50% fixed coupon, 10 year, tier two subordinated notes. The issue settled on 25 July 2014.

14. Principal risks and uncertainties

The table below sets out the principal risks which could have a material adverse affect on Admiral and have been identified through the risk management framework. The report on Corporate Governance in the Group's 2013 Annual Report describes the risk management framework in place throughout the Group.

Risk	Impact	Mitigating Factors
Reserving risk in UK and International Car Insurance Admiral is exposed to reserving risk through its underwriting of motor insurance policies. Claims reserves in the financial statements may prove inadequate to cover the ultimate cost of open claims which are by nature uncertain.	Adverse run-off leading to higher claims costs in the financial statements.	Admiral has a conservative reserving policy and continues to hold a material margin in its financial statement claims reserves above actuarially determined best estimates. Best estimate reserves are estimated internally and externally by an independent actuary. Many of the potential causes of claims shocks are outside the control of Admiral and the focus is, therefore, on how to prepare for and react to the occurrence of such events. Admiral holds a buffer in booked reserves to cover significant legislative changes impacting existing claims. Furthermore, Admiral continues to hold an additional buffer in its reserves in excess of the projected ultimate outcomes to cover other potential claim shocks. The Group continues to make material investments in staff and systems to work on the identification and prevention of claims fraud. For very large claims Admiral purchases excess of loss reinsurance, which mitigates the loss to the selected deductible amount.
Reduced availability of 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	A potential need to raise additional capital to support underwriting. This could be in the form of equity or debt. Return on equity might reduce compared to	Admiral mitigates the risk 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. Admiral also has relationships with a number of other reinsurers, including Amlin Re, Hannover Re, Mapfre Re, New Re and Swiss

Risk	Impact	Mitigating Factors
mitigate the cost and risk of establishing new operations. There is a risk that support will not be available in the future if the results and/or future prospects of either the UK business or (more realistically) one or more of the less mature operations are not satisfactory to the co- and/or reinsurers.	current levels.	Re. In the UK, co-insurance and reinsurance arrangements have been agreed until at least the end of 2016, reflecting confidence in the Admiral UK Car Insurance business. The long-term agreement with Munich Re (covering 40% of the UK Car Insurance business) will remain in place until at least the end of 2018. Long-term arrangements are also in place for international and household businesses.
Potential diminution of other revenue Admiral earns other revenue from a portfolio of products and other sources. The level of this revenue could diminish due to regulatory or legal changes, customer behaviour or market forces.	Lower profits from insurance operations and lower return on equity.	Admiral continuously assesses the value to its customer of the products it offers, and makes changes to ensure the products continue to offer good value. Admiral seeks to minimise reliance on any single source by earning revenue from a range of products. This would mitigate the impact of a regulatory change which might affect a particular product or income stream.
Underwriting risk in UK and International Car Insurance The Group is exposed to the risk that claims costs on business written and earned in the future is higher than expected. This might arise due to very large or catastrophic man-made or natural individual or multiple claims.	Higher claims costs and loss ratios, reducing profitability or resulting in underwriting losses.	There are a number of aspects which contribute to Admiral's strong UK underwriting results, including: • Experienced and focused senior management and teams in key business areas including pricing and claims management; • Highly data-driven and analytical approach to business decisions, particularly pricing; and • Continuous appraisal of and investment in staff, systems and processes. Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims. The Group continues to work to establish similar expertise in its newer international businesses.

Risk	Impact	Mitigating Factors
Erosion of competitive advantage in UK Car Insurance Admiral typically maintains a significant combined ratio advantage over the UK market. This advantage and/or the level of underwriting profit (and associated profit commission) could be eroded.	A worse UK Car Insurance result and lower return on equity. A sustained and uncorrected erosion of competitive advantage could affect the ability of Admiral to extend its reinsurance arrangements, which might in turn require Admiral to hold more capital.	Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK market. Some are set out above, but in addition: • Track record of innovation and ability to react quickly to market conditions and developments; and • Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs.
Failure of geographic and/or product expansion Admiral continues to develop and support the overseas operations. During 2012 Admiral also launched a home insurance product. One or more of the operations could fail to become a sustainable, profitable long-term business.	Higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products.	Admiral's approach to expansion remains conservative. Overseas insurance businesses have executed cautious launch strategies and are all backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. New price comparison businesses have aligned their marketing investment with the extent of improvement in trading key performance indicators such as average cost per quote and conversion ratio. The Group also considers partial disposals of equity to share start-up losses with partners. The Directors are mindful of management stretch and regularly assess the suitability of the management structure in place for Admiral's international operations. The UK Household Insurance business is backed by proportional reinsurance support which provides mitigation against start-up losses and excess of loss reinsurance which mitigates potential losses from catastrophe events.
Competition in UK Price Comparison Admiral is dependent on the	A potentially material reduction in UK Car Insurance new business	Admiral's ownership of Confused.com (one of the leading UK price comparison websites which operates independently of the UK Car Insurance business) helps to mitigate the risk

Risk	Impact	Mitigating Factors
four main UK price comparison websites as an important source of new business and growth. Growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of customers.	volumes. The impact on Confused.com of higher levels of competition in the price comparison market, either through the aggressive activities of existing players or the entry of significant new participants would be to lower profits. However, a more competitive market might benefit the car insurance business through lower acquisition costs.	of over-reliance on this distribution channel. Admiral also contributes materially to the revenues of other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost. The Confused.com management maintains a very keen awareness of the risks of continued competition.
Credit risk of significant counterparties Admiral is primarily exposed to credit risk in the form of a) default of reinsurer(s); b) failure of banking or investment counterparty(ies). One or more counterparties suffer a significant event leading to a credit default.	Additional capital may need to be raised as a result of a major credit event, dependent on its nature and severity. Admiral would also need to ensure that it had sufficient liquid assets to meet its claims and other liabilities as they fell due.	Admiral only conducts business with reinsurers of appropriate financial strength. In addition, most reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as Admiral holds the cash received as collateral. With respect to investment counterparties, there are no specific concentrations of credit risk due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. Admiral considers counterparty exposure frequently and in significant detail, and has in place appropriate limits to mitigate exposure to individual investment counterparties.

The Board also considers the following risks to be significant:

Customer / conduct risk – failure of products or service to meet customer expectations and failure to address customer complaints promptly or appropriately. Further detail on how Admiral interacts with its customers is set out in the Corporate Responsibility (CR) Report available online.

People risk – failure to recruit, develop and retain suitable talent. Further detail on how Admiral interacts with its employees is set out in the CR Report available online.

Read more on Admiral Group's Corporate Responsibility (CR) strategy:
http://www.admiralgroup.co.uk/culture/csr/

IT risk – failure to invest in appropriate technology to support the Group's future business development, mitigated by regular review of the effectiveness of the Group's IT capability by executive management and the Board. Further, failure to implement and maintain appropriate systems to mitigate IT and data security risks could lead (amongst other things) to detrimental impacts on customers and/or the reputation of the Group.

Regulatory risk – failure to comply with regulatory requirements and/or changes, mitigated by regular review of the Group's compliance with current and proposed requirements and interaction with regulators by executive management and the Board. In particular, Solvency II regulations are currently being introduced, including some areas which are still uncertain and subject to the outcome of detailed discussions between UK and European regulators. This risk is mitigated by regular monitoring of the Group's progress against a detailed Solvency II project plan.

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**

12 August 2014

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 2014 which comprises 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 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Salim Tharani
for and on behalf of KPMG LLP
Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

12 August 2014