5 March 2015

Admiral Group plc announces a strong annual result with Group profit before tax of £357 million for the year to December 2014.

2014 Preliminary Results Highlights

	2014	**2013**	**% change**
Group profit before tax*	£357 million	£371 million	-4%
Earnings per share	103.0 pence	104.6 pence	-2%
Full year dividend	98.4 p/share	99.5 p/share	-1%
Return on equity	52%	58%	
Group turnover	£1.97 billion	£2.03 billion	-3%
Group customers	4.05 million	3.70 million	+10%
International car insurance			
Turnover	£206 million	£188 million	+10%
Customers	592,600	515,300	+15%

Over 7,000 staff each receive free shares worth £3,000 in the employee share scheme based on 2014 full year results

[*] Represents Group's share of profit before tax excluding Minority interests

Comment from Henry Engelhardt, Group Chief Executive Officer

"Admiral Group's 2014 was the year of the Baked Alaska - hot and cold in a single bite. The hot? Profits emerging from our international insurance businesses, in ConTe in Italy, and record profits at Rastreator and LeLynx, our price comparison businesses in Spain and France, respectively. The cold? For the first time since we went public, Admiral Group did not post a record profit, but we still made a lot of money, had an enviable 52% return on equity and distributed 95% of our after-tax profits to our shareholders."

Dividend

The Directors have proposed a final dividend of 49.0 pence (22.5 pence normal and 26.5 pence special) per share, to be paid on 29 May 2015. The ex-dividend date is 7 May 2015 and the record date 8 May 2015.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 11.00 GMT on Thursday 5 March 2015 by dialling + 44 (0)20 3059 8125. A copy of the presentation slides will be available at www.admiralgroup.co.uk.

Chairman's Statement

Our Strategy

In my statement last year I listed what I regarded to be the top ten attributes that had contributed in great measure to Admiral's success over the last ten years that it has been a listed company. I spoke of management; our culture; our employees; focus; pricing; claims management; controlled test and learn; low cost; low capital employed; and low risk.

Admiral has applied these consistently to deliver against a straight-forward highly focused strategy – to make the most of the market-leading positions we have developed in the UK in direct motor insurance and price comparison and apply our learning in these sectors in overseas markets of appropriate scale, structure and stage of development. Applying the tenets of controlled test and learn, low capital employed and low risk the Admiral team has set about building private motor businesses in five countries, price comparison businesses in four, and a household insurance business in the UK. We have then sought to embed in these new businesses our management capability, our culture and the quality of our employees.

Organic growth, whilst slower, requires much less capital than growth by acquisition and avoids the significant risk associated with buying where one has little or no knowledge. By taking incremental steps one is able to construct, in all important respects, the platform one wants for the future, taking advantage to the degree relevant to each specific market of our differentiation in areas such as pricing and claims management.

Notwithstanding this step by step approach of test and learn, whilst each of our overseas businesses began life as a business plan Admiral now has nearly 600,000 customers outside the UK. It will, however, still be some years before these businesses, all at varying stages in their growth and required investment, make the material contribution to group profits of which we believe they are capable. As now the second largest insurer of private cars in the UK Admiral's fortunes will, therefore, be driven for the foreseeable future by the UK motor insurance cycle.

2014 in overview

We recognise that in a cyclical business there are periods for growth, and periods for consolidation, seeking purely to maintain one's existing market position and focus on building capability to support growth when conditions render that both profitable and sustainable. 2014 was such a period of consolidation for three out of our five motor insurance businesses.

As a consequence our pre-tax profits, before reflecting our first material investment in our new US comparison business, were broadly flat on the previous year, and our overall Group profits were £14 million lower at £357 million.

The UK motor insurance market was again characterised by falling prices, albeit that the sustained reduction since the market turned in 2010 now appears to be running out of steam. Our aim through this period has been to maximise value rather than volume, maintaining our book at around three million customers and focusing on a major systems upgrade that is scheduled to complete in 2015. When delivered, this will enable us to retain our flexibility and responsiveness when it is right to resume the growth of our UK business. As we test, we learn how to improve our effectiveness across all aspects of our operations whether it be marketing; pricing; sales; customer service; or claims handling. Then we institutionalise what we have learned by building this learning into the systems that support the processes we operate. Through processes, systems and detailed timely management information we can be confident that all our people undertake their activities in a controlled efficient way. We can also assess what it is relevant to seek to export alongside our culture to other markets.

We have also had major systems development taking place in our operations in Italy and France as these businesses prepare for the next stage in their growth.

Italy is our largest business outside the UK with almost half our overseas customers. As in the UK, with growth of the book unattractive in an environment of falling prices, the Italian business has focused on building its learning into a new operating platform that we believe will provide competitive advantage when the market turns. In France, the youngest of our overseas insurance operations, we had adopted a different outsourced start-up model to get into the market quickly, cost-effectively and at low risk. Four years on from launch our initial assessment of the French market suggests the potential for accelerated growth of direct motor insurance supported both by the growth of price comparison, in part reflecting the success of our own market-leading business LeLynx, and the recently implemented change in the law making it easier for customers to switch insurance providers. Hence our move to bring all our functions in-house onto our own platform now that we understand what the French market needs.

In the US and Spain growth came from expanding the accessible market – in the case of Elephant Auto in the US by building on the entry into Texas in 2013, and for Admiral Seguros in Spain through the addition of a second brand, Qualitas Auto.

In price comparison we have continued to achieve strong growth outside the UK, both Rastreator and LeLynx holding leading positions in their respective markets in Spain and France. By contrast, price comparison in the UK has continued to be challenging, with Confused.com facing very strong competition that has impacted conversion and hence profitability. In the US, compare.com launched in 2013 as the first truly European-style aggregator as distinct from lead generators. Whilst early days, it is making encouraging progress both with consumers and insurer partners and we are planning a material increase next year in the commitment of promotional support, following our same philosophy of test and learn.

Our capital structure

Our low risk approach to our business with significant use of reinsurance has made it possible to maintain low levels of capital employed. However in 2014 we recognised that favourable capital markets and very reasonable rates of interest created the opportunity to strengthen and diversify our capital resources as we make a prudent transition into Solvency II in 2016, with the attendant regulatory capital requirement and buffers. Raising £200 million of additional capital in the form of 10-year tier two subordinated notes also sets us up well for the growth we expect from all our businesses in the coming years whilst being consistent with our existing dividend policy.

Dividends

Our dividend policy has been clear since flotation – we believe it is for our investors rather than Admiral to determine how they wish to invest funds surplus to the requirements of our business. We, therefore, distribute each year the available surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers, in particular, the buffer required during a period of transition between two different capital regimes. We also believe that the year on year progression of our dividend should largely mirror the movement in after tax profits, subject to any abnormal demands on our capital resources.

Our final dividend for 2014 is, therefore, proposed at 49.0 pence per share, resulting in a full year dividend of 98.4 pence per share, within 1% of the 2013 full year dividend, against a backdrop of after-tax profits themselves 2% lower than last year. This comprises a normal dividend of 22.5 pence per share and a special dividend of 26.5 pence per share, bringing to £915 million the total of special dividends paid to shareholders since flotation, in addition to our £839 million normal dividends paid over this period.

Board changes

With its distinctive culture and focus on making Admiral a great place to work the company enjoys strong

levels of retention amongst employees, management and directors alike.

Senior executives in the Group have either been with Admiral since the company listed ten years ago or since their respective overseas business was formed.

To encourage retention of our people, and therefore of their skills and experience, we seek to provide management with development opportunities that allow us to promote from within. I was, therefore, delighted to welcome Geraint Jones to the board at the time of our interim results, succeeding Kevin Chidwick as CFO, who will now focus solely on his role as CEO of Elephant Auto in the US. Geraint has been with Admiral's finance team since 2002, having been our Deputy CFO since 2012.

Roger Abravanel will not be seeking re-election at the forthcoming Annual General Meeting and I would like to thank him for his contribution to the Board, in particular the insight he has provided us into the Italian market. Balancing the loss of Roger we are delighted to welcome Penny James to the Board as a Non-Executive Director and member of the Audit Committee. Penny has been Director of Group Finance at Prudential plc since March 2011 and brings a wealth of commercial and financial experience to her role with Admiral.

Thank you
To our employees for their commitment and enthusiasm; to our management for their leadership and inspiration; to our shareholders for their support and confidence; but most of all to our customers for their business and choice of Admiral in preference to others in the highly competitive markets in which we operate.

Alastair Lyons
Chairman
4 March 2015

Chief Executive's Statement

Admiral Group's 2014 was the year of the Baked Alaska – hot and cold in a single bite.

The cold? For the first time since we went public and the first time this century, Admiral Group did not post a record profit. We still made a lot of money and had an enviable, 52% return on equity, but, alas, the 2014 result is being dragged down by cyclicality and everything else, in sum, still required investment.

The hot? Profits emerging from some of those businesses outside the UK, including profit from ConTe, our Italian insurance business (in its 6th full year of operation) and record profits at Rastreator and LeLynx, our price comparison businesses in Spain and France, respectively.

My impression is that CEO statements are supposed to present a veneer of progress against a backdrop of challenging conditions: 'the mountain was a tricky climb, the climate inhospitable, but we a) did it, b) are doing it or c) will soon do it'.

This statement is not going to follow that common pattern.

What I will do is try to put you in my chair. What do I worry about? What do I look forward to? I will not be going over each business one at a time as Alastair has already provided a quick review of the businesses and, further on in this report is a commentary from each of the business CEOs and plenty of numbers that will give you a lot of detail about those operations.

Let me start by reiterating our strategy: continue prosperous growth in the UK car insurance market while developing growing, profitable, sustainable businesses outside the UK and in the UK beyond car insurance.

So with that strategy in mind, what do I worry about? Here we go then, in David Letterman style, my Top Ten Worries for 2015 (as written in January) from least worrying worry to most worrying worry:

10. We don't get our mobile phone access strategy right in ConTe (Italy).
9. That we won't be able to stretch far enough to take advantage of new opportunities put in front of us.
8. An upward move in Baremo, which governs the costs of bodily injury claims in Spain, fails to materialise so price hikes in the market also fail to materialise and therefore there is a lot less shopping for car insurance.
7. French consumers refuse to believe they can now easily leave their insurer, which, due to the new law, Loi Hamon, is now the case. Allez les Français réveillez-vous!
6. Confused's Get a Free Brian Toy campaign does not resonate with consumers and my house ends up decorated in Brian Toys.
5. My wife telling me she's pregnant.
4. Solvency II brings higher capital requirements than we're currently expecting and reduces the efficiency of our business model.
3. Compare.com can't reduce its cost per quote or cost per sale to a profitable level.
2. Guidewire, our new computer system currently being built and tested, doesn't work efficiently in the UK or in France (it is currently running successfully in the US).

All of the above worries, cumulatively, just about total my number one worry. The number one worry in this hit parade of worries is always number one on my worry list: irrational competitors.

These are competitors who either don't mind if they lose lots of money (perhaps it's even in their plans) or fool themselves in believing they won't lose lots of money (but eventually they do) or don't realise they are actually losing lots of money (and, again, eventually they do). So they act irrationally and buy business and in the world of car insurance irrational they may be, but they're unlikely to pay the price for that irrationality for several years.

So things can look jolly nice for them for quite a period of time (growth is good, right?). And the rest of the world is left with a choice: be rational in response, which means you lose a lot of business, or join the ranks of the irrational and sacrifice profits. That's the position we found ourselves in, in the UK during 2014 as we tried to slalom our way through the poorest part of the UK cycle. Our growth in vehicles insured, achieved in the first half of the year, was a modest 4%. Our rates went up during the year across all customer segments. As our rates went up, our competitiveness declined. However, due to these rate increases, we feel we are in a better place starting 2015, and there are signs that the market is now raising rates which, given our superior expense ratio in particular, would give us the choice of continuing to raise rates or growing our customer count.

But I must admit, I don't lose a lot of sleep over the UK in particular because the CEO of our UK business is David Stevens, one of the founders of Admiral. As one of our Non-Executive Directors recently put it: there is no one more qualified to run the UK business. The 'no one' did not mean 'no one in Admiral', or 'no one in the UK' or even 'no one in Europe', it was a very clear: no one. And I couldn't agree more. To find out if David's sleeping well or not you'll have to turn a few pages to read his report.

As David takes responsibility for the UK, I spend a lot of time with our businesses outside the UK. In particular, I spent a couple of weeks towards the end of 2014 with our insurance business in Seville,

Admiral Seguros (brands: Qualitas Auto and Balumba) and the desire for success from every person I met, in every part of the business, was contagious. I always leave Seville more energised than when I arrive. I don't usually talk about specific goals for the year ahead in this report, but I'll share this one with you: the goal for Admiral Seguros in 2015 is breakeven on a written premium basis. I'm going to go out on a limb now and say that I am very confident the team will succeed in reaching this goal.

So here's my Top Ten Things I'm Looking Forward To in 2015:

10. Successful use of mobile phone for consumers, particularly in ConTe (Italy).
9. Continued, efficient growth in Elephant Auto (US), particularly in Texas.
8. Continued sector dominance for Rastreator and growth, particularly in telephony comparison.
7. Big quote volumes for LeLynx (France) due to the introduction of the Loi Hamon.
6. Watching the Cubs win the World Series.
5. Seeing Group revenue climb back above £2 billion.
4. We can't get Brian toys made fast enough to meet demand.
3. Success of the new compare.com TV campaign coupled with lots of word of mouth.
2. Breakeven in Admiral Seguros (Spain).

And Number 1 thing I'm looking forward to: David taking the odd afternoon off because he has nothing to worry about because results from the UK are so good.

Let me conclude by saying that we're investing in many different markets, all with great potential, all with different competitive landscapes and timetables to success. I could spin a bit of veneer about the value we're creating even without profits, but the truth of the matter is that in the past these investments were overshadowed by ever-growing profitability in the UK; in the past the UK business seemed immune to market cyclicality. But now we are just too big to be immune. And I think it's very fair to say too that the competition is improving, which, besides being very annoying, demands that we improve too and I can assure you that we are working flat out to do so. The upshot is that UK profits in the future are likely to be far more cyclically influenced than before and so for the next few years the Group result is likely to follow this cyclical pattern. Longer term, in our view, there will be less UK cyclicality in the result as our reliance on the UK car insurance portfolio reduces.

I'm sad to see the consecutive profit record go, it was a source of great pride. But, like the hot versus cold of Baked Alaska, I'm also glad to see it go, because it means we're investing in our future and not afraid to sacrifice some of the present to do so.

Henry Engelhardt
Chief Executive Officer
4 March 2015

Group Financial Review
Chief Financial Officer's Review

2014 was another strong year for Admiral, with good financial results and lots of encouraging progress in businesses across the Group. Earnings per share at 103.0 pence were slightly lower than 2013 (104.6 pence), though the 2014 result included a further, small increase in profit from the UK Car insurance business and, encouragingly, a small profit from ConTe, Admiral's Italian insurance business. Taken together with Rastreator and LeLynx, this brings to three (out of seven) the number of businesses outside the UK that contribute positively to the Group's result.

As noted earlier in this report, the main reason for the fall in 2014's result was the investment made in the US comparison business compare.com. (Admiral's share of the loss was £15 million pre-tax.) We believe this new business has developed well and has great potential.

We will continue to invest in attracting customers to the website and growing the business, to the extent that compare.com is expected to post a loss in the region of £20 million to £30 million in 2015 (based on Admiral's 68% ownership).

Our insurance operations in France, Spain and the US are still loss-making, although the combined loss for all international operations has reduced to £19.9 million from £22.1 million. We continue to be encouraged by progress made and have confidence in the operations and their future profitability. Admiral's UK household insurance business enjoyed another year of very strong growth in policy numbers and another broadly break-even financial result. Much more detail on the performance of each of the businesses is set out on the following pages.

Alastair has articulated Admiral's dividend policy in his statement and I won't repeat it here. The final dividend proposed for 2014 is 49.0 pence per share – a 3% reduction compared to the final 2013 payment. The full year dividend for 2014 is £271 million (2013: £271 million) equating to a payout ratio of 95% of earnings.

Consistent with our approach to the calculation of the interim 2014 dividend, we have, at year-end, retained a significant margin over current economic capital requirements to ensure a smooth transition to the new Solvency II regulatory regime coming into effect in January 2016. We are making very good progress towards full compliance with the various requirements of the regulation and expect clarity in the coming months on the level of capital requirement that will apply next year. Acknowledging that some uncertainty remains, based on what we know today, we expect the level of capital requirement in 2016 to be not too dissimilar to the current ICAS requirements.

And finally, we were pleased to complete successfully the issue of Admiral's first public bond in July 2014, which both strengthened and diversified the capital available to the Group. The net annual cost of the £200 million, ten year subordinated notes (lower tier two capital under the current regime and expected to qualify as tier two under Solvency II) is approximately £4.5 million per year: we welcome this new set of investors in the Admiral Group.

Geraint Jones
Chief Financial Officer
4 March 2015

Group Results and Dividend

- Admiral Group's share of pre-tax profits decreased in 2014 by 4% to £356.5 million (2013: £370.7 million).
- UK Car Insurance profit increased by 1% to £398.0 million (2013: £393.9 million).
- International Car Insurance losses totalled £19.9 million (2013: £22.1 million).
- Admiral Group's share of Price Comparison profit totalled £3.6 million (2013: profit £21.1 million) reflecting the investment in compare.com.
- Other Group Items, including employee share schemes and net debt financing charges, amounted to a cost of £24.6 million (2013: £22.0 million).

Note: Profit figures quoted exclude Minority Interests. Segment and business results also exclude share scheme charges which are accounted for in Other Group Items.

Further details by segment are set out below.

The decrease in Group profit was predominantly due to the increased investment made in compare.com – the Group's US comparison business (Admiral's share of the loss was £15.0 million in 2014).

Group turnover of £1,971.0 million decreased by 3% compared to 2013 (£2,030.2 million). This was mainly due to reductions in average premiums in the UK Car Insurance business. During 2014, the Group increased its customer base to 4.05 million from 3.70 million at 31 December 2013, year-on-year growth of just under 355,000 (10%).

Earnings per share decreased by 2% to 103.0 pence (2013: 104.6 pence). The decrease is lower than the 5% decrease in pre-tax profit due to the lower effective rate of corporation tax in 2014.

Total dividends paid and proposed for the financial year amount to 98.4 pence per share (£271 million), a decrease of 1% on the previous year (2013: 99.5 pence; £271 million). This is equal to 95% of post-tax profits. The final dividend proposed is 49.0 pence per share (3% lower than the final 2013 dividend of 50.6 pence).

The final dividend is made up of a 22.5 pence normal element, based on the stated dividend policy of distributing 45% of post-tax profits, and a further special element of 26.5 pence. The special dividend is calculated by reference to distributable reserves after taking into account solvency requirements and a margin for contingencies.

The payment date is 29 May 2015, the ex-dividend date is 7 May and the record date is 8 May.

Divisional Performance Highlights

The Group's UK Car Insurance business accounts for 81% of Group turnover (2013: 84%) and 78% of customers (2013: 82%). The relative decreases are due to the continued growth and development of the Group's other businesses, leading to lower concentration of the core business.

In 2014, the UK business continued to focus on margin rather than volume, in the face of very strong competition in the UK market and continued pressure on rates, but increased marginally the number of vehicles insured to 3.2 million (2013: 3.0 million). Supported by strong releases from prior year claims reserves on the back of continued positive development in projected claims costs, and an improved expense ratio, the combined ratio improved to 79.5% (2013: 81.0%) and profit before tax was £398.0 million – up 1% on 2013's result of £393.9 million.

Lower average premiums in the competitive UK market in part offset by success in increasing the number of renewal customers, contributed to a reduction in UK turnover of 6% to £1,602.7 million (2013: £1,698.9 million).

Outside of the UK, Admiral's International Car Insurance businesses continue to develop, with combined turnover rising 10% to £206.2 million (2013: £187.8 million) and customer numbers almost reaching 600,000 – an increase of 15% on a year earlier. The 2014 Group results include a small profit generated by ConTe. The combined loss from the international insurance operations was lower in 2014 at £19.9 million (2013: £22.1 million), primarily due to improved claims experience and the impact of the ConTe profit.

In a very competitive UK comparison market, Confused.com, the Group's UK Price Comparison business, reported a pre-tax profit of £15.8 million – £5.9 million lower than 2013's result. Outside the UK, the European Price Comparison businesses (Rastreator in Spain and LeLynx in France) contributed a combined profit of £2.8 million (2013: £1.9 million) to the Group's profits. During the year, the Group invested in growing compare.com, its US comparison business and the Group's share of the pre-tax loss was £15.0 million.

Other Group key performance indicators include:

- Group loss ratio 69.0% (2013: 69.2%) - a marginal reduction in the UK loss ratio resulting from higher reserve releases together with a significant improvement in the international loss ratio;
- Group expense ratio 19.7% (2013: 19.9%) - a slight decrease in the UK ratio offset by an increased international ratio; and
- Group combined ratio 88.7% (2013: 89.1%).

Investments and cash

Investment strategy

Admiral maintained a low-risk investment strategy throughout the year, and continued to invest in the same broad asset classes as previous years.

The main focus of the Group's investment strategy is capital preservation, with additional priorities including low volatility of returns and high levels of liquidity. All objectives continue to be met.

The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Cash and Investments Analysis

	31 December 2014				
	UK Car Insurance £m	**International Car Insurance £m**	**Price Comparison £m**	**Other £m**	**Total £m**
Fixed income and debt securities	822.7	–	–	199.1	1,021.8
Money market funds	808.6	96.5	–	4.1	909.2
Cash deposits	261.0	2.1	–	–	263.1
Cash	101.8	38.6	49.0	66.5	255.9
Total	**1,994.1**	**137.2**	**49.0**	**269.7**	**2,450.0**

	31 December 2013				
	UK Car Insurance £m	**International Car Insurance £m**	**Price Comparison £m**	**Other £m**	**Total £m**
Fixed income and debt securities	202.4	–	–	–	202.4
Money market funds	1,278.2	98.4	–	29.5	1,406.1
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**

There has been a change in the allocation of funds during 2014, with a greater proportion invested in fixed income and other short-dated securities (and less in money market funds and deposits). This change has been made in order to increase yield without materially increasing risk. This change has not resulted in a material change in credit quality and only a moderate increase in average duration, due to the features of the underlying investments.

Money market funds, fixed income and debt securities comprise the majority of the total; 79% at 31 December 2014, up from 77% at 31 December 2013.

Investment and interest income in 2014 was £15.4 million, up 8% on 2013 (£14.3 million). The increase was due to higher average balances along with the increased allocation of funds to fixed income and other short dated securities that took place across 2014. The increase would have been greater, but was partially offset by an adjustment (of approximately £8 million) relating to notional investment income on quota share reinsurance funds withheld arrangements. If the combined ratio on the 2014 underwriting year (for the UK Car Insurance business) reduces to profitable levels, this adjustment will reverse.

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

£m	**2012**	**2013**	**2014**
Operating cash flow, before transfers to investments	742.0	616.8	540.2
Transfers to financial investments	(441.9)	(295.3)	(286.3)
Operating cash flow	300.1	321.5	253.9
Tax and interest payments	(79.7)	(88.5)	(77.0)
Investing cash flows (capital expenditure)	(10.9)	(10.1)	(47.5)
Financing cash flows (dividends offset by proceeds of debt issue)	(214.8)	(250.3)	(64.4)
Foreign currency translation impact	(2.7)	(1.3)	3.0
Net cash movement	(8.0)	(28.7)	68.0
Movement in investment valuation reserve	–	–	10.9
Net increase in cash and financial investments	434.5	266.6	365.2

The main items contributing to the significant operating cash inflow are as follows:

£m	**2012**	**2013**	**2014**
Profit after tax	**258.4**	**286.9**	**281.6**
Change in net insurance liabilities	200.0	186.2	187.5
Net change in trade receivables and liabilities	163.0	22.3	(34.7)
Non-cash income statement items	34.4	38.1	36.7
Tax and net interest expense	86.2	83.3	69.1
Operating cash flow, before transfers to investments	**742.0**	**616.8**	**540.2**

Total cash plus investments increased by £365 million or 18% (2013: £267 million, 15%). The net change in actual cash balances was less significant as funds were transferred into investments.

Capital Structure and Financial Position

Admiral's capital-efficient and profitable business model led to a return on equity of 52% (2013: 58%). A key feature of the business model is the extensive use of co- and reinsurance across the Group. During 2013 and in early 2014 Admiral announced extensions to its UK co- and reinsurance arrangements with capacity fully allocated until at least the end of 2016 and Munich Re committed to underwriting 40% of our UK motor business until at least the end of 2018. Similar long-term arrangements are in place in the Group's international insurance operations and UK Household insurance business.

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

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 capital requirement is derived from its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL) under their respective local regulations. The minimum capital requirements and surplus position at the end of 2014 for those companies, along with the overall Group position, was as follows:

£m	**AIGL**	**AICL**	**Group**
Capital[*1]	£187m	£77m	£705m
Minimum regulatory capital requirement	£77m	£27m	£120m
Surplus over minimum requirement	**£110m**	**£50m**	**£585m**
Actual capital requirement[*2]			£289m
Surplus over regulatory capital requirement			**£416m**

[*1] Before accounting for the 2014 Final Dividend of £136 million. Comprises tangible equity plus debt
[*2] Based on the sum of the individual capital requirements of Group subsidiaries at 31 December 2014

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

During 2014 further requirements and guidance continued to be issued on implementing the Solvency II regulatory regime in the EU ahead of the effective date of 1 January 2016. Solvency II aims to provide an EU-wide set of capital requirement and risk management standards. Principal themes include risk based capital, market consistent balance sheets and Own Risk and Solvency Assessments (ORSA). The Directors do not believe, based on guidance issued to date, that there will be a material change in the level of the Group's capital surplus as a result of the new regime compared to the surplus expected during 2015. The Group is making good progress towards full compliance with the various requirements of the regulation and expects clarity in the coming months on the level of capital requirement that will apply from 2016.

Taxation

The tax charge reported in the income statement is £69.1 million (2013: £83.3 million), which equates to 19.7% (2013: 22.5%) of profit before tax. The lower effective rate of taxation compared to 2013 predominantly results from reductions in the rate of UK Corporation Tax in 2013 and 2014, but is also impacted by deferred tax movements relating to losses in the Group's US businesses. The average rate of UK Corporation Tax in 2013 was 21.50% (2013: 23.25%). The average rate will fall to 20.25% in 2015 and 20.0% in 2016.

UK Insurance Review – David Stevens, Chief Operating Officer

The avid readers (or possibly reader) of my UK review will have noted its subtle re-branding from UK Car Insurance Review to UK Insurance Review – a nod to Admiral's entry into the second biggest non-life market in the UK – household insurance.

Maybe the re-branding's premature. Car insurance still accounts for the vast majority of our turnover and almost all our profits. So I'll write about that first.

After over two years of almost unprecedented premium deflation, premiums across the car insurance market stabilised in the second half of 2014, and even began to drift up.

This is partly simply a normal, cyclical point of inflection, and partly a response to the return to "business as usual" in terms of claim inflation, following the largely one-off benefits in 2013 of changes in the rules around small bodily injury claims. This probably means that the point of lowest profitability was around the end of 2014 (in terms of ultimate profitability of newly-written business, though not necessarily in terms of currently reported profitability).

Within an overall cycle there are often mini-cycles that make sub-sets of the market relatively more or less attractive. A combination of factors has made the younger driver segment more challenging than the market as a whole at this particular juncture. This has partly been an equal and opposite reaction to the panic premium hikes and withdrawals of 2010/11, with a number of important competitors re-embracing the segment in 2013/14. It's also partly a dislocation caused by the impact of telematics. Telematics, though largely irrelevant for the market as a whole, is important in the younger driver segment. Whatever the potential in the long-run, in the short-term, because of the extra expenses involved and the size of the discounts required to overcome customer resistance, it has reduced the profitability of the young driver segment. This segment is, and is likely to remain, a significant minority of our business, but its importance to us shrunk somewhat during 2014 through relatively higher price increases, as we responded to these pressures.

Across all segments, we started increasing our new business prices in May and renewal prices in July, and by year end had implemented a series of price increases cumulatively, in percentage terms, in the high single digits. We anticipate further price increases during 2015, reversing some of the margin reduction of the last two to three years. However, longer-term followers of our company will appreciate that price increases today are a case of "jam tomorrow" in profit terms - any year's actual profitability is essentially reflected in reported profitability over the following two to three years, due to our cautious approach to recognising underwriting profit. Still, it's good to be heading in the right direction.

And what about our household business?

Two years on and we insure more households than we did cars two years from our launch as a motor insurer, and we're growing fast as more and more people embrace price comparison shopping for household cover. Results are encouraging. Our strategic bet is that we can materially under-cut the 40% + expense ratios of many of the established players, while also delivering a decent loss ratio outcome. Our expense ratio, on a written basis, is already actually below market average and our loss ratio is also encouraging. We have, of course, (and here's a hostage to fortune, given the time lag from written to read) benefited, along with other players, from unusually benign weather, notwithstanding increasing tabloid "weather bomb" hysteria. So, it's "so far, so good", but it is early days.

David Stevens
Chief Operating Officer
4 March 2015

UK Car Insurance Financial Review
Non-GAAP[*1] format income statement

£m	2012	2013	2014
Turnover[*2]	1,936.2	1,698.9	1,602.7
Total premiums written[*3]	1,748.7	1,553.0	1,453.1
Net insurance premium revenue	455.6	425.1	394.3
Investment income	13.9	12.4	11.5
Net insurance claims	(355.1)	(251.3)	(198.3)
Net insurance expenses	(50.0)	(52.1)	(44.6)
Underwriting profit	**64.4**	**134.1**	**162.9**
Profit commission	108.4	99.3	71.8
Underwriting profit plus profit commission	**172.8**	**233.4**	**234.7**
Net other income	170.9	136.8	140.7
Instalment income	29.1	23.7	22.6
UK Car Insurance profit before tax[*4]	**372.8**	**393.9**	**398.0**

[*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.
[*4] UK Car Insurance profit before tax includes Minority interests. The minority interests' share of profit before tax is insignificant.

Split of underwriting profit

£m	2012	2013	2014
Motor	59.6	121.8	144.2
Additional products	4.8	12.3	18.7
Underwriting profit	**64.4**	**134.1**	**162.9**

Key performance indicators

	2012	2013	2014
Reported motor loss ratio[*1]	76.4%	68.0%	68.6%
Reported motor expense ratio[*2]	13.6%	15.0%	14.4%
Reported motor combined ratio	90.0%	83.0%	83.0%
Written basis motor expense ratio	13.0%	14.5%	16.0%
Reported total combined ratio[*3]	89.1%	81.0%	79.5%
Claims reserve releases – original net share[*4]	£16.3m	£53.3m	£66.8m
Claims reserve releases – commuted reinsurance[*5]	£1.3m	£40.9m	£70.6m
Total claims reserve releases	£17.6m	£94.2m	£137.4m
Vehicles insured at year end	3.02m	3.02m	3.15m
Other Revenue per vehicle	£79	£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 in the income statement. Reconciliation in note 12c.
[*3] Reported total combined ratio includes additional products underwritten by Admiral.
[*4] Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

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

UK Car Insurance – co-insurance and reinsurance
Admiral (in the UK and internationally) makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated.

The two principal advantages of the arrangements are:

- Capital efficiency: a significant proportion of the capital supporting the underwriting is held outside the Group. As Admiral is typically able to retain much of the profit generated via profit commission (refer below for further details), the return on Group capital is higher than in an insurance company with a standard business model.
- Risk mitigation: co-and reinsurers bear their proportional shares of claims expenses and hence provide protection should results worsen substantially.

Arrangements for 2014 to 2016
In early 2014 the Group was pleased to announce extensions to its arrangements such that capacity is fully placed until the end of 2016. The underwriting splits can be summarised 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%
Swiss Re	9.00%	9.00%	9.00%
Hannover Re	8.75%	8.75%	8.75%
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. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

Great Lakes will underwrite 40% of the UK business until at least the end of 2018.

All other agreements 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 when there is a reasonably certain view on the year's outcome. There is little or no impact of commutation on profit or the timing of profit recognition.

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

At 31 December 2014, all material UK quota share reinsurance contracts for underwriting years up to and including 2012 have been commuted. All reinsurance for the 2013 and 2014 years remained in effect.

Co-insurance and reinsurance arrangements expose Admiral to two principal risks:

- the risk of reduced availability of co-insurance and reinsurance arrangements; and
- credit risk of significant counterparties through default of a reinsurer.

Details of the potential impact and mitigating factors the Group has in place will be included in the Group's 2014 Annual Report.

The European and US arrangements are explained below in the International Car Insurance section and the UK Household arrangements are explained below in the Other Group Items section.

UK Car Insurance Financial Performance
2014 was the third successive year of premium reductions in the UK car insurance market. Admiral's response has been to prioritise margin protection rather than attempting to grow market share materially. As a consequence, although strong renewal retention figures led to a 4% increase in vehicles insured, turnover fell to £1.6 billion from £1.7 billion. In the latter part of 2014, some evidence emerged of prices in the market increasing, though not yet in a material way.

Profit
Profit from UK Car Insurance increased 1% to £398.0 million (2013: £393.9 million). Profit from underwriting and profit commission increased marginally to £234.7 million (2013: £233.4 million), resulting from an improved combined ratio offsetting a reduction in net insurance premium revenue. The combined ratio improvement was largely due to higher reserve releases that resulted from positive claims development, in particular from the 2011, 2012 and 2013 years. Net other income and instalment income increased by 2% to £163.3 million (2013: £160.5 million).

Turnover and premiums
UK turnover of £1,602.7 million decreased by 6% (2013: £1,698.9 million) primarily due to reductions in average premiums which also led to a 6% reduction in total premiums written to £1,453.1 million (2013: £1,553.0 million). The closing vehicle count increased to 3.15 million (2013: 3.02 million). Average written premium for the year was around £453 down 10% on 2013 (2013: £505), largely a result of rate cuts made in 2013 along with portfolio mix changes (notably a shift in the balance of the portfolio towards renewal business).

Underwriting result and profit commission
The UK Car Insurance motor combined ratio remained stable in 2014 as follows:

UK Car Insurance Motor combined ratio	**2013**	**2014**
Loss ratio excluding reserve releases from original net share and commuted reinsurance	81.2%	86.9%
Reserve releases – original net share	13.2%	18.3%
Loss ratio net of releases – original net share[*1]	**68.0%**	**68.6%**
Expense ratio	15.0%	14.4%
Combined ratio – original net share[*1]	**83.0%**	**83.0%**

[*1] Ratios calculated on original net share uses the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

The reported motor combined ratio, remained stable at 83.0% (2013: 83.0%) (both figures exclude the impact of reserve releases from commuted reinsurance contracts). This reflects a marginally increased reported loss ratio of 68.6% (2013: 68.0%), which was due to the impact of falling premiums offset by higher reserve releases (£66.8 million v £53.3 million).

These higher releases were possible due to positive claims development during 2014 that resulted in improvements in the projected ultimate loss ratios, especially for the 2011 to 2013 underwriting years.

Excluding reserve releases, the loss ratio increased to 86.9% (2013: 81.2%), largely due to the impact of falling premiums.

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

As profit commission income is recognised in the income statement in line with loss ratios accounted for on Admiral's own claims reserves, the reserving policy also results in profit commission income being deferred and released over time.

The earned motor expense ratio decreased to 14.4% from 15.0% due to the current year benefiting 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 16.3%, the increase being due to lower average premiums (which also led to an increase in the written basis expense ratio to around 16% from 15%).
The projected ultimate loss ratio for Admiral for the 2014 accident year is 82% (2013 accident year: 68%). The increase between years is due to a combination of lower average premiums and increases in average claims costs.

The projected ultimate combined ratio (ultimate loss ratio plus written expense ratio) for Admiral for the 2014 accident year is 97%, compared to 85% for 2013, resulting from the increased loss ratio. The reported combined ratio for the whole UK market (excluding Admiral) for 2013, excluding reserve releases, was 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. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In 2014 Admiral recognised profit commission revenue of £71.8 million (2013: £99.3 million) and reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted of £70.6 million (2013: £40.9 million). Total income from both of the above therefore increased marginally to £142.4 million (2013: £140.2 million) due to improvements in prior year claims costs. Note 5c to the financial statements analyses profit commission income by underwriting year.

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

Total profit (excluding investment income) from car insurance underwriting of £144.2 million and profit commission of £71.8 million decreased by 2% to £216.0 million, from £221.1 million in 2013.

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;
- Fees – administration fees and referral income; and
- Instalment 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 £182.0 million (2013: £172.8 million). This was equivalent to £67 per vehicle (gross of costs) – consistent with 2013. Net Other Revenue (after deducting costs) per vehicle was £58 (2013: £57).

UK Car Insurance Other revenue – analysis of contribution:

£m	2012	2013	2014
Contribution from additional products and fees	205.2	170.4	177.8
Contribution from additional products underwritten by Admiral[*1]	4.8	12.3	18.7
Instalment income	29.1	23.7	22.6
Other revenue	**239.1**	**206.4**	**219.1**
Internal costs	(34.3)	(33.6)	(37.1)
Net other revenue	**204.8**	**172.8**	**182.0**
Other revenue per vehicle[*2]	**£79**	**£67**	**£67**
Other revenue per vehicle net of internal costs	£68	£57	£58

[*1] Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.
[*2] Other revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

Instalment income

Instalment income is interest charged to customers paying for their insurance in instalments. During 2014 Admiral earned £22.6 million from instalment income, down 5% on the prior period (2013: £23.7 million). Instalment charges are calculated as a percentage of premium and therefore a reduction in average premium leads to a reduction in instalment income.

Additional products underwritten by Admiral

There are a number of products that are core to providing car insurance to customers (including personal injury insurance, breakdown cover and car hire cover). Contribution from these products underwritten by Admiral during 2014 was £18.7 million and this is included in underwriting profit in the income statement, but reallocated to Other Revenue for the purpose of management key performance indicators.

Regulatory environment

The UK Car Insurance business operates predominantly under the regulation of the UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and through a Gibraltar-based insurance company, under the Financial Services Commission (FSC) in that territory.

The FCA and PRA regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer), whilst the FSC regulates Admiral Insurance (Gibraltar) Limited (AIGL; also an insurer).

All three companies are required to maintain capital at levels prescribed by their regulator, and all three maintain surpluses above those required levels at all times.

FCA Review into Insurance Add-on Products
In September 2014, the FCA released the outcomes of its investigations into insurance 'add-ons', i.e. those insurance products that are sold alongside the core car insurance product, resulting in the introduction of a small number of reforms, including greater disclosures on these products. The impact of these reforms on Admiral's longer term profitability is not currently considered to be material.

International Car Insurance Review
Spain – Cristina Nestares – CEO, Admiral Seguros

The Spanish market has continued with the same trends of the past few years: profitable but shrinking. In 2014, gross written premium decreased by a further 1.5%; a modest decrease compared to the previous years. The market combined ratio looks set to remain below 100% – it finished 2013 at 99% and we expect a similar result for 2014 with H1 finishing at 98%. This makes it below 100% for more than 10 years in succession.

During 2014 there were some modest positive signs in the economy including a 20% increase in car sales, a shift in the declining trend of fuel consumption and signs of an increase in claims frequency. This trend coupled with an expected change in Baremo (BI costs) may result in price increases in the market. The aggregator market grew by only 4%, despite the launch of a new aggregator, with Rastreator continuing to lead the market growth.

Despite the difficult economic conditions, Admiral Seguros enjoyed another year of growth. Turnover grew by 8% and policy count by 20%, finishing the year with 164,000 customers on our books. This growth is mainly due to the continued success of our second brand, Qualitas Auto, launched in 2013. In addition, we have continued working to improve the offering to our customers and at the end of the year we launched our motorbike insurance product and started testing a Telematics product.

As Henry has mentioned, we hope that 2015 will be an important year for Admiral Seguros as our challenge is to break-even on an underwriting year basis. Given the small size of our book this is a challenging task!

Italy – Milena Mondini – CEO, ConTe

The 2013 Italian insurance market reported a combined ratio of 88%! As a result, and not unsurprisingly, 2014 was characterised by strong price reductions and aggressive competition. With an average premium decrease of c.6%, almost stable claims cost and a modest frequency decrease (c.3%), the insurance cycle finally turned. The combined ratio increased and it is expected to increase further in 2015, also reflecting higher fuel consumption driven by fuel price reductions.

During 2014, whilst price comparison continued its unstoppable growth and the number of customers using their mobile phones to access insurance sites doubled, the voice of the major traditional groups was also very prominent, with innovative propositions and aggressive media investments.

Despite this competitive context, ConTe's policy base grew slightly (+2%) and with a lower acquisition cost. Whilst defending the top line has been a major challenge, ConTe has focused primarily on increasing the profitability of the existing book, optimising the cost structure, improving portfolio quality and continued investments in underwriting and antifraud processes and product innovation. We believe that we now have a much stronger foundation to scale up the business when the market conditions become more favourable.

Highlight of the year? An extremely positive development of the back years, leading ConTe to report a profit for the first time in its life!

USA – Kevin Chidwick – CEO, Elephant Auto

The US market is represented by 200 million vehicles and $180 billion of premium. It is the biggest car insurance market in the world and each year it moves a little bit more towards the direct distribution model that is so familiar to UK readers. Direct, which is what Elephant does, is about 25% of the market, but is estimated to be roughly 40% of new business. The US has a nascent online price comparison market, and our compare.com is a significant contributor to that emerging channel.

In terms of pricing, there is no excitement to report from the US. Collective data for 2014 is not available, but industry analysis would suggest that claims inflation continued its long term trend of benign but persistent increases and prices seem to have followed suit. So price inflation of around 3-5% was once again the direction in which the industry moved in the year.

2014 was a good year for Elephant. Our business grew its customer base by more than 50% in 2014 whilst once again delivering good acquisition economics in its core markets. The business also made a number of significant infrastructure improvements in the year and grew its renewal book substantially, both of which augur well for the future.

We continue to sell insurance in four states – Virginia, Maryland, Texas and Illinois. At some point we will look to expand beyond these states, but it is true to say that there is plenty of opportunity to grow within these existing four markets. Those states have 34 million vehicles in them – making them larger in aggregate than the UK market. With 109,000 customers at year end, Elephant still has plenty of market share left to go for.

France – Pascal Gonzalvez – CEO, L'olivier Assurances

In 2014, the French motor insurance market continued to grow modestly. After many years of improvement, the claims frequency pattern increased, especially for bodily injury. This increasing frequency together with higher claim costs and limited price increases led to a worsening market combined ratio.

For L'olivier Assurances, 2014 was a special year devoted to the full in-sourcing of its operations with controlled growth. We successfully completed the development of a modern infrastructure, with a new cutting-edge IT system, and in-house operations opening a new office in the north of France. With the right infrastructure and control of our own operations, we're convinced L'olivier Assurances now has all the levers to make the most of its competitive advantage going forward.

The main objective for 2015 is to gain market share. The new regulatory environment (from 1st January 2015) which reinforces rights for consumers should support this objective. Motorists can now switch insurance providers anytime after one year without penalty and that should make the motor insurance market more fluid. In this context, L'olivier Assurances is planning to invest more in its brand and grow faster in 2015.

International Car Insurance Financial Performance

Non-GAAP format income statement

£m	**2012**	**2013**	**2014**
Turnover	162.9	187.8	206.2
Total premiums written	148.5	168.3	185.4
Net insurance premium revenue	43.3	54.1	58.1
Investment income	0.1	–	0.2
Net insurance claims	(49.4)	(49.1)	(50.5)
Net insurance expenses	(27.4)	(32.9)	(34.0)
Underwriting result	(33.4)	(27.9)	(26.2)
Net other income	8.9	5.8	6.3
Other revenue and charges	–	–	–
International Car Insurance result	**(24.5)**	**(22.1)**	**(19.9)**

Key performance indicators

	2012	**2013**	**2014**
Adjusted loss ratio[*1]	114%	91%	77%
Adjusted expense ratio[*1]	54%	49%	50%
Adjusted combined ratio[*2]	168%	140%	127%
Adjusted combined ratio, net of Other revenue[*3]	147%	129%	116%
Vehicles insured at period-end	436,000	515,300	592,600

[*1] Loss ratios and expense ratios 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 excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2014: 145%; 2013: 152%; 2012: 177% .

[*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 2014: 134%; 2013: 141%; 2012: 157% .

Geographical analysis

2014	**Spain**	**Italy**	**France**	**USA**	**Total**
Vehicles insured at period end	164,400	285,100	34,200	108,900	592,600
Turnover (£m)[*1]	43.8	81.9	14.2	66.3	206.2

2013	**Spain**	**Italy**	**France**	**USA**	**Total**
Vehicles insured at period end	136,500	279,900	28,600	70,300	515,300
Turnover (£m)[*1]	40.6	93.4	13.0	40.8	187.8

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

International Car Insurance co-insurance and reinsurance

As noted earlier, Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts.

For the 2014 year Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively. The arrangements for 2015 will remain the same.

All contracts are subject to certain caps on the reinsurers' exposures and all contracts have profit commission terms that allow Admiral to receive a proportion of the profit earned on the underwriting once the business reaches cumulative profitability. The contracts include proportional sharing of Other Revenue.

International Car Insurance Financial Performance

Admiral's international insurance businesses (in aggregate and individually) continued to grow, adding over 77,000 customers and ending 2014 15% larger than a year earlier. Turnover grew by 10% to £206.2 million (2013: £187.8 million). Vehicles and turnover from these businesses represent 15% and 10% of the Group totals respectively, up from 14% and 9% in 2013.

Improved prior year claims development, especially in ConTe in Italy, led to an improvement in the adjusted combined ratio, which decreased from 140% to 127%. This improvement, in conjunction with higher net insurance premium revenue, led to a lower loss, of £19.9 million in 2014, down from £22.1 million in 2013.

As noted, the lower combined ratio was a result of an improvement in the loss ratio to 77% (2013: 91%), whilst the expense ratio was broadly flat at 50% (2013: 49%). The expense ratio is high in comparison to Admiral's UK business because all of the international operations need to continue to grow to achieve economies of scale. In addition, there are market specific reasons why the expense ratios are higher, for example higher acquisition costs in the US.

As the Group's international insurance operations grow, it is expected that they will make losses until appropriate scale has been achieved. The Group is satisfied with the progress each business continues to make towards the goal of becoming a sustainable, growing, profitable operation.

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. In 2013, Admiral Seguros launched a second brand (Qualitas Auto) to complement its original Balumba brand. The business insured 164,400 customers at the end of 2014, 20% more than a year earlier.

The Group's largest international operation is ConTe in Italy, which insured 285,100 vehicles at the end of 2014, up 2% year-on-year. ConTe was launched in 2008 and has benefited from a period of generally favourable market conditions, which has recently come to an end. ConTe enjoyed positive development of projected ultimate claims outcomes on its back years during 2014, and was able to record its first profit on the back of strong reserve releases. Despite the releases, the level of conservatism in the booked reserves at year-end increased compared to the position at the end of 2013.

Admiral's youngest and smallest international insurance business is L'olivier Assurances, launched in 2010 in France. L'olivier Assurances insured 34,200 vehicles at the end of 2014, up almost 20% on the prior year. L'olivier Assurances was initially established with a different start-up model to Admiral's other operations, with certain functions outsourced to keep expenses low in the initial phases of development. During 2014 L'olivier Assurances has brought a number of these functions in-house, and vehicle count growth was intentionally lower.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £10.4 million (2013: £11.7 million). The combined ratio[*1] improved to 136% from 138% primarily due to improved claims experience.

In the US, Admiral operates in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched at the end of 2009. At the end of 2014 Elephant Auto insured almost 109,000 vehicles, up by 55% year-on-year. Elephant Auto's expense ratio is currently high as the business is spending significant amounts on advertising to develop the Elephant Auto brand and grow the portfolio. Elephant Auto's written combined ratio[*1] improved from 152% in 2013 to 141% in 2014 primarily resulting from an improved expense ratio due to vehicle count growth.

[*1] European combined ratio is calculated on the earned basis, and Elephant Auto combined ratio is calculated on the written basis due to market claims patterns. 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.

Regulatory environment

Admiral’s European insurance operations are generally subject to the same regulation as the UK Car Insurance business, details of which are summarised above, but also comply with local requirements as appropriate.

The Group’s US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission’s Bureau of Insurance. The Company is required to maintain capital at levels prescribed by the regulator, and holds a surplus above these requirements at all times.

Price Comparison Review
UK – Martin Coriat – CEO, Confused.com

The UK car insurance price comparison market is characterised by three aspects:

- It is one of, if not the, most mature in Europe with almost 70% of new business sales in the market originating via price comparison. A consequence of this high level of adoption, together with a reduction of car insurance premiums in 2014 for the third year in a row, is that the price comparison market as a whole did not grow as much as in previous years.
- It remains a highly competitive market of four principal players, with persistently high levels of marketing spend.
- The market is also on the verge of commoditisation with less and less differentiation between the different players in customer minds.

Overall the context in which Confused operates has changed over the last 12 months and this makes the market more challenging for incumbents.

As a result of this highly competitive environment, Confused had a challenging year in 2014 and reported a reduced profit of £16 million. This reduction in profit is driven by the limited growth in the market and the impact of changes made by Google to its natural search algorithms impacting Confused’s search engine optimisation (‘SEO’) position early in the year, but also reflects our relative media spend and advertising effectiveness.

Beyond the comparison of car insurance, Confused.com continues to find success in other products such as the comparison of home and life insurance.

During the year the price comparison sector has come under further scrutiny from the Financial Conduct Authority (FCA) and the Competition and Market Authority (CMA).

Both the CMA and the FCA released remedies that Confused welcomed, as their main focus is on the need to provide sufficient, clear and consistent product information to consumers.

Spain – Elena Betes – CEO, Rastreator

Five and a half years after Rastreator's launch, we maintain our leading position in Spain's rising price comparison world.

During 2014, we implemented our strategic goals, firstly, developing not just the leading brand but also a preferred brand, and secondly becoming a portal that is recognised as a source of transparency on insurance, telephony, finance and energy costs, helping all users to simplify their lives.

Focusing on insurance, Rastreator´s panel now represents 85% of the Spanish market, the strongest panel in Spain. In 2014 we offered the first Spanish car insurance price index, Rastreator-Deloitte, which indicated that price reductions have slowed and that we may see increases during 2015. Our leadership puts us in the right place to benefit from this, as price increases will always produce an increase in customer shopping for car insurance.

During 2014 Rastreator agreed to acquire seguros.es, a broker competitor. Once the acquisition is completed in 2015, we believe this will allow us to increase market share and broaden our platform.

Our brand recognition of 91% has allowed us to successfully expand our comparison lines and all have grown substantially, as demonstrated by a 24% increase in our quotes.

Finally, Rastreator received awards for the Best Website of the Year and the Most Popular Website during the year.

France – Diane Larramendy – CEO, LeLynx

In 2014, LeLynx strengthened its leading position in the insurance price comparison market in France. With solid incumbent competitors when we launched back in 2010, LeLynx is proud to have achieved this leadership in such a short time.

All players are now looking forward to the new Hamon law, which should bring flexibility to the insurance sector. This law, which was published at the very end of the year, will enable customers to switch insurers at any time after one year, easily and without financial penalties.

LeLynx is now a well-recognised brand with an experienced team, hence the business is very well positioned to make the most of the legislative changes.

USA – Andrew Rose – CEO, compare.com

The US market is more and more clearly divided between those insurers that advertise and those that don't. With nearly $3 billion of the $6 billion in insurance advertising dollars concentrated in just the top four insurers, the remaining 300 or so players are looking for ways to compete with these giants and attract a greater share of the third of consumers that shop for their insurance each year. Comparison sites, like compare.com, provide them with an easy route to do just that. With more than 40 auto insurance companies, including eight of the top 20, now under contract with compare.com, it makes it an attractive choice for consumers.

In 2014, compare.com returned rates in 49 of the 51 US markets (sorry Alaska and Hawaii!), but we focused our efforts on four primary markets (California, Illinois, Texas and Virginia), where the number of potential rates returned to consumers was maximized. Compare.com accelerated its advertising into the tens of millions of dollars, yielding more than a million rates to interested consumers.

In May of 2014, Insurance Industry guru Brian Sullivan closed out his annual Auto Insurance Reporter conference by claiming that comparison sites were one of the biggest trends of this upcoming year. We think his prognostication has been a good one as compare.com was joined by an array of new entrants and a suite of reenergized existing players in the broader aggregator space. We hope Brian will be proven right as the consumer is ultimately undefeated in their pursuit of simplicity and transparency – something compare.com delivers in spades.

As optimistic as our future may look, we should all be cautioned that we are not guaranteed success in any way. Pitfalls remain on numerous sides. Will the auto insurance advertising wars drive acquisition costs to unsustainable levels with consumers generally desensitized to the category and messages? Will the companies continue to join and then return rates at levels that allow for a satisfying and money saving experience for consumers? Will consumers follow through on this new information and actually switch insurers? Will competitors join too quickly and depress the revenue per sale that can be earned from carriers?

All that said, we remain positive and intend to continue to invest in what we believe will a transformative force in the market.

Price Comparison Financial Performance
Non-GAAP format income statement

£m	2012	2013	2014
Revenue:			
Car insurance price comparison	82.5	87.2	81.0
Other	21.0	25.5	26.5
Total Revenue	103.5	112.7	107.5
Operating expenses	(85.5)	(92.3)	(110.3)
Operating profit/(loss)	**18.0**	**20.4**	**(2.8)**
Confused.com profit	18.2	21.7	15.8
International Price Comparison result[*1]	(0.2)	(1.3)	(18.6)
	18.0	**20.4**	**(2.8)**
Group share of operating profit/(loss): [*2]			
Confused.com profit	18.2	21.7	15.8
International Price Comparison result[*1]	(0.6)	(0.6)	(12.2)
	17.6	**21.1**	**3.6**

[*1] Excludes pre-launch costs. 2012 figures include results of Chiarezza.it, which was sold in April 2012. The disposal did not have material impact on the income statement.
[*2] Represents the Group's share of Price Comparison profit/(loss) and excludes the impact of Minority Interests.

UK Price Comparison – Confused.com
Confused.com produced a reduced result, with revenue 8% lower at £80.8 million (2013: £87.7 million) and profit down 27% to £15.8 million (2013: £21.7 million).

Revenue from non-car insurance comparison sources increased in actual terms, and now represents over a quarter of total revenue. Confused.com's operating margin reduced to 20% (2013: 25%).

International Price Comparison
Following the sale of the Italian Price Comparison operation (Chiarezza) during H1 2012 and the launch in Q1 2013 of a new operation in the US, Admiral now operates three Price Comparison businesses outside the UK: in Spain (Rastreator), France (LeLynx) and the US (compare.com).
The combined revenue from the European operations in 2014 remained stable despite a weakening Euro at £25.3 million (2013: £25.0 million), with 20% more quotes provided. Both Rastreator and LeLynx have market-leading positions and strong brand recognition in their respective markets. The Group's share of the combined result for Rastreator and LeLynx was a record profit of £2.8 million (2013: £1.9 million) reflecting increased quote volumes and improved conversion rates.
The acquisition of seguros.es by Rastreator will allow Rastreator to increase its market share, but it is not expected to have a material impact on the Group financial statements when completed in 2015. Admiral Group owns 75% of Rastreator, with the remaining 25% owned by Mapfre.

Following the launch in March 2013 of compare.com, a US comparison operation based in Virginia, the Group has continued to invest in the operation. During 2014 Admiral's share of compare.com's loss was £15 million before tax.

The combined result for International Price Comparison was therefore a loss of £12.2 million (2013: loss of £0.6 million) – the profit from Rastreator and LeLynx offset by investment in compare.com.

Regulatory environment
Confused.com is regulated by the Financial Conduct Authority (FCA) as an insurance intermediary and is subject to all relevant intermediation rules, including those on solvency capital.

The European operations are all structured as branches of UK companies, with the UK insurance intermediary permission passported into Europe. Compare.com is a regulated insurance agency domiciled in Virginia, USA and licensed in all other US states.

Other Group Items

£m	2012	2013	2014
UK Household Insurance result	-	(0.1)	(0.1)
UK Commercial Vehicle operating profit	2.5	2.5	2.2
Other interest and investment income	1.9	1.9	3.7
Share scheme charges	(20.6)	(22.5)	(21.2)
Business development costs	(2.1)	(0.3)	(0.7)
Other central overhead	(3.4)	(3.5)	(3.9)
Finance charges	-	-	(4.6)

UK Household Insurance
UK Household Insurance was launched in December 2012 under the Admiral brand. The product is underwritten within the Group and in common with other businesses it is supported by proportional reinsurance covering 70% of the risk (shared between Munich Re, 40% and Swiss Re, 30%). The business enjoyed another year of strong growth in policy numbers and another broadly break-even financial result.

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

UK Commercial Vehicle operating profit in the year decreased to £2.2 million from £2.5 million, although customer numbers increased from 117,900 at the end of 2013 to 143,900 at the end of 2014.

Interest income
Interest income in 2014 was £3.7 million (2013: £1.9 million). The increase is materially due to the gilt holdings purchased with the proceeds of the debt issue.

Share scheme charges
These costs relate to the Group's two employee share schemes, further detail on which is set out in the notes to the financial statements. The decrease in the charge is due to a combination of a lower share price at the end of 2014 compared to 2013 offset by an increase in the number of awards across the Group resulting from headcount growth.

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

Finance charges
Finance charges of £4.6m (2013: nil) represent interest on the £200 million subordinated notes (refer to note 6 to the financial statements for further details).

Consolidated income statement
For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	31 December 2013 £m
Insurance premium revenue		**1,099.7**	1,136.4
Insurance premium ceded to reinsurers		**(634.8)**	(653.4)
Net insurance premium revenue	[5]	**464.9**	483.0
Other revenue	[7]	**332.5**	327.8
Profit commission	[5]	**71.8**	99.3
Investment and interest income	[6]	**15.4**	14.3
Net revenue		**884.6**	924.4
Insurance claims and claims handling expenses		**(794.5)**	(826.7)
Insurance claims and claims handling expenses recoverable from reinsurers		**535.4**	523.7
Net insurance claims		**(259.1)**	(303.0)
Operating expenses and share scheme charges	[8]	**(501.8)**	(467.0)
Operating expenses and share scheme charges recoverable from co- and reinsurers	[8]	**231.6**	215.8
Net operating expenses and share scheme charges		**(270.2)**	(251.2)
Total expenses		**(529.3)**	(554.2)
Operating profit		**355.3**	370.2
Finance costs	[6]	**(4.6)**	—
Profit before tax		**350.7**	370.2
Taxation expense	[9]	**(69.1)**	(83.3)
Profit after tax		**281.6**	286.9
Profit after tax attributable to:			
Equity holders of the parent		**285.2**	287.0
Non-controlling interests (NCI)		**(3.6)**	(0.1)
		281.6	286.9
Earnings per share			
Basic	[11]	**103.0p**	104.6p
Diluted	[11]	**102.8p**	104.4p

	Note	2014 £m	2013 £m
Dividends declared and paid (total)	[11]	**273.5**	255.8
Dividends declared and paid (per share)	[11]	**100.0p**	94.4p

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	Year ended	
	31 December 2014 £m	31 December 2013 £m
Profit for the period	**281.6**	286.9
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	**10.9**	—
Exchange differences on translation of foreign operations	**3.0**	(1.3)
Other comprehensive income for the period, net of income tax	**13.9**	(1.3)
Total comprehensive income for the period	**295.5**	285.6
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**298.6**	286.1
Non-controlling interests	**(3.1)**	(0.5)
	295.5	285.6

Consolidated statement of financial position
As at 31 December 2014

	Note	As at **31 December 2014 £m**	31 December 2013 £m
ASSETS			
Property and equipment	[10]	**32.3**	12.4
Intangible assets	[10]	**107.2**	92.8
Deferred income tax	[9]	**22.9**	17.0
Reinsurance assets	[5]	**829.8**	821.2
Trade and other receivables	[6], [10]	**82.0**	77.5
Financial assets	[6]	**2,547.4**	2,265.0
Cash and cash equivalents	[6]	**255.9**	187.9
Total assets		**3,877.5**	3,473.8
EQUITY			
Share capital	[11]	**0.3**	0.3
Share premium account		**13.1**	13.1
Other reserves		**13.2**	(0.2)
Retained earnings		**540.6**	502.6
Total equity attributable to equity holders of the parent		**567.2**	515.8
Non-controlling interests		**13.7**	8.3
Total equity		**580.9**	524.1
LIABILITIES			
Insurance contracts	[5]	**2,097.4**	1,901.3
Subordinated liabilities	[6], [10]	**203.8**	—
Trade and other payables	[6], [10]	**965.8**	1,013.7
Current tax liabilities		**29.6**	34.7
Total liabilities		**3,296.6**	2,949.7
Total equity and total liabilities		**3,877.5**	3,473.8

These financial statements were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by:

Geraint Jones
Director
Admiral Group plc
Company Number: 03849958

Consolidated cash flow statement
For the year ended 31 December 2014

	Note	Year ended **31 December 2014 £m**	31 December 2013 £m
Profit after tax		**281.6**	286.9
Adjustments for non-cash items:			
– Depreciation		**7.1**	7.3
– Amortisation of software		**4.6**	4.9
– Other gains and losses		**(0.2)**	0.2
– Share scheme charges	[8]	**23.2**	25.7
– Investment income on gilts		**(2.6)**	—
– Finance costs		**4.6**	—
Change in gross insurance contract liabilities		**196.1**	204.4
Change in reinsurance assets		**(8.6)**	(18.2)
Change in trade and other receivables, including from policyholders		**14.7**	14.3
Change in trade and other payables, including tax and social security		**(49.4)**	8.0
Taxation expense		**69.1**	83.3
Cash flows from operating activities, before movements in investments		**540.2**	616.8
Net cash flow into investments		**(286.3)**	(295.3)
Cash flows from operating activities, net of movements in investments		**253.9**	321.5
Taxation payments		**(77.0)**	(88.5)
Net cash flow from operating activities		**176.9**	233.0
Cash flows from investing activities:			
Purchases of property, equipment and software		**(50.6)**	(10.1)
Interest and investment income received		**3.1**	—
Net cash used in investing activities		**(47.5)**	(10.1)
Cash flows from financing activities:			
Non-controlling interest capital contribution		**8.5**	6.4
Proceeds on issue of subordinated liabilities		**200.0**	—
Transactions costs on issue of subordinated liabilities		**(0.8)**	—
Repayment of finance lease liabilities		**1.4**	(0.9)
Equity dividends paid	[11]	**(273.5)**	(255.8)
Net cash used in financing activities		**(64.4)**	(250.3)
Net increase/ (decrease) in cash and cash equivalents		**65.0**	(27.4)
Cash and cash equivalents at 1 January		**187.9**	216.6
Effects of changes in foreign exchange rates		**3.0**	(1.3)
Cash and cash equivalents at end of period	[6]	**255.9**	187.9

Consolidated statement of changes in equity
For the year ended 31 December 2014

	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	Non-controlling interests £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	—	—	—	—	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 charge 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
At 1 January 2014	0.3	13.1	—	(0.2)	502.6	515.8	8.3	524.1
Profit for the period	—	—	—	—	285.2	285.2	(3.6)	281.6
Other comprehensive income								
Movements in fair value reserve	—	—	10.9	—	—	10.9	—	10.9
Currency translation differences	—	—	—	2.5	—	2.5	0.5	3.0
Total comprehensive income for the period	**—**	**—**	**10.9**	**2.5**	**285.2**	**298.6**	**(3.1)**	**295.5**
Transactions with equity-holders								
Dividends	—	—	—	—	(273.5)	(273.5)	—	(273.5)
Share scheme credit	—	—	—	—	23.2	23.2	—	23.2
Deferred tax credit on share scheme credit	—	—	—	—	3.1	3.1	—	3.1
Contributions by NCIs	—	—	—	—	—	—	8.5	8.5
Total transactions with equity-holders	—	—	—	—	**(247.2)**	**(247.2)**	**8.5**	**(238.7)**
As at 31 December 2014	**0.3**	**13.1**	**10.9**	**2.3**	**540.6**	**567.2**	**13.7**	**580.9**

Notes to the financial statements
For the year ended 31 December 2014

1. General Information

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 Consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP).

Adoption of New and Revised Standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2014, including all amendments to extant standards that are not effective until later accounting periods. This is inclusive of:

- **IFRIC Interpretation 21 Levies**

  IFRIC Interpretation 21, Levies was endorsed on 13 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. The impact of the adjustment in 2014 is a reduction in net operating expenses of £6.7 million. 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.

- **IFRS 10, 11 and 12 ('The consolidation suite of standards')**

  Subsidiaries

  As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

  In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2014 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. The following IFRSs have been issued but have not been applied by the Group in these financial statements:

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 10, 11 and 12 and IAS 1, 16, 27, 28, 38 and 41

In 2014, the IASB issued the full, final version of IFRS 9. This version supersedes all previous versions. The standard has an effective date of 1 January 2018 although earlier application is permitted.
The standard includes requirements relating to the recognition, measurement, impairment, de-recognition of assets along with general hedge accounting.

IFRS 15 was also issued during 2014 and applies to annual reporting periods beginning on or after 1 January 2017. The standard introduces a simple, five step principles based model to be applied to the accounting of all contracts with customers.

The Group is currently assessing the impact of both IFRS 9 and IFRS 15 on its results, financial position and cash flows, along with any impacts of the other standards and amendments which have yet to be endorsed.

2. Basis of Preparation

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%.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Group Financial Review above. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in this Review. In addition, the Group's 2014 Annual Report will include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed if this revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

3. Critical Accounting Judgements and Estimates

Judgements

In applying the Group's accounting policies as described in the notes to the financial statements, management has primarily applied judgement in the following two areas:

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

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

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

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

Estimation Techniques Used in Calculation of Claims Provisions and Profit Commission

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

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

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

The sum of these provisions 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.

For further detail on objectives, policies and procedures for managing insurance risk, refer to note 5 of the financial statements.

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

4. Group Consolidation and Operating Segments

4a. Accounting Policies

(i) Group Consolidation

The Consolidated financial statements comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2014 and comparative figures for the year ended 31 December 2013. The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its principal subsidiaries, except Rastreator.com Limited, Inspop USA LLC, Admiral Law Limited, BDE Law Limited and the indirect holding in comparenow.com Insurance Agency LLC.

The parent company financial statements present information about the Company as a separate entity and not about its Group. In accordance with International Accounting Standard (IAS) 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the Consolidated financial statements.

(ii) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated financial statements are presented in millions of pounds sterling, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established. The financial statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (sterling) as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction)
- All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity except to the extent that the translation differences are attributable to non-controlling interests

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

4b. 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 US. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Price Comparison

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

Other

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

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the Consolidated Income Statement and Consolidated Statement of Financial Position.
An analysis of the Group’s revenue and results for the year ended 31 December 2014, by reportable segment, are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2014					
	UK Car Insurance £m	**International Car Insurance £m**	**Price Comparison £m**	**Other £m**	**Eliminations £m**	**Total £m**
Turnover[*1]	**1,602.7**	**206.2**	**107.5**	**54.6**	**—**	**1,971.0**
Net insurance premium revenue	**394.3**	**58.1**	**—**	**12.5**	**—**	**464.9**
Other revenue and profit commission	**272.2**	**7.1**	**107.5**	**17.5**	**—**	**404.3**
Investment and interest income	**11.5**	**0.2**	**—**	**—**	**—**	**11.7**
Net revenue	**678.0**	**65.4**	**107.5**	**30.0**	**—**	**880.9**
Net insurance claims	**(198.3)**	**(50.5)**	**—**	**(10.3)**	**—**	**(259.1)**
Expenses	**(81.7)**	**(34.8)**	**(110.3)**	**(17.6)**	**—**	**(244.4)**
Segment profit/(loss) before tax	**398.0**	**(19.9)**	**(2.8)**	**2.1**	**—**	**377.4**
Other central revenue and expenses, including share scheme charges						**(25.8)**
Investment and interest income						**3.7**
Finance costs						**(4.6)**
Consolidated profit before tax						**350.7**
Taxation expense						**(69.1)**
Consolidated profit after tax						**281.6**
Other segment items:						
Capital expenditure	**65.1**	**21.3**	**1.0**	**1.5**	**—**	**88.9**
Depreciation and amortisation	**30.6**	**22.1**	**1.5**	**0.2**	**—**	**54.4**

*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 year ended 31 December 2013 are shown below.

	Year ended 31 December 2013					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	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)
Finance costs	—	—	—	—	—	—
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
Other segment items:						
Capital expenditure	25.0	48.1	4.0	0.7	—	77.8
Depreciation and amortisation	28.5	50.4	1.3	0.8	—	81.0

*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.

Segment Revenues

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

The total of Price Comparison revenues from transactions with other reportable segments is £9.5 million (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 £13.3 million (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 are 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, are shown within the International Car Insurance reportable segment shown on the previous page. The revenue and results of the three International Price Comparison businesses, Rastreator, LeLynx and compare.com are not yet material enough to be presented as a separate segment.

Segment Assets and Liabilities

The identifiable segment assets and liabilities at 31 December 2014 are as follows.

	As at 31 December 2014					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Property and equipment	**29.0**	**2.5**	**0.7**	**0.1**	**—**	**32.3**
Intangible assets	**89.6**	**12.2**	**2.9**	**2.5**	**—**	**107.2**
Reinsurance assets	**677.5**	**137.9**	**—**	**14.4**	**—**	**829.8**
Trade and other receivables	**204.9**	**(4.2)**	**11.7**	**3.6**	**(134.0)**	**82.0**
Financial assets	**2,219.6**	**124.5**	**—**	**—**	**—**	**2,344.1**
Cash and cash equivalents	**101.8**	**38.6**	**49.0**	**16.4**	**—**	**205.8**
Reportable segment assets	**3,322.4**	**311.5**	**64.3**	**37.0**	**(134.0)**	**3,601.2**
Insurance contract liabilities	**1,839.4**	**228.7**	**—**	**29.3**	**—**	**2097.4**
Trade and other payables	**900.7**	**42.4**	**7.4**	**15.3**	**—**	**965.8**
Reportable segment liabilities	**2,740.1**	**271.1**	**7.4**	**44.6**	**—**	**3,063.2**
Reportable segment net assets	**582.3**	**40.4**	**56.9**	**(7.6)**	**(134.0)**	**538.0**
Unallocated assets and liabilities						**42.9**
Consolidated net assets						**580.9**

Unallocated assets and liabilities consist of other central assets and liabilities, plus deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

There is an asymmetrical allocation of assets and income to the reportable segments, in that the interest earned on cash and cash equivalent assets deployed in the UK Car Insurance, Price Comparison and International Car Insurance segments is not allocated in arriving at segment profits. This is consistent with regular management reporting.

Eliminations represent inter-segment funding and balances included in trade and other receivables.

The segment assets and liabilities at 31 December 2013 are as follows.

	As at 31 December 2013					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Property and equipment	8.2	2.6	1.0	0.6	—	12.4
Intangible assets	76.5	13.1	2.6	0.6	—	92.8
Reinsurance assets	705.0	111.4	—	4.8	—	821.2
Trade and other receivables	104.1	(11.0)	7.1	35.1	(57.8)	77.5
Financial assets	2,113.4	122.2	—	—	—	2,235.6
Cash and cash equivalents	101.6	35.7	38.7	8.6	—	184.6
Reportable segment assets	3,108.8	274.0	49.4	49.7	(57.8)	3,424.1
Insurance contract liabilities	1,690.4	198.5	—	12.4	—	1,901.3
Trade and other payables	959.9	36.0	6.5	11.3	—	1,013.7
Reportable segment liabilities	2,650.3	234.5	6.5	23.7	—	2,915.0
Reportable segment net assets	458.5	39.5	42.9	26.0	(57.8)	509.1
Unallocated assets and liabilities						15.0
Consolidated net assets						524.1

5. Premium, Claims and Profit Commissions

5a. Accounting Policies

(i) Revenue – Premiums

Premiums relating to insurance contracts are recognised as revenue proportionally over the period of cover. Premiums with an inception date after the end of the period are held in the statement of financial position as deferred revenue. Outstanding collections from policyholders are recognised within policyholder receivables.

(ii) Revenue – Profit Commission

Under some of the co-insurance and reinsurance contracts under which motor premiums are shared or ceded, profit commission may be earned on a particular year of account, which is usually subject to performance criteria such as loss ratios and expense ratios. The commission is dependent on the ultimate outcome of any year, with revenue being recognised when loss and expense ratios used in the preparation of the financial statements move below a contractual threshold.

(iii) Insurance Contracts and Reinsurance Assets

Premiums

The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims

Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.
Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provision for unexpired risks is made where necessary for the estimated amount required over and above unearned premiums (net of deferred acquisition costs) to meet future claims and related expenses.

Co-insurance
The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business.

Reinsurance Assets
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment on a regular basis, and in detail every six months. If there is objective evidence that the asset is impaired, then the carrying value will be written down to its recoverable amount.

On the commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

5b. Net Insurance Premium Revenue

	31 December 2014 £m	31 December 2013 £m
Total motor insurance premiums written before co-insurance	**1,675.6**	1,737.6
Group gross premiums written after co-insurance	**1,102.1**	1,088.4
Outwards reinsurance premiums	**(644.9)**	(620.2)
Net insurance premiums written	**457.2**	468.2
Change in gross unearned premium provision	**(2.4)**	48.0
Change in reinsurers' share of unearned premium provision	**10.1**	(33.2)
Net insurance premium revenue	**464.9**	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.

5c. Profit Commission

	31 December 2014 £m	31 December 2013 £m
Underwriting year:		
2009 & prior	**5.3**	3.1
2010	**13.8**	24.9
2011	**27.8**	26.7
2012	**24.9**	44.6
Total profit commission	**71.8**	99.3

5d. Reinsurance Assets and Insurance Contract Liabilities

(i) Sensitivity of Recognised Amounts to Changes in Assumptions

The following table sets out the impact on equity and profit or loss at 31 December 2014 that would result from a 1% movement in the UK loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2011	2012	2013	2014
Booked loss ratio	68%	73%	82%	92%
Impact of 1% change (£m)	12.0	12.0	3.0	1.6

The impact is stated net of reinsurance and includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.

(ii) Analysis of Recognised Amounts

	31 December 2014 £m	31 December 2013 £m
Gross		
Claims outstanding[*1]	**1,596.0**	1,400.4
Unearned premium provision	**501.4**	500.9
Total gross insurance liabilities	**2,097.4**	1,901.3
Recoverable from reinsurers		
Claims outstanding[*1]	**538.2**	537.4
Unearned premium provision	**291.6**	283.8
Total reinsurers' share of insurance liabilities	**829.8**	821.2
Net		
Claims outstanding	**1,057.8**	863.0
Unearned premium provision	**209.8**	217.1
Total insurance liabilities – net	**1,267.6**	1,080.1

[*1] The claims outstanding recoverable from reinsurers at 31 December 2014 includes £21.4m representing outstanding recoveries from excess of loss reinsurance contracts.

The maturity profile of gross insurance liabilities at the end of 2014 is as follows:

	< 1 year £m	**1 – 3 years £m**	**> 3 years £m**
Claims outstanding	**542.6**	**547.3**	**506.1**
Unearned premium provision	**236.2**	**103.3**	**161.9**
Total gross insurance liabilities	**778.8**	**650.6**	**668.0**

The maturity profile of gross insurance liabilities at the end of 2013 was as follows:

	< 1 year £m	1 – 3 years £m	> 3 years £m
Claims outstanding	419.9	478.0	502.5
Unearned premium provision	235.4	103.1	162.4
Total gross insurance liabilities	655.3	581.1	664.9

(iii) Analysis of UK Car Insurance Claims Incurred

The following tables illustrate the development of net UK Car Insurance claims incurred for the past four financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual net claims incurred and the second shows the development of UK loss ratios. Figures are presented on an underwriting year basis.

	Financial year ended 31 December					
Analysis of claims incurred (net amounts)	2010 £m	2011 £m	2012 £m	2013 £m	**2014 £m**	Total £m
Underwriting year (UK only)						
2010 and prior	(184.1)	(119.9)	2.9	41.7	**28.1**	
2011	—	(203.7)	(151.1)	39.7	**51.4**	(263.7)
2012	—	—	(191.3)	(139.6)	**50.2**	(280.7)
2013	—	—	—	(175.4)	**(133.9)**	(309.3)
2014	—	—	—	—	**(175.8)**	(175.8)
UK net claims incurred (excluding claims handling costs)	(184.1)	(323.6)	(339.5)	(233.6)	**(180.0)**	
International and other net claims incurred	(15.9)	(28.3)	(54.2)	(59.9)	**(70.2)**	
Claims handling costs	(8.5)	(11.9)	(10.8)	(9.5)	**(8.9)**	
Total net claims incurred	(208.5)	(363.8)	(404.5)	(303.0)	**(259.1)**	

	Financial year ended 31 December				
UK loss ratio development	2010	2011	2012	2013	**2014**
Underwriting year (UK only)					
2010	78%	77%	75%	70%	**67%**
2011	—	82%	76%	72%	**67%**
2012	—	—	84%	78%	**73%**
2013	—	—	—	85%	**82%**
2014	—	—	—	—	**92%**

(iv) Analysis of Claims Reserve Releases (UK Car Insurance Business Only)

The following table analyses the impact of movements in prior year claims provisions on a net basis. Figures are presented on an underwriting year basis.

	Financial year ended 31 December				
Net	2010 £m	2011 £m	2012 £m	2013 £m	**2014** **£m**
Underwriting year					
2010 and prior	23.5	10.3	2.9	41.7	**28.1**
2011	—	—	14.7	39.7	**51.4**
2012	—	—	—	12.8	**50.2**
2013	—	—	—	—	**7.7**
Total net release (UK Car Insurance)	23.5	10.3	17.6	94.2	**137.4**
Total net release (International Car Insurance)	—	—	—	—	**6.3**
Total net release	23.5	10.3	17.6	94.2	**143.7**
Analysis of net releases on UK Car Insurance:					
Net releases on Admiral net share	23.1	7.8	16.3	53.3	**66.8**
Releases on commuted quota share reinsurance contracts[*1]	0.4	2.5	1.3	40.9	**70.6**
Total net release as above	23.5	10.3	17.6	94.2	**137.4**

*1 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. £70.6 million of releases on commuted quota share contracts is split as follows: 2012: £29.1 million; 2011: £27.9 million; 2010 & prior: £13.6 million.

Profit commission is analysed in note 5c.

(v) Reconciliation of Movement in Net Claims Provision

	31 December 2014 **£m**	31 December 2013 £m
Net claims reserve at start of period	**863.0**	660.4
Net claims incurred (excluding releases)	**392.9**	387.7
Net reserve releases	**(143.7)**	(94.2)
Movement in net claims reserve due to commutation	**273.6**	208.7
Net claims paid	**(328.0)**	(299.6)
Net claims reserve at end of period[*1]	**1,057.8**	863.0

*1 The increase in net claims reserve from £863.0 million at 31 December 2013 to £1,057.8 million is partly as a result of the increase in the size of gross claims reserves but largely due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

(vi) Reconciliation of Movement in Net Unearned Premium Provision

	31 December 2014 £m	31 December 2013 £m
Net unearned premium provision at start of period	**217.1**	233.5
Written in the period	**457.2**	468.2
Earned in the period	**(464.5)**	(484.6)
Net unearned premium provision at end of period	**209.8**	217.1

6. Investments

6a. Accounting Policies

(i) Investment Income and Finance Costs

Investment income from financial assets comprises interest income and net realised gains on financial assets classified as 'fair value through profit and loss' and 'available for sale', and interest income on holdings in term deposits and gilts.

Finance costs from financial liabilities comprise interest expense on subordinated notes, calculated on the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset (or group of financial assets) and allocates the interest income over the expected life of the asset.

(ii) Financial Assets – Investments and Receivables

Initial Recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss (FVTPL), loans and receivables or held to maturity investments.

At initial recognition assets are recognised at fair value and classified according to the purpose for which they were acquired.

The Group's investments in money market liquidity funds and short term debt securities are designated as financial assets at FVTPL at inception.

This designation is permitted under IAS 39, as the investments in money market funds and short dated securities are managed as a group of assets and internal performance evaluation of this group is conducted on a fair value basis.

The Group's deposits with credit institutions and gilts are classified as held to maturity investments, which is consistent with the intention for which they were purchased.

The Group's holdings in Fixed Income and Asset Backed Securities are classified as available for sale (AFS) investments, which is consistent with the intention for which they were purchased. This designation is permitted under IAS 39.

Subsequent Measurement

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

AFS Fixed income and Asset Backed Securities are stated at fair value.

Deposits and gilts with fixed maturities, classified as held to maturity investments are measured at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement, as are any impairment losses.

Loans and receivables are stated at their amortised cost less impairment using the effective interest method. Impairment losses are recognised through the income statement.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether any financial assets or groups of financial assets held at amortised cost, are impaired. Financial assets are impaired where there is evidence that one or more events occurring after the initial recognition of the asset, may lead to a reduction in the estimated future cash flows arising from the asset.

Objective evidence of impairment may include default on cash flows due from the asset and reported financial difficulty of the issuer or counterparty.

De-recognition of Financial Assets
A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attaching substantial risks and rewards relating to the asset, to a third party.

Cash and Cash Equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term deposits with original maturities of three months or less. All cash and cash equivalents are measured at amortised cost.

(iii) Financial Liabilities – Subordinated notes
Initial Recognition
The Group's financial liabilities comprising subordinated notes were initially recognised at fair value received, net of transaction costs incurred.

Subsequent Measurement
Subordinated notes are measured at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement.

De-recognition of Financial Liabilities
A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

(iv) Fair Value Measurement of Assets held at Amortised Cost
The fair value of gilts and subordinated notes held at amortised cost is calculated with reference to quoted market valuations. See note 6d for a comparison of fair value and carrying value at the statement of financial position date.

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

6b. Investment and Interest Income

	31 December 2014 £m	31 December 2013 £m
Investment income:		
Investment return on money market funds	**5.4**	4.7
Interest income on short dated debt securities	—	1.5
Interest income on available for sale debt securities	**9.4**	—
Interest income on term deposits with credit institutions	**5.2**	6.2
Interest income on held to maturity gilt assets	**2.6**	—
	22.6	12.4
Unwind of discount on gilts	**(0.4)**	—
Notional accrual for reinsurers share of investment return	**(8.3)**	—
	13.9	12.4
Interest receivable[*1]	**1.5**	1.9
Total investment and interest income	**15.4**	14.3

[*1] Interest received during the year was £1.5 million (2013: £1.9 million).

6c. Finance costs

	31 December 2014 £m	31 December 2013 £m
Interest payable[*1]	**4.6**	—
Total finance costs	**4.6**	—

[*1]Interest paid during the year was £nil (2013: £nil).

Finance costs represent interest payable on the £200 million subordinated notes.

6d. Financial Assets and Liabilities

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

	31 December 2014 £m	31 December 2013 £m
Financial assets		
Investments held at fair value through profit or loss		
Money market funds	**909.2**	**1,406.1**
Short dated debt securities	**—**	**202.4**
	909.2	**1,608.5**
Investments classified as available for sale		
Available for sale debt securities	**822.7**	**—**
	822.7	—
Investments classified as held to maturity		
Term deposits with credit institutions	**263.1**	**288.4**
Gilts	**199.1**	**—**
	462.2	**288.4**
Assets classified as loans and receivables		
Amounts owed by policyholders	**353.3**	**368.1**
Total financial assets per consolidated statement of financial position	**2,547.4**	**2,265.0**
Trade and other receivables	**82.0**	**77.5**
Cash and cash equivalents	**255.9**	**187.9**
	2,885.3	**2,530.4**
Financial liabilities		
Subordinated notes	**203.8**	**—**
Trade and other payables	**965.8**	**1,013.7**
Total financial liabilities per consolidated statement of financial position	**1,169.6**	**1,013.7**

The nominal £200 million subordinated notes were issued on 25 July 2014 at a fixed rate of 5.50% and have a redemption date of 25 July 2024.

The notes are unsecured, subordinated obligations of the Group, and rank pari passu without any preference among themselves. In the event of a winding-up or of bankruptcy, they are to be repaid only after the claims of all other creditors have been met.

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right. The aggregate fair value of subordinated dated notes at the balance sheet date is disclosed in the table below.

Fair value measurement

The measurement of investments at the end of the period, for investments held at fair value and short term debt securities held at fair value is based on active quoted market values (level 1).

The measurement of available for sale debt securities at the end of the period, is also based on active quoted market values (level 1).

The 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 £263.1 million (2013: £288.4 million).

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.
The fair values of gilts and subordinated notes (both level 1 valuations) together with their carrying values shown in the statement of financial position are as follows:

	31 December 2014		31 December 2013	
	Carrying amount £m	**Fair value £m**	**Carrying amount £m**	**Fair value £m**
Financial assets				
Gilts	**199.1**	**216.2**	—	—
Financial liabilities				
Subordinated notes	**203.8**	**211.2**	—	—

The maturity profile of financial assets and liabilities at 31 December 2014 is as follows:

	On demand £m	**< 1 year £m**	**Between 1 and 2 years £m**	**> 2 years £m**
Financial assets				
Investments held at fair value	**605.4**	**303.8**	—	—
Term deposits with credit institutions	—	**48.6**	**104.5**	**110.0**
Short dated debt securities	—	**161.3**	**183.8**	**477.6**
Gilts	—	**0.9**	—	**198.2**
Receivables – amounts owed by policyholders	—	**353.3**	—	—
Total financial assets	**605.4**	**867.9**	**288.3**	**785.8**
Trade and other receivables	—	**82.0**	—	—
Cash and cash equivalents	**255.9**	—	—	—
	861.3	**949.9**	**288.3**	**785.8**
Financial liabilities				
Subordinated notes	—	**4.6**	—	**199.2**
Trade and other payables	—	**965.8**	—	—
Trade and other payables	—	**970.4**	—	**199.2**

The maturity profile of financial assets and liabilities at 31 December 2013 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial assets				
Investments held at fair value	**1,104.8**	**301.3**	—	—
Term deposits with credit institutions	—	**188.9**	**99.5**	—
Short term debt securities	—	**202.4**	—	—
Gilts	—	—	—	—
Receivables – amounts owed by policyholders	—	**368.1**	—	—
Total financial assets	**1,104.8**	**1,060.7**	**99.5**	—
Trade and other receivables	—	**77.5**	—	—
Cash and cash equivalents	**187.9**	—	—	—
	1,292.7	**1,138.2**	**99.5**	—
Financial liabilities				
Subordinated notes	—	—	—	—
Trade and other payables	—	**1,013.7**	—	—
Trade and other payables	—	**1,013.7**	—	—

6e. Cash and Cash Equivalents

	31 December 2014 £m	31 December 2013 £m
Cash at bank and in hand	**255.9**	**187.9**
Total cash and cash equivalents	**255.9**	**187.9**

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

7. Other Revenue

7a. Accounting Policy

(i) Contribution from Additional Products and Fees and Other Revenue

Contribution from additional products and fees and other revenue includes revenue earned on the sale of products supplementing the core motor insurance policy, administration and other charges paid by the policyholder, referral fees, revenue from policies paid by instalments and vehicle commission charges paid by co- and reinsurers. Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining contractual obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of amounts charged.

Commission from price comparison activities and broking commission earned by Gladiator is credited to revenue on the sale of the underlying insurance policy.

7b. Contribution from Additional Products and Fees and Other Revenue

	31 December 2014 £m	31 December 2013 £m
Contribution from additional products and fees	**185.6**	**177.0**
Price comparison revenue	**107.5**	**112.7**
Other revenue	**39.4**	**38.1**
Total Other revenue	**332.5**	**327.8**

Refer to the Group Financial Review above for further detail on the sources of revenue.

8. Expenses

8a. Accounting Policies

(i) Acquisition Costs and Operating Expenses

Acquisition costs incurred in obtaining new and renewal business are charged to the income statement over the period in which those premiums are earned. All other operating expenses are charged to the income statement in the period that they are incurred.

(ii) Employee Benefits

Pensions

The Group contributes to defined contribution personal pension plans for its employees. The contributions payable to these schemes are charged in the accounting period to which they relate.

Employee Share Schemes

The Group operates a number of equity and cash settled compensation schemes for its employees. The fair value of the employee services received in exchange for the grant of free shares under the equity settled schemes is recognised as an expense, with a corresponding increase in equity. For cash settled schemes, the fair value of services received are also recognised as an expense, with a corresponding increase in liability.

For equity settled schemes, the total charge expensed over the vesting period is determined by reference to the fair value of the free shares granted as determined at the grant date (excluding the impact of non-market vesting conditions). Non-market conditions such as profitability targets as well as staff attrition rates are included in assumptions over the number of free shares to vest under the applicable scheme.

For cash settled schemes, the total charge expensed over the vesting period is determined by reference to the closing Admiral Group share price at the end of the period. Prior to the vesting of each scheme, the closing share price at the end of the reporting period is used as an approximation for the closing share price at the end of the vesting period. As with equity settled schemes, non-market vesting conditions also impact on the total charge expensed over the vesting period.

At each balance sheet date, the Group revises its assumptions on the number of shares to be granted with the impact of any change in the assumptions recognised through income.
Refer to note 8f for further details on share schemes.

8b. Operating Expenses and Share Scheme Charges

	31 December 2014		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	**91.9**	**(56.7)**	**35.2**
Administration and other marketing costs (Insurance contracts)	**209.5**	**(162.0)**	**47.5**
Insurance contract expenses	**301.4**	**(218.7)**	**82.7**
Administration and other marketing costs (Other)	**166.3**	**—**	**166.3**
Share scheme charges	**34.1**	**(12.9)**	**21.2**
Total expenses and share scheme charges	**501.8**	**(231.6)**	**270.2**

	31 December 2013		
	Gross £m	Recoverable from co- and reinsurers £m	Net £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 £47.5 million (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:

	31 December 2014 £m	31 December 2013 £m
Expenses relating to additional products and fees	**37.9**	**34.4**
Price comparison operating expenses	**110.3**	**92.3**
Other expenses	**18.1**	**15.3**
Total	**166.3**	**142.0**

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

8c. Staff Costs and Other Expenses

	31 December 2014		31 December 2013	
	Total £m	Net £m	Total £m	Net £m
Salaries	155.3	57.9	148.5	49.2
Social security charges	14.6	6.1	16.7	5.7
Pension costs	5.4	6.1	4.1	1.4
Share scheme charges (see note [8f])	34.1	10.7	36.0	9.0
Total staff expenses	209.4	80.8	205.3	65.3
Depreciation charge:				
– Owned assets	6.8	2.7	7.2	2.6
– Leased assets	0.3	0.1	0.1	—
Amortisation charge:				
– Software	4.6	2.0	4.9	1.9
– Deferred acquisition costs	—	42.7	—	68.8
Operating lease rentals:				
– Buildings	11.2	3.7	11.4	3.6
Auditor’s remuneration (including VAT):				
– Fees payable for the audit of the Company’s annual accounts	—	—	—	—
– Fees payable for the audit of the Company’s subsidiary accounts	0.3	0.2	0.3	0.2
– Fees payable for other services	0.3	0.1	0.3	0.1
Net foreign exchange (gains)/losses	(1.4)	(1.4)	1.5	1.5
Analysis of fees paid to the auditor for other services:				
Tax compliance services	0.1	—	0.1	—
Tax advisory services	0.2	0.1	0.2	0.1
Other services	—	—	—	—
Total as above	0.3	0.1	0.3	0.1

Total and net expenses are before and after co- and reinsurance arrangements respectively.

Refer to the Corporate Governance Report for details of the Audit Committee’s policy on fees paid to the Company’s auditor for non-audit services. The ratio of non-audit fees to audit fees in 2014 was 109% (2013: 108%).

The amortisation of software and deferred acquisition cost assets is charged to expenses in the income statement.

8d. Staff Numbers (including Directors)

	Average for the year	
	2014 Number	2013 Number
Direct customer contact staff	**5,179**	**5,145**
Support staff	**1,738**	**1,420**
Total	**6,917**	**6,565**

8e. Staff Share Schemes

Analysis of share scheme costs (per income statement):

	31 December 2014 £m	31 December 2013 £m
SIP charge (i)	**8.6**	**7.6**
DFSS charge (ii)	**12.6**	**14.9**
Total share scheme charges	**21.2**	**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 note 8c (2014: £34.1 million; 2013: £36.0 million) and the gross credit to reserves reported in the consolidated statement of changes in equity (2014: £23.2 million; 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.

(i) The Approved Share Incentive Plan (the "SIP")
Eligible employees qualified for awards under the SIP based upon the performance of the Group in each half-year period. The current maximum award for each year is £3,000 per employee. The awards are made with reference to the Group's performance against prior year profit before tax.
Employees must remain in employment for the holding period (three years from the date of award) otherwise the shares are forfeited.

The fair value of shares awarded is either the share price at the date of award, or is estimated at the latest share price available when drawing up the financial statements for awards not yet made (and later adjusted to reflect the actual share price on the award date). Awards under the SIP are entitled to receive dividends, and, hence, no adjustment has been made to this fair value.

(ii) The Discretionary Free Share Scheme (the "DFSS")
Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge. Staff must remain in employment until the vesting date in order to receive shares. The maximum number of shares that can vest relating to the 2014 scheme is 2,680,858 (2013 scheme: 2,348,549).

The amount of award that actually vests is based on the growth in the Company's earnings per share (EPS) relative to a risk free return (RFR), for which LIBOR has been selected as a benchmark. This performance is measured over the three-year period the award applies to. For the 2014 and 2013 schemes, 50% of the shares awarded at the start of the three year vesting period are subject to these performance conditions.

The range of awards is as follows:

- If the growth in EPS is less than the RFR, no awards vest
- EPS growth is equal to RFR – 10% of maximum award vests
- To achieve the maximum award, EPS growth has to be 36 points higher than RFR over the three year period

Between 10% and 100% of the maximum awards, a linear relationship exists.

Awards under the DFSS are not eligible for dividends (although a discretionary bonus is currently paid equivalent to the dividend that would have been paid on the respective shareholding) and hence the fair value of free shares to be awarded under this scheme has been revised downwards to take account of these distributions. The unadjusted fair value is based on the share price at the date on which awards were made (as stated in the Directors' Remuneration Report).

Number of Free Share Awards Committed at 31 December 2014

	Awards Outstanding[*1]	Vesting date
SIP H211 scheme	598,400	March 2015
SIP H112 scheme	617,778	September 2015
SIP H212 scheme	533,792	March 2016
SIP H113 scheme	603,432	September 2016
SIP H213 scheme	514,500	March 2017
SIP H114 scheme	575,016	September 2017
DFSS 2012 scheme 1st award	181,668	March 2015
DFSS 2012 scheme 2nd award	1,979,752	October 2015
DFSS 2013 scheme 1st award	173,348	March 2016
DFSS 2013 scheme 2nd award	2,175,201	October 2016
DFSS 2014 scheme 1st award	203,292	March 2017
DFSS 2014 scheme 2nd award	2,477,566	September 2017
Total awards committed	**10,633,745**	

*1 Being the maximum number of awards expected to be made before accounting for expected staff attrition.

During the year ended 31 December 2014, awards under the SIP H210 and H111 schemes and the DFSS 2011 scheme vested. The total number of awards vesting for each scheme is as follows.

Number of Free Share Awards Vesting During the Year Ended 31 December 2014

	Original awards	Awards vested
SIP H210 scheme	346,590	279,990
SIP H111 scheme	489,280	380,160
DFSS 2011 scheme 1st award	1,634,732	1,486,410
DFSS 2011 scheme 2nd award	157,312	102,121

9. Taxation

9a. Accounting Policy

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

(i) Current Tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

Current tax related to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

(ii) Deferred Tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date, and that are expected to apply in the period when the liability is settled or the asset is realised.

The principal temporary differences arise from carried forward losses, depreciation of property and equipment and share scheme charges. The resulting deferred tax is charged or credited in the income statement, except in relation to share scheme charges where the amount of tax benefit credited to the income statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

Deferred tax assets relating to carried forward losses are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The probability of the availability of future taxable profits is determined by a combination of the classification of the status of the businesses holding cumulative tax losses and the business plan profit projections for that business, subject to appropriate stress testing.

9b. Taxation

	31 December 2014 £m	31 December 2013 £m
Current tax		
Corporation tax on profits for the year	**72.2**	**83.4**
(Over)/under provision relating to prior periods	**(0.4)**	**0.4**
Current tax charge	**71.8**	**83.8**
Deferred tax		
Current period deferred taxation movement	**(1.8)**	**0.1**
(Over) provision relating to prior periods – deferred tax	**(0.9)**	**(0.6)**
Total tax charge per income statement	**69.1**	**83.3**

Factors affecting the total tax charge are:

	31 December 2014 £m	31 December 2013 £m
Profit before tax	**350.7**	**370.2**
Corporation tax thereon at effective UK corporation tax rate of 21.5% (2013: 23.25%)	**75.4**	**86.1**
Expenses and provisions not deductible for tax purposes	**(0.9)**	**0.2**
Impact of change in UK tax rate on deferred tax balances	—	**2.7**
Adjustments relating to prior periods	**(1.3)**	**(0.2)**
Impact of different overseas tax rates	**(11.2)**	**(5.6)**
Unrecognised deferred tax	**7.1**	—
Other differences	—	**0.1**
Total tax charge for the period as above	**69.1**	**83.3**

9c. Deferred Income Tax (Asset)

Analysis of Deferred Tax (Asset)

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Other differences £m	Total £m
Balance brought forward at 1 January 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 at 31 December 2013	**(4.1)**	**(3.3)**	**(7.8)**	**(1.8)**	**(17.0)**
Tax treatment of share scheme charges through income or expense	2.4	—	—	—	2.4
Tax treatment of share scheme charges through reserves	(3.1)	—	—	—	(3.1)
Capital allowances	—	(1.3)	—	—	(1.3)
Carried forward losses	—	—	(5.6)	—	(5.6)
Other difference	—	—	—	1.7	1.7
Balance carried forward at 31 December 2014	**(4.8)**	**(4.6)**	**(13.4)**	**(0.1)**	**(22.9)**

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.

The deferred tax asset relating to carried forward losses of £13.4m (2013: £7.8m) relates to losses incurred in the Group's US businesses Elephant Auto and compare.com and is calculated at the local US rate of tax (35%).

Elephant Auto (asset recognised: £3.6m; remaining unused losses: £33m) – the asset is expected to be recovered over the next seven years. The recognised asset has been limited to the amount supported by forecast cash flows over the next seven years. Whilst profits are expected to be available after 2021, the Group considers these longer term forecasts to be more uncertain and has therefore not recognised an asset that would only be supported by profits beyond the seven year period.

compare.com (asset recognised: £9.8m; remaining unused losses: £nil) – the asset is expected to be fully recovered over the next five years. The recognised asset has been limited to the amount supported by forecast cash flows over the next five years. The forecasts and underlying assumptions have been reviewed and approved by the Board. In addition, the forecasts have been stressed for both revenue and profit reductions and the asset remains recoverable under the stressed scenarios.

The Group considers full recovery of the assets to be probable in both cases.

At 31 December 2014 the Group had unused tax losses amounting to £33 million (2013: £nil), relating to these businesses, for which no deferred tax asset has been recognised.

10. Other Assets and Other Liabilities

10a. Accounting Policy

(i) Property and Equipment, and Depreciation

All property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost less residual values of the assets over their useful economic lives. These useful economic lives are as follows:

Motor vehicles	–	four years
Fixtures, fittings and equipment	–	four years
Computer equipment	–	two to four years
Improvements to short leasehold properties	–	four to ten years

(ii) Impairment of Property and Equipment

In the case of property and equipment, carrying values are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The carrying value is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement.

(iii) Leased Assets

The rental costs relating to assets held under operating leases are charged to the income statement on a straight line basis over the life of the lease.

Leases under the terms of which the Group assumes substantially all of the risks and rewards of ownership are classed as finance leases. Assets acquired under finance leases are included in property and equipment at fair value on acquisition and are depreciated in the same manner as equivalent owned assets. Finance lease and hire purchase obligations are included in creditors, and the finance costs are spread over the periods of the agreements based on the net amount outstanding.

(iv) Intangible Assets

Goodwill

All business combinations are accounted for using the purchase method. Goodwill has been recognised in acquisitions of subsidiaries, and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.
The goodwill held on the balance sheet at 31 December 2014 is allocated solely to the UK car insurance segment.

Impairment of Goodwill
The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to CGUs) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cash flow projections in the value in use calculations is 6.8% (2013: 9.8%), based on the Group's weighted average cost of capital, which is in line with the market (source: Bloomberg).

The key assumptions used in the value in use calculations are those regarding growth rates and expected changes in pricing and expenses incurred during the period. Management estimates growth rates and changes in pricing based on past practices and expected future changes in the market.

The headroom above the goodwill carrying value is very significant, and there is no foreseeable event that would eliminate this margin.

Deferred Acquisition Costs
Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the unearned premiums provision at the balance sheet date. This balance is held as an intangible asset. It is amortised over the term of the contract as premium is earned.

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term).

Internally generated software is recognised as an intangible asset, with directly attributable costs incurred in the development stage capitalised. The internally generated software assets are amortised over the expected useful life of the systems and amortisation commences when the software is available for use.

The carrying value of software is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

10b. 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	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 1 January 2013	**2.0**	**9.0**	**4.2**	**1.3**	**16.5**
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*1	16.9	6.8	1.0	2.5	27.2
Disposals	(0.5)	(0.1)	—	—	(0.6)
At 31 December 2014	24.9	39.5	14.0	7.8	86.2
Depreciation					
At 1 January 2014	6.3	26.1	10.4	4.4	47.2
Charge for the year	1.7	3.6	1.2	0.6	7.1
Disposals	(0.4)	—	—	—	(0.4)
At 31 December 2014	7.6	29.7	11.6	5.0	53.9
Net book amount					
At 31 December 2014	**17.3**	**9.8**	**2.4**	**2.8**	**32.3**

*1 The increase in additions is due to investment in the fit-out of new premises.

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

	31 December 2014 £m	31 December 2013 £m
Computer equipment	**2.5**	—

10c. Intangible Assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
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	—	38.3	23.4	61.7
Amortisation charge	—	(42.7)	(4.6)	(47.3)
Disposals	—	—	—	—
At 31 December 2014	**62.3**	**14.8**	**30.1**	**107.2**

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK Car Insurance segment. As described in the accounting policies, 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 for further information.

10d. Trade and Other Receivables

	31 December 2014 £m	31 December 2013 £m
Trade receivables	**78.4**	**73.9**
Prepayments and accrued income	**3.6**	**3.6**
Total trade and other receivables	**82.0**	**77.5**

10e. Trade and Other Payables

	31 December 2014 £m	31 December 2013 £m
Trade payables	**24.6**	**16.9**
Amounts owed to co-insurers and reinsurers	**756.5**	**785.3**
Finance leases due within 12 months	**1.4**	**0.1**
Other taxation and social security liabilities	**20.9**	**20.6**
Other payables	**82.2**	**90.1**
Accruals and deferred income (see below)	**80.2**	**100.7**
Total trade and other payables	**965.8**	**1,013.7**

Of amounts owed to co-insurers and reinsurers, £585.7 million (2013: £629.3 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2014 £m	31 December 2013 £m
Premium receivable in advance of policy inception	**50.9**	**60.7**
Accrued expenses	**11.1**	**22.0**
Deferred income	**18.2**	**18.0**
Total accruals and deferred income as above	**80.2**	**100.7**

10f. Obligations Under Finance Leases

Analysis of finance lease liabilities:

	At 31 December 2014			At 31 December 2013		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**1.4**	—	**1.4**	**0.1**	—	**0.1**
Between one and five years	—	—	—	—	—	—
More than five years	—	—	—	—	—	—
	1.4	—	**1.4**	**0.1**	—	**0.1**

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

10g. Financial Commitments

The Group was committed to total minimum obligations under operating leases on land and buildings as follows:

	31 December 2014 £m	31 December 2013 £m
Minimum payments due on operating leases		
Within one year	**8.5**	**5.3**
Within two to five years	**36.9**	**8.2**
Over five years	**115.5**	**1.8**
Total commitments	**160.9**	**15.3**

Operating lease payments represent rentals payable by the Group for its office properties. The increase in operating lease commitments from the prior period is due to the agreement of long term lease agreements relating to new premises' in South Wales.

10h. Contingent Liabilities

The Group is, from time to time, engaged in legal matters or disputes (including, but not limited to, employment, regulatory matters and data protection) which might result in an outflow of benefits from the Group. Where the Group is able to reliably estimate probable losses, provision is made. The Group has not disclosed estimates of the potential financial effect of contingent liabilities arising from matters where the impact is highly unlikely to be material, or where it is not practicable to do so, or, in cases where it is practicable, where disclosure could prejudice conduct of the matters.

In particular, the Group's US insurance operation is subject to legal action in relation to alleged breach of consumer protection legislation. At the balance sheet date, the outcome and duration of the legal action is highly uncertain and it is not possible to make a reliable estimate of the outcome.

11. Share Capital

11a. Accounting Policies

(i) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends are recorded in the period in which they are declared and paid.

11b. Dividends

Dividends were declared and paid as follows:

	31 December 2014 £m	31 December 2013 £m
March 2013 (45.5 pence per share, paid June 2013)	—	**123.1**
August 2013 (48.9 pence per share, paid October 2013)	—	**132.7**
March 2014 (50.6 pence per share, paid May 2014)	**138.3**	—
August 2014 (49.4 pence per share, paid October 2014)	**135.2**	—
Total dividends	**273.5**	**255.8**

The dividends declared in March represent the final dividends paid in respect of the 2012 and 2013 financial years. The dividends declared in August are interim distributions in respect of 2013 and 2014.

A final dividend of 49.0 pence per share (£136 million) has been proposed in respect of the 2014 financial year. Refer to the Chairman's Statement and Group Financial Review for further detail.

11c. Earnings per Share

	31 December 2014 £m	31 December 2013 £m
Profit for the financial year after taxation attributable to equity shareholders	**285.2**	**287.0**
Weighted average number of shares – basic	**276,885,828**	**274,311,039**
Unadjusted earnings per share – basic	**103.0p**	**104.6p**
Weighted average number of shares – diluted	**277,334,765**	**274,813,144**
Unadjusted earnings per share – diluted	**102.8p**	**104.4p**

The difference between the basic and diluted number of shares at the end of 2014 (being 448,937; 2013: 502,105) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 8 for further detail.

11d. Share Capital

	31 December 2014 £m	31 December 2013 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	**0.5**	**0.5**
Issued, called up and fully paid		
278,689,742 ordinary shares of 0.1 pence	**0.3**	**—**
276,141,432 ordinary shares of 0.1 pence	**—**	**0.3**
	0.3	**0.3**

During 2014 2,548,310 (2013: 2,617,838) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

748,310 (2013: 917,838) 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 31 December 2014 of 7,232,394 (31 December 2013: 6,484,084). These shares are entitled to receive dividends.

1,800,000 (2013: 1,700,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at 31 December 2014 of 12,861,948 (31 December 2013: 11,061,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

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

11e. 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 meet regulatory requirements with an appropriate margin. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

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 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 buffer against unforeseen events. This policy gives the Directors flexibility in managing the Group's capital.

The Group's regulatory capital requirements are discussed in the Group Financial Review earlier in this report.

11f. Group Subsidiary Companies

The parent company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Class of shares held	% Ownership	Principal activity
Able Insurance Services Limited	England and Wales	Ordinary	100	Insurance Intermediary
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	100	Insurance Company
Admiral Insurance Company Limited	England and Wales	Ordinary	100	Insurance Company
Admiral Law Limited	England and Wales	Ordinary	90	Legal Company
Admiral Life Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Limited	England and Wales	Ordinary	100	Non trading
Admiral Syndicate Management Limited	England and Wales	Ordinary	100	Dormant
BDE Law Limited	England and Wales	Ordinary	90	Legal Company
Bell Direct Limited	England and Wales	Ordinary	100	Dormant
comparenow.com Insurance Agency LLC	United States of America	Ordinary	67.79 (Indirect)	Insurance Intermediary
Confused.com Limited	England and Wales	Ordinary	100	Dormant
Diamond Motor Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Company	United States of America	Ordinary	100	Insurance Company
Elephant Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Services LLC	United States of America	Ordinary	100	Insurance Intermediary
EUI (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
EUI Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop Technologies Private Limited	India	Ordinary	100	Internet technology supplier
Inspop USA LLC	United States of America	Ordinary	67.79	Insurance Intermediary
Inspop.com (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop.com Limited	England and Wales	Ordinary	100	Insurance Intermediary
Rastreator.com Limited	England and Wales	Ordinary	75	Insurance Intermediary

For further information on how the Group conducts its business across the UK, Europe and the US, refer to the Group Financial Review.

11g. Related Party Transactions

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

The Board considers that only the Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive Directors will be disclosed in the Directors' Remuneration Report in the 2014 Annual Report.

12. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Group 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

	31 December 2014 £m	31 December 2013 £m
Total premiums written before co-insurance arrangements per note [5b] of financial statements	**1,675.6**	**1,737.6**
Other revenue per note 7b of financial statements	**332.5**	**327.8**
	2,008.1	**2,065.4**
UK vehicle commission[*1]	**(50.8)**	**(48.1)**
Other*2	**13.7**	**12.9**
Turnover as per note [4b] of financial statements	**1,971.0**	**2,030.2**

*1 During 2012 Admiral ceased earning Other Revenue from the sale of non-optional 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 non-optional 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

	31 December 2014		31 December 2013	
	UK Car £m	**Group £m**	UK Car £m	Group £m
Net insurance claims	**188.9**	**259.1**	**243.3**	**303.0**
Less: net claims handling expenses	**(8.9)**	**(8.9)**	**(9.5)**	**(9.5)**
Add back reserve releases on commuted reinsurance	**70.6**	**70.6**	**40.9**	**40.9**
Adjusted net claims	**250.6**	**320.8**	**274.7**	**334.4**
Net insurance premium revenue	**365.1**	**464.9**	**403.9**	**483.0**
Reported loss ratio	**68.6%**	**69.0%**	**68.0%**	**69.2%**

12c. Reconciliation of Expenses Related to Insurance Contracts to Reported Group Expense Ratio

	31 December 2014		31 December 2013	
	UK Car £m	**Group £m**	UK Car £m	Group £m
Net insurance expenses	**43.5**	**82.7**	**51.2**	**86.7**
Add: net claims handling expenses	**8.9**	**8.9**	**9.5**	**9.5**
Adjusted net expenses	**52.4**	**91.6**	**60.7**	**96.2**
Net insurance premium revenue	**365.1**	**464.9**	**403.9**	**483.0**
Reported expense ratio	**14.4%**	**19.7%**	**15.0%**	**19.9%**

13. Statutory Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2014 or 2013. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Consolidated financial summary

Basis of Preparation

The figures below are as stated in the Group financial statements preceding this financial summary and issued previously. Only selected lines from the income statement and balance sheet have been included.

Income Statement

	2014 **£m**	2013 £m	2012 £m	2011 £m	2010 £m
Total premiums	**1,675.6**	**1,737.6**	1,897.2	1,841.3	1,308.6
Net insurance premium revenue	**464.9**	**483.0**	498.9	445.8	288.1
Other revenue	**332.5**	**327.8**	361.1	349.0	276.2
Profit commission	**71.8**	**99.3**	108.4	61.8	67.0
Investment and interest income	**15.4**	**14.3**	15.9	13.7	9.5
Net revenue	**884.6**	**924.4**	984.3	870.3	640.8
Net insurance claims	**(259.1)**	**(303.0)**	(404.5)	(363.8)	(208.5)
Net expenses	**(270.2)**	**(251.2)**	(235.2)	(207.4)	(166.8)
Operating profit	**355.3**	**370.2**	344.6	299.1	265.5
Finance costs	**(4.6)**	—	—	—	—
Profit before tax	**350.7**	**370.2**	344.6	299.1	265.5

Balance Sheet

	2014 **£m**	2013 £m	2012 £m	2011 £m	2010 £m
Property and equipment	**32.3**	**12.4**	16.5	17.6	13.6
Intangible assets	**107.2**	**92.8**	92.5	87.5	82.9
Deferred income tax	**22.9**	**17.0**	15.2	10.3	12.4
Reinsurance assets	**829.8**	**821.2**	803.0	639.8	357.0
Trade and other receivables	**82.0**	**77.5**	55.3	52.1	47.9
Financial assets	**2,547.4**	**2,265.0**	2,005.1	1,583.0	1,004.7
Cash and cash equivalents	**255.9**	**187.9**	216.6	224.6	246.7
Assets held for sale	—	—	—	—	1.5
Total assets	**3,877.5**	**3,473.8**	3,204.2	2,614.9	1,766.7
Equity	**580.9**	**524.1**	460.7	394.4	350.7
Insurance contracts	**2,097.4**	**1,901.3**	1,696.9	1,333.7	806.6
Subordinated liabilities	**203.8**	—	—	—	—
Trade and other payables	**965.8**	**1,013.7**	1,006.5	856.6	561.0
Current tax liabilities	**29.6**	**34.7**	40.1	30.2	48.4
Total liabilities	**3,877.5**	**3,473.8**	3,204.2	2,614.9	1,766.7