Admiral Group plc results for the six months ended 30 June 2013
29 August 2013

H1 2013 Group Results

- Profit before tax up 6% to £181.4 million (H1 2012: £171.8 million)
- Earnings per share up 6% to 50.1 pence (H1 2012: 47.3 pence)
- Interim dividend up 8% to 48.9 pence per share (2012 interim: 45.1 pence per share)
- Turnover down 7% to £1,089 million (H1 2012: £1,169 million)
- Number of vehicles up 3% to 3.6 million (H1 2012: 3.5 million)
- Return on capital 57% (H1 2012: 61%)
- Over 6,600 employees eligible to receive £1,500 of shares each via the Employee Share Scheme, based on the H1 2013 result
- Named 2nd Best Large Workplace in the UK and 2nd Best Multinational Workplace in Europe by the Great Place to Work Institute

Henry Engelhardt, Chief Executive Officer, commented:
"I'm really pleased with our results in the first half of 2013. Any time you can increase profits by 6% when competitors are cutting prices you've got to be happy.

"We didn't grow the UK insurance business, which was great news because of the competitive environment. We were able to increase profits largely due to excellent claims experience. In addition, Confused.com had a great first half, increasing its profits by over 20%.

"Outside the UK all our operations made good progress towards their goal of building profitable, growing and sustainable businesses. Our insurance operations in the US, Spain, Italy and France now account for more than 13% of all our customers. I'm particularly proud of our European price comparison businesses, Rastreator in Spain and Le Lynx in France, both of which were profitable in the period.

"All in all it has been a busy, exciting and profitable first half of 2013 and we are poised to meet our expectations for the full year. We continue to give great service and prices to millions of motorists which gives us great confidence in the future."

Alastair Lyons, Chairman, said:
"Our policy remains to distribute available surpluses to shareholders, after taking account of regulatory capital, funds to support our plans for growth plus a prudent contingency. With a further increase in profit in the first half of 2013, our interim dividend increases to 48.9 pence per share, which represents 98% of post-tax earnings."

Interim dividend
The interim dividend of 48.9 pence per share will be paid on 11 October 2013. The ex-dividend date is 11 September 2013 and the record date is 13 September 2013. The dividend consists of a normal dividend of 22.5 pence per share and a special dividend of 26.4 pence per share.

Management presentation
Analysts and investors will be able to access the Admiral Group management presentation, which commences at 8.30am on Thursday 29 August 2013, by dialling +44 203 059 8125.

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

Group key performance indicators

	H1 2011	H1 2012	H1 2013	FY 2012
Turnover*1	£1,104.4m	£1,169.3m	£1,089.1m	£2,215.1m
Net revenue	£425.1m	£488.4m	£454.8m	£984.3m
Number of vehicles	3.15m	3.50m	3.60m	3.55m
Loss ratio*2	77.3%	79.7%	68.8%	79.2%
Expense ratio	16.7%	16.3%	20.2%	17.7%
Combined ratio*2	94.0%	96.0%	89.0%	96.9%
Profit before tax	£160.6m	£171.8m	£181.4m	£344.6m
Earnings per share	43.3p	47.3p	50.1p	95.1p
Dividend per share	39.1p	45.1p	48.9p	90.6p
Return on capital	63%	61%	57%	60%

*1 Turnover comprises total premiums written and other revenue

*2 Loss ratio restated to show the result only on premium originally underwritten by Admiral. Result in H1 2013 including releases from commuted reinsurance contracts would have been a loss ratio of 59.5% and the combined ratio 79.7%. Refer below for details.

Key Group Highlights

Admiral continued to grow Group pre-tax profit in the first half of 2013 to £181.4 million, up 6% on the prior year (H1 2012: £171.8 million). The growth was driven by an improved combined ratio, primarily due to positive claims experience in the Group's core UK Car Insurance business.

Group turnover of £1,089.1 million decreased by 7% compared to the first half of 2012 (£1,169.3 million). This was mainly driven by reductions in average premiums in the UK Car Insurance business.

During H1 2013, the Group increased its vehicle base by 50,000 to 3.60 million. Year-on-year growth was nearly 100,000 (3%).

The Group loss ratio improved to 68.8% (H1 2012: 79.7%), primarily due to positive UK claims experience driving higher reserve releases. There was also an improvement in the International Insurance loss ratio.

The Group expense ratio increased to 20.2% (H1 2012: 16.3%) mainly due to the positive impact on the prior year figure of a one-off adjustment, along with the increasing relative size of the International Insurance businesses (which currently operate at a higher expense ratio than the UK).

Admiral's strategy in its core UK Car Insurance market is unchanged. The focus on margin over volume resulted in a flat vehicle count (3.02 million), whilst pre-tax profit increased 5% to £192.7 million (H1 2012: £183.3 million) due to an improvement in the Combined Ratio to 81.1% from 89.7%. This was against a backdrop of falling premium rates and intense competition as some competitors sought to add market share.

Admiral's International Car Insurance businesses continued to grow, delivering an overall increase in turnover of 20% to £95.5 million and insuring 25% more vehicles at 30 June 2013 compared with a year earlier. These four operations now account for 9% of total turnover and 13% of vehicles.

During the first half of 2013, the International Car Insurance businesses lost £10.8 million compared to £8.9 million in the first half of 2012. This reflected increased marketing spend, predominantly in Spain and the USA. The loss equated to 6% of the Group profit before tax for the period.

Admiral's Price Comparison businesses generated pre-tax profit of £9.9 million, 22% ahead of the £8.1 million result of H1 2012. This was primarily driven by a 21% increase in profit at Confused.com to £10.2 million (H1 2012: £8.4 million).

Admiral's capital efficient and highly profitable business model led to return on capital of 57% (H1 2012: 61%). A key part of the business model is the extensive use of co- and reinsurance across the Group. During the first half of 2013 Admiral announced extensions to its UK reinsurance arrangements until at least the end of 2015, while its UK co-insurance agreement runs to at least the end of 2016.

Earnings per share increased by 6% to 50.1 pence (H1 2012: 47.3 pence) and an interim dividend of 48.9 pence per share has been declared (8% higher than the interim 2012 payment of 45.1 pence) - a payout ratio of 98% (H1 2012: 95%).

At the core of Admiral's success is a skilled and motivated workforce and the Group invests significant time and money in four key areas to underpin this: communication; equality; reward and recognition; and fun. During the first half of 2013 the Group received numerous awards in recognition of this investment:

- Second Best Large Place to Work in the UK
- Second Best Multinational Place to Work in Europe
- Fifth Best Company to Work For in Spain
- Eighth Best Large Workplace in Canada
- Ninth Best Small to Medium Workplace in Italy
- Eighteenth Best Workplace in Virginia USA

At 30 June 2013 the Group employed over 6,600 members of staff, of which nearly 5,000 are employed in the UK.

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

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

£m	H1 2011	H1 2012	H1 2013	FY 2012
Turnover[*2]	999.3	1,030.0	924.5	1,936.2
Total premiums written[*3]	881.7	922.8	851.7	1,748.7
Net insurance premium revenue[*4]	190.0	226.8	214.6	455.6
Investment income	3.4	5.9	5.6	13.9
Net insurance claims[*5]	(151.0)	(179.7)	(125.2)	(355.1)
Net insurance expenses	(20.7)	(21.9)	(26.3)	(50.0)
Underwriting profit	**21.7**	**31.1**	**68.7**	**64.4**
Profit commission[*5]	45.3	47.8	40.4	108.4
Underwriting profit plus profit commission	**67.0**	**78.9**	**109.1**	**172.8**
Net other income[*6]	90.7	90.1	71.2	170.9
Instalment income	10.5	14.3	12.4	29.1
UK Car Insurance profit before tax	**168.2**	**183.3**	**192.7**	**372.8**

*1 GAAP = Generally Accepted Accounting Practice
*2 Turnover (a non-GAAP measure) comprises total premiums written and other revenue
*3 Total premiums written (non-GAAP) includes premium underwritten by co-insurers
*4 Net insurance premium revenue in H1 2013 includes £6.8 million of premium (H1 2012: £nil) related to additional products underwritten by Admiral – refer to page 9 for details.
*5 H1 2013 net insurance claims include £22.5 million of reserve releases from commuted reinsurance contracts (H1 2012: £1.9 million). Had these contracts not been commuted, these releases would have been recognised through profit commission. Refer to Note 4c to the financial statements.
*6 H1 2013 number impacted by changes relating to motor legal expenses insurance and vehicle commission – refer below for details.

Split of underwriting profit

£m	H1 2011	H1 2012	H1 2013	FY 2012
Motor	21.7	31.1	65.0	59.6
Additional products	-	-	3.7	4.8
Underwriting profit	**21.7**	**31.1**	**68.7**	**64.4**

Key performance indicators

	H1 2011	H1 2012	H1 2013	FY 2012
Reported motor loss ratio*1	76.1%	77.5%	67.2%	76.4%
Reported motor expense ratio*2	14.1%	12.2%	15.0%	13.6%
Reported motor combined ratio	90.2%	89.7%	82.2%	90.0%
Written basis motor expense ratio	12.8%	12.6%	13.7%	13.0%
Reported total combined ratio*3	90.2%	89.7%	81.1%	89.2%
Claims reserve releases*4	£4.0m	£10.9m	£52.2m	£17.6m
Vehicles insured at period-end	2.83m	3.02m	3.02m	3.02m
Other Revenue per vehicle	£86	£82	£73	£79

*1 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Before adjustment, the reported loss ratio is 56.4% for H1 2013 (FY 2012: 76.1%; H1 2012:76.7%; H1 2011: 76.3%)

*2 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs. Refer to Note 7b to the financial statements

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

*4 H1 2013 claims reserve releases include £22.5 million of releases from commuted reinsurance contracts. Refer to Note 4c to the financial statements

UK Underwriting Arrangements for 2013 to 2015

During the first half of 2013 the Group extended its UK reinsurance arrangements such that capacity is fully placed until the end of 2015. The underwriting splits are as follows:

	2013	2014	2015
Admiral	25.00%	25.00%	25.00%
Great Lakes (Munich Re)	40.00%	40.00%	40.00%
New Re	13.25%	13.25%	12.25%
Hannover Re	8.75%	8.75%	8.75%
Swiss Re	7.50%	9.00%	9.00%
Mapfre Re	3.00%	4.00%	5.00%
XL Re	2.50%	-	-
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 2013 year accrues directly to Great Lakes and does not appear in the Group's income statement. Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

That contract will run until at least the end of 2016, and will see Great Lakes co-insure 40% of the UK business for the remaining period. Admiral has committed to retain at least 25% for the duration, whilst the allocation of the balance is at Admiral's discretion.

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. There is little or no impact on profit or the timing of profit recognition from commutation.

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

At 30 June 2013, all material UK quota share reinsurance contracts for underwriting years up to and including 2010 have been commuted. For the 2011 year, of the original 32.5% of the business that was reinsured, contracts covering 27.5% of the business have been commuted. All reinsurance for the 2012 and 2013 years remains in effect. Refer below for further details.

UK Car Insurance Financial Performance

After two years of significant rate increases in 2010 and 2011, the UK market is now in its second year of being more price competitive. Admiral's UK business has maintained a stable vehicle count and has focussed on margin rather than seeking to grow market share.

Profit from UK Car Insurance increased by 5% to £192.7 million (H1 2012: £183.3 million). Profit from underwriting and profit commission increased by 38% to £109.1 million (H1 2012: £78.9 million) driven predominantly by an improved combined ratio and the change in arrangements related to motor legal expenses insurance during H1 2012, which resulted in a reallocation of revenue from Other Revenue to premium. This latter change also contributed to a reduction in net other income and instalment income of 20% to £83.6 million (H1 2012: £104.4 million). Refer below for further detail.

UK turnover of £924.5 million decreased by 10% compared to H1 2012 (£1,030.0 million). This was primarily due to reductions in average premiums which led to an 8% reduction in total premiums written (£851.7 million compared to £922.8 million). The closing vehicle count has been broadly flat at 3.02 million since the end of June 2012.

The reduction in total premium was driven largely by rate cuts of around 7% (year-on-year) on new business which, combined with portfolio mix changes contributed to a 10% reduction in average premium for new business.

There was a significant improvement in the reported motor combined ratio, which reduced to 82.2% from 89.7% (both figures exclude the impact of reserve releases from commuted reinsurance contracts – refer below).

The improvement was driven by a material reduction in the reported loss ratio to 67.2% from 77.5%, which was due to materially higher reserve releases (£29.7 million v £9.0 million in H1 2012 excluding reserve releases from commuted reinsurance contracts). These higher releases were possible due to the positive claims experience during 2012 and the first half of 2013, which resulted in improvements in the projected ultimate loss ratios, especially for the 2010 to 2012 underwriting years.

In addition to the reserve releases from the net share of the business originally underwritten by Admiral (H1 2013: £29.7 million), there were reserve releases of £22.5 million (H1 2012: £1.9 million) from business that was originally ceded under quota share reinsurance contracts that have since been commuted. Refer to Note 4c for further detail.

Excluding reserve releases, the loss ratio was stable at around 81.5%. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

The earned motor expense ratio increased to 15.0% from 12.2%, mainly due to the prior year benefitting from a one-off adjustment relating to levy costs. The reduction in average written premiums was the main reason the written basis expense ratio increased to 13.7% from 12.6%.

The projected ultimate combined ratio for Admiral for the 2012 accident year is 84%, compared to 81% for 2011 (the increase was due to falling premium rates in 2012). The reported combined ratio for the UK market for 2012, 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 H1 2013 Admiral recognised profit commission revenue of £40.4 million, down from £47.8 million in H1 2012. The decrease came despite a material improvement in the reported combined ratio and is distorted by the impact of commutations of reinsurance contracts (as referred to above).

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.

If releases, from business that was originally ceded under quota share reinsurance contracts that have since been commuted, are added to profit commission, the total for H1 2013 rises to £62.9 million compared to £49.7 million in H1 2012, an increase of 27%.

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.

Other Revenue (net of costs and including contribution from additional products underwritten by Admiral) decreased by 16% to £87.3 million (H1 2012: £104.4 million). This was equivalent to £73 per vehicle (gross of costs) – down from £79 at the end of 2012 and £82 at the end of H1 2012.

The £6 reduction in Other Revenue per vehicle from FY 2012 to H1 2013 was due to changing accounting recognition and treatment (-£5) and true economic changes (-£1) as follows:

Changing accounting recognition and treatment

- Change to accounting recognition and treatment of motor legal expenses insurance (MLEI) and vehicle commission (-£3), profit has been reallocated from Other Revenue to Underwriting.
- Change to underwriting arrangements for additional products impacting the timing of revenue recognition (-£2), which will reverse in time.

True economic changes

- Reduction in income earned from personal injury referral fees (-£2)
- Reduction in instalment income reflecting lower average premiums (-£1)
- Other offsetting movements (+£2)

Other Revenue - analysis of contribution:

£m	H1 2011	H1 2012	H1 2013	FY 2012
Contribution from additional products and fees	107.1	108.0	86.2	205.2
Contribution from additional products underwritten by Admiral*1	-	-	3.7	4.8
Instalment income	10.5	14.3	12.4	29.1
Other Revenue	**117.6**	**122.3**	**102.3**	**239.1**
Internal costs	(16.4)	(17.9)	(15.0)	(34.3)
Net Other Revenue	**101.2**	**104.4**	**87.3**	**204.8**
Other Revenue per vehicle*2	**£86**	**£82**	**£73**	**£79**

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

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

Motor Legal Expenses Insurance (MLEI) and Vehicle Commission

As previously noted, with effect from 1 April 2012, Admiral no longer earns Other Revenue from the sale of MLEI. In addition, the Group began charging its panel of co- and reinsurers a vehicle commission. Admiral's car insurance policies continue to include MLEI as an integral feature and there has been no impact on customers in the level of cover or cost of policies as a result of this change. The overall economic impact of these two changes is not significant although there are differences in the timing of revenue recognition.

During the period the intra-group element of vehicle commission totalling £9.7 million was eliminated (from the insurance expenses and Other Revenue lines in the income statement). The accounting recognition and treatment of MLEI and vehicle commission reduced Other Revenue per vehicle by approximately £3 during the first half of 2013 and an additional £3 during the second half of 2013. There is no profit impact of the elimination as profit is reallocated from Other Revenue to Underwriting. Further details are provided in Note 3.

Referral Fees

As previously reported, personal injury referral fees were banned with effect from 1 April 2013. The ban reduced Admiral's Other Revenue per vehicle by around £2 compared to the end of 2012 and will reduce it by a further £3 by the end of 2013. Admiral expects this reduction in revenue will be offset by reductions in claims costs.

In addition, in H1 2013 Admiral earned £7.3 million in credit hire referral fees. Admiral notes that the UK Competition Commission is undertaking a review of the car insurance market and a potential outcome of the review is regulatory change resulting in a reduction or elimination of these fees. Admiral expects any such reduction in revenue would be offset by reductions in claims costs.

Additional Products Underwritten by Admiral

There are a number of products which are core to providing car insurance to customers (including personal injury insurance, breakdown cover and car hire cover). During the second half of 2012 Admiral began to underwrite the majority of these within the Group (they were previously underwritten by external insurers). The advantages of doing this include improved products for customers and increased control and flexibility with regards to their features and terms.

Contribution from these products underwritten by Admiral during H1 2013 was £3.7 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.

The accounting recognition and treatment of additional products underwritten by Admiral has reduced Other Revenue per vehicle by approximately £2 during the first half of 2013, which will reverse by the end of 2013. This is caused by a change from recognising some of the revenue at the point of sale to recognising revenue over the life of the policy.

Instalment Income

Instalment income is interest charged to customers paying for cover in instalments. During the first half of 2013 Admiral earned £12.4 million, down 13% on the prior period (H1 2012: £14.3 million) from instalment income. This reduced Admiral's Other Revenue per vehicle by around £1 compared to the end of 2012.

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

Admiral Law and BDE Law

During H1 2013, Admiral entered into two joint ventures with law firms Lyons Davidson and Cordner Lewis to form Admiral Law and BDE Law. Both ventures were granted alternative business structure (ABS) licenses by the Solicitors' Regulation Authority.

Bringing the provision of legal services into the Group will allow Admiral to administer a claim throughout the process and offer a materially better quality of service.

New and proposed reforms to the handling of bodily injury claims mean that the businesses are not expected to make a material contribution to Group profits in the foreseeable future.

International Car Insurance
Non-GAAP format income statement

£m	H1 2011	H1 2012	H1 2013	FY 2012
Turnover	53.9	79.7	95.5	162.9
Total premiums written	49.5	74.4	85.5	148.5
Net insurance premium revenue	11.5	19.7	26.4	43.3
Investment income	0.1	0.1	-	0.1
Net insurance claims	(11.1)	(20.5)	(23.3)	(49.4)
Net insurance expenses	(6.9)	(12.6)	(16.9)	(27.4)
Underwriting result	**(6.4)**	**(13.3)**	**(13.8)**	**(33.4)**
Net other income	3.6	4.3	2.9	8.9
Other revenue and charges	(0.4)	0.1	0.1	-
International Car Insurance loss before tax	**(3.2)**	**(8.9)**	**(10.8)**	**(24.5)**

Key Performance Indicators

	H1 2011	H1 2012	H1 2013	FY 2012
Reported loss ratio	97%	104%	88%	114%
Reported expense ratio	60%	64%	64%	63%
Reported combined ratio*1	**157%**	**168%**	**152%**	**177%**
Reported combined ratio, net of Other Revenue*2	125%	146%	141%	157%
Vehicles insured at period-end	235,900	385,600	481,400	436,000

*1 Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue.

*2 Reported combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue.

Geographical Analysis
30 June 2013

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

30 June 2012

	Spain	Italy	France	USA	Total
Vehicles insured at period end	98,300	237,900	10,000	39,400	**385,600**
Turnover (£m)*1	17.3	44.8	4.2	13.4	**79.7**

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

International Car Insurance Financial Performance

The Group has car insurance businesses in four markets outside the UK – in Spain (Admiral Seguros), Italy (ConTe), the USA (Elephant Auto) and France (L'olivier Assurances). The operations were launched between 2006 and 2010 and are at different stages in their development.

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

The combined operations insured 481,400 vehicles at 30 June 2013 – 25% higher than a year earlier (H1 2012: 385,600). Turnover was £95.5 million, up almost 20% compared to H1 2012. Vehicles and turnover from outside the UK represent 13% and 9% of the Group totals respectively, up from 11% and 7% in H1 2012.

The total International Insurance loss was £10.8 million, up from £8.9 million in H1 2012. Growth in each business led to an increase in net insurance premium revenue of 34% to £26.4 million (H1 2012: £19.7 million), whilst the combined ratio improved to 152% from 168%. The lower combined ratio was driven by a 16 percentage point improvement in the loss ratio to 88% (H1 2012: 104%) whilst the expense ratio remained stable at 64% (H1 2012: 64%).

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. During the first half of the year, Admiral Seguros launched a second brand (Qualitas Auto) to complement its original Balumba brand. The business insured nearly 120,000 customers at the end of June 2013, 21% more than a year earlier.

The Group's largest international operation is ConTe in Italy which had nearly 280,000 vehicles at the end of June 2013, up 17% year-on-year. ConTe was launched in 2008 and is benefitting from a shift towards direct distribution of car insurance in Italy, along with generally favourable market conditions since launch. Claims experience in ConTe in H1 2013 was more stable than during 2012 and prior years.

Admiral's youngest and smallest international insurance business is L'olivier Assurances, launched in 2010 in France. L'olivier insured 22,000 vehicles at the end of June 2013, up over 120% on a year earlier. L'oliver was established with a different start-up business model to Admiral's other international operations, with certain functions outsourced in order to keep expenses low in the initial phases of development.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £3.9 million compared to £4.2 million in H1 2012. The combined ratio[*1] improved to 116% from 133% primarily due to improved claims experience.

In the USA, Admiral operates in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched in 2009. At the end of June 2013, Elephant insured nearly 62,000 vehicles, up around 60% year-on-year. Elephant's expense ratio is currently high as the business is spending significant amounts on advertising to develop the Elephant brand and grow the portfolio. Elephant's written combined ratio[*1] improved from 196% in H1 2012 to 149% in H1 2013 primarily driven by an improved expense ratio due to vehicle count growth.

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

Price Comparison
Non-GAAP format income statement

£m	H1 2011	H1 2012	H1 2013	FY 2012
Revenue:				
Motor	36.7	43.0	45.3	82.5
Other	8.7	10.3	12.2	21.0
Total	**45.4**	**53.3**	**57.5**	103.5
Operating expenses	(40.4)	(45.2)	(47.6)	(85.5)
Operating profit	**5.0**	**8.1**	**9.9**	**18.0**

(note – all figures except H1 2013 include Chiarezza, sold in H1 2012)

UK Price Comparison – Confused.com
The UK market remains highly competitive, with four players continuing to dominate market share and advertising spend. Confused had a positive half-year, held market share broadly steady in its core car insurance comparison market and increased total revenue by 4% to £44.8 million (H1 2012: £43.2 million). Revenue from other products was stable at 20% of total revenue. Operating margin improved to 23%, resulting in profit for Confused of £10.2 million – up from £8.4 million in H1 2012.

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

The newest of these operations – comparenow.com – was launched in Virginia, USA in March 2013. In the first half of the year the operation has incurred staff and IT costs and marketing expenses totalling £1.1 million. Admiral Group owns 79% of comparenow.com.

Revenue from Rastreator and LeLynx increased 25% to £12.7 million in H1 2013 (H1 2012: £10.1 million) reflecting increased quote volumes and improved conversion rates. Total quotes generated across all products increased by 15% to 2.6 million. The combined result for Rastreator and LyLynx was a profit of £0.8 million compared to a loss of £0.2 million in H1 2012. Admiral Group owns 75% of Rastreator.

The combined result for International Price Comparison was a loss of £0.3 million (H1 2012: £0.3 million).

Other Group Items

£m	H1 2011	H1 2012	H1 2013	FY 2012
UK Commercial Vehicle operating profit	1.2	1.3	1.4	2.5
Group net interest income	1.6	0.9	1.1	1.9
Share scheme charges	(10.8)	(9.9)	(10.5)	(20.6)
Business development costs	(0.4)	(0.8)	(0.8)	(2.1)
Other central overheads	(1.0)	(2.2)	(1.6)	(3.4)

UK Commercial Vehicle

The Group operates a commercial vehicle insurance broker (Gladiator) offering van insurance and associated products, typically to small businesses. In a very competitive market Gladiator was able to increase its customer base by 13% to 103,000 and increase operating profit to £1.4 million.

Share Scheme Charges

These costs relate to the Group's two share schemes. The increase in the charge is largely due to a higher share price at the end of H1 2013 compared to 30 June 2012.

Business Development Costs

Business development costs of £0.8 million in H1 2013 primarily relate to pre-launch costs of comparenow.com and initial running costs of UK Household Insurance.

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

Other Central Overheads

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

Investments and Cash
Investment Strategy

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

The key focus is capital preservation, with additional priorities being low volatility of return and high levels of liquidity. All objectives continue to be met.

Cash and investments analysis

	30 June 2013				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds and short-dated debt securities	1,312.3	91.9	-	57.8	1,462.0
Cash deposits	307.2	4.0	-	-	311.2
Cash	113.3	48.8	28.6	14.9	205.6
Total	**1,732.8**	**144.7**	**28.6**	**72.7**	**1,978.8**

	31 December 2012				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds and short-dated debt securities	1,074.5	76.7	-	74.6	1,225.8
Cash deposits	370.5	5.3	-	-	375.8
Cash	125.0	50.2	25.4	16.0	216.6
Total	**1,570.0**	**132.2**	**25.4**	**90.6**	**1,818.2**

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

Money market funds and short-dated debt securities comprise the majority of the total – 74% at 30 June 2013, up from 67% at 31 December 2012.

Investment return and interest income totalled £6.7 million in H1 2013, down compared to H1 2012 (£6.9 million), with a rate of return of just under 1%.

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

Other financial items

Taxation

The tax charge reported in the income statement is £44.4 million (H1 2012: £43.6 million), which equates to 24.5% (H1 2012: 25.4%) of profit before tax. The lower effective rate of taxation compared to 2012 results from reductions in the rate of UK corporation tax in 2012 and 2013.

Earnings per share

Basic earnings per share rose by 6% to 50.1 pence from 47.3 pence in H1 2012. The change is broadly in line with pre- and post-tax profit growth (the difference being largely related to the lower effective rate of corporation tax in H1 2013).

Dividends

The Directors have proposed an interim dividend for the financial year of 48.9 pence per share, which is 8% higher than the interim payment in 2012. It is equal to 98% of earnings per share.

The 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 26.4 pence. The special dividend is calculated with reference to distributable reserves after considering capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further prudent buffer.

The payment date is 11 October 2013, ex-dividend date 11 September and record date 13 September.

Capital Structure, Financial Position

The Group continues to manage its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory capital requirements Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

Capital continues to be held in equity form, with no debt.

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). The minimum capital requirements and surplus position at the end of H1 2013 for those companies, along with the overall Group position was as follows:

£m	AIGL	AICL	Group
Net assets less goodwill	£187m	£98m	£428m
Minimum capital requirement	£75m	£25m	£119m
Surplus over minimum requirement	**£112m**	**£73m**	**£309m**
Total (current year) regulatory capital requirement			£225m
Surplus over regulatory capital requirement[*1]			**£203m**

*1 Before accounting for the 2013 Interim Dividend of £134 million

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are set out in Note 12 to this half-yearly financial report.

Condensed consolidated income statement

	Note	6 months ended 30 June 2013 £m	6 months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Insurance premium revenue	4	570.3	560.5	1,156.5
Insurance premium ceded to reinsurers	4	(328.9)	(314.0)	(657.6)
Net insurance premium revenue		**241.4**	**246.5**	**498.9**
Other revenue	6	166.3	187.2	361.1
Profit commission	4	40.4	47.8	108.4
Investment and interest income	5	6.7	6.9	15.9
Net revenue		**454.8**	**488.4**	**984.3**
Insurance claims and claims handling expenses		(414.2)	(456.7)	(929.1)
Insurance claims and claims handling expenses recoverable from reinsurers		265.4	256.5	524.6
Net insurance claims		**(148.8)**	**(200.2)**	**(404.5)**
Operating expenses	7	(114.1)	(106.5)	(214.6)
Share scheme charges	7	(10.5)	(9.9)	(20.6)
Total expenses		**(273.4)**	**(316.6)**	**(639.7)**
Profit before tax		**181.4**	**171.8**	**344.6**
Taxation expense	8	(44.4)	(43.6)	(86.2)
Profit after tax		**137.0**	**128.2**	**258.4**
Profit after tax attributable to:				
Equity holders of the parent		137.2	128.1	258.4
Non-controlling interests		(0.2)	0.1	-
		137.0	**128.2**	**258.4**
Earnings per share:				
Basic	10	50.1p	47.3p	95.1p
Diluted	10	50.0p	47.2p	94.9p
Dividends declared and paid (total)	10	123.1	98.0	219.3
Dividends declared and paid (per share)	10	45.5p	36.5p	81.6p

Condensed consolidated statement of comprehensive income

	6 months ended 30 June 2013 £m	6 months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Profit for the period	**137.0**	**128.2**	**258.4**
Other comprehensive income			
Exchange differences on translation of foreign operations	4.6	(1.1)	(2.7)
Other comprehensive income for the period, net of income tax	**4.6**	**(1.1)**	**(2.7)**
Total comprehensive income for the period	**141.6**	**127.1**	**255.7**
Total comprehensive income for the period, attributable to:			
Equity holders of the parent	141.6	127.0	255.9
Non-controlling interests	-	0.1	(0.2)
	141.6	**127.1**	**255.7**

Condensed consolidated statement of financial position

	Note	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
		As at:		
ASSETS				
Property and equipment	9	15.3	16.4	16.5
Intangible assets	9	92.8	88.9	92.5
Deferred income tax	8	15.9	10.0	15.2
Reinsurance assets	4	733.3	723.6	803.0
Trade and other receivables	9	75.4	65.7	55.3
Financial assets	5	2,194.0	1,793.6	2,005.1
Cash and cash equivalents	5	205.6	277.1	216.6
Total assets		**3,332.3**	**2,975.3**	**3,204.2**
EQUITY				
Share capital	10	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Other reserves		5.1	2.1	0.7
Retained earnings		471.9	419.6	443.0
Total equity attributable to equity holders of the parent		**490.4**	**435.1**	**457.1**
Non-controlling interests		3.2	5.2	3.6
Total equity		**493.6**	**440.3**	**460.7**
LIABILITIES				
Insurance contracts	4	1,836.8	1,586.4	1,696.9
Trade and other payables	9	961.4	910.0	1,006.5
Current tax liabilities		40.5	38.6	40.1
Total liabilities		**2,838.7**	**2,535.0**	**2,743.5**
Total equity and total liabilities		**3,332.3**	**2,975.3**	**3,204.2**

Condensed consolidated cash flow statement

	Note	6 months ended 30 June 2013 £m	6 months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Profit after tax		**137.0**	**128.2**	**258.4**
Adjustments for non-cash items:				
- Depreciation		4.1	3.4	6.6
- Amortisation of software		2.8	1.8	4.1
- Change in unrealised gains on investments		(0.6)	2.6	(0.6)
- Other gains and losses		-	0.1	0.6
- Share scheme charge		12.6	10.7	23.7
Change in gross insurance contract liabilities		139.9	252.7	363.2
Change in reinsurance assets		69.7	(83.8)	(163.2)
Change in trade and other receivables, including from policyholders		(39.8)	(39.7)	13.1
Change in trade and other payables, including tax and social security		(41.6)	53.5	149.9
Taxation expense		44.4	43.6	86.2
Cash flows from operating activities, before movements in investments		**328.5**	**373.1**	**742.0**
Net cash flow into investments		(171.6)	(189.0)	(441.9)
Cash flows from operating activities, net of movements in investments		156.9	184.1	300.1
Taxation payments		(42.5)	(33.4)	(79.7)
Net cash flow from operating activities		**114.4**	**150.7**	**220.4**
Cash flows from investing activities:				
Purchases of property and equipment and software		(6.5)	(3.7)	(10.9)
Net cash used in investing activities		**(6.5)**	**(3.7)**	**(10.9)**
Cash flows from financing activities:				
Non-controlling interests capital contribution		-	4.6	4.6
Repayment of finance lease liabilities		(0.2)	-	(0.1)
Equity dividends paid		(123.1)	(98.0)	(219.3)
Net cash used in financing activities		**(123.3)**	**(93.4)**	**(214.8)**
Net (decrease) / increase in cash and cash equivalents		**(15.4)**	**53.6**	**(5.3)**
Cash and cash equivalents at 1 January		216.6	224.6	224.6
Effects of changes in foreign exchange rates		4.4	(1.1)	(2.7)
Cash and cash equivalents at end of period	5	**205.6**	**277.1**	**216.6**

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Non-controlling interests £m	Total equity £m
At 1 January 2012	0.3	13.1	3.2	377.3	0.5	394.4
Profit for the period	-	-	-	128.1	0.1	128.2
Other comprehensive income						
Currency translation differences	-	-	(1.1)	-	-	(1.1)
Total comprehensive income for the period	**-**	**-**	**(1.1)**	**128.1**	**0.1**	**127.1**
Transactions with equity-holders						
Dividends	-	-	-	(98.0)	-	(98.0)
Share scheme credit	-	-	-	10.7	-	10.7
Deferred tax credit on share scheme charge	-	-	-	1.5	-	1.5
Non-controlling interests capital contribution	-	-	-	-	4.6	4.6
Total transactions with equity-holders	**-**	**-**	**-**	**(85.8)**	**4.6**	**(81.2)**
As at 30 June 2012	**0.3**	**13.1**	**2.1**	**419.6**	**5.2**	**440.3**
At 1 January 2012	0.3	13.1	3.2	377.3	0.5	394.4
Profit for the period	-	-	-	258.4	-	258.4
Other comprehensive income						
Currency translation differences	-	-	(2.5)	-	(0.2)	(2.7)
Total comprehensive income for the period	**-**	**-**	**(2.5)**	**258.4**	**(0.2)**	**255.7**
Transactions with equity-holders						
Dividends	-	-	-	(219.3)	-	(219.3)
Share scheme credit	-	-	-	23.7	-	23.7
Deferred tax charge on share scheme charge	-	-	-	1.5	-	1.5
Transactions with non-controlling interests	-	-	-	1.4	3.3	4.7
Total transactions with equity-holders	**-**	**-**	**-**	**(192.7)**	**3.3**	**(189.4)**
As at 31 December 2012	**0.3**	**13.1**	**0.7**	**443.0**	**3.6**	**460.7**

Condensed consolidated statement of changes in equity (continued)

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Non-controlling interests £m	Total equity £m
At 1 January 2013	0.3	13.1	0.7	443.0	3.6	460.7
Profit for the period	-	-	-	137.2	(0.2)	137.0
Other comprehensive income						
Currency translation differences	-	-	4.4	-	0.2	4.6
Total comprehensive income for the period	**-**	**-**	**4.4**	**137.2**	**-**	**141.6**
Transactions with equity-holders						
Dividends	-	-	-	(123.1)	-	(123.1)
Share scheme credit	-	-	-	12.6	-	12.6
Deferred tax credit on share scheme charge	-	-	-	2.2	-	2.2
Transactions with non-controlling interests	-	-	-	-	(0.4)	(0.4)
Total transactions with equity-holders	**-**	**-**	**-**	**(108.3)**	**(0.4)**	**(108.7)**
As at 30 June 2013	**0.3**	**13.1**	**5.1**	**471.9**	**3.2**	**493.6**

Notes to the condensed interim financial statements

1. General information and basis of preparation

Admiral Group plc is a Company incorporated in England and Wales. Its registered office is at Capital Tower, Greyfriars Road, Cardiff CF10 3AZ and its shares are listed on the London Stock Exchange.

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2013 and the comparative periods for the 6-month period ended 30 June 2012 and the year ended 31 December 2012. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. As required by the FCA's Disclosure and Transparency Rules, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2012.

The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The comparative figures for the financial year ended 31 December 2012 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was

i. unqualified,
ii. did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and
iii. did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses. The Group has no debt.

Accounting policies

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2012. A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2013 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

2. Critical accounting judgements and estimates

The Group's 2012 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

Estimation techniques used in calculation of claims provisions

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

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

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

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

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

The claims provisions are subject to independent review by the Group's actuarial advisors.

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

Refer to Note 4 for an analysis on the changes in estimates of claims provisions for each underwriting year.

3. Operating segments

3a. 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 ancillary income 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 income are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Car Insurance

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

Price Comparison

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

The results of the Group's Italian price comparison business, Chiarezza, which was sold during the period to 30 June 2012, are included in this segment up to the date of disposal in the comparative results.

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 the Group's commercial van insurance broker, Gladiator, and other insurance underwriting operations which are included in this segment for the first time. It is the results and balances of these operations that comprise the 'Other' segment.

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

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2013, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in Note 3 in the 2012 Group financial statements.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	30 June 2013 Segment total £m
Turnover[*1]	924.5	95.5	57.5	11.6	-	1,089.1
Net insurance premium revenue	214.6	26.4	-	0.4	-	241.4
Other revenue and profit commission	139.0	3.4	57.5	6.8	-	206.7
Investment and interest income	5.6	-	-	-	-	5.6
Net revenue	359.2	29.8	57.5	7.2	-	453.7
Net insurance claims	(125.2)	(23.3)	-	(0.3)	-	(148.8)
Expenses	(41.3)	(17.3)	(47.6)	(5.8)	-	(112.0)
Segment profit / (loss) before tax	**192.7**	**(10.8)**	**9.9**	**1.1**	**-**	**192.9**
Other central revenue and expenses, including share scheme charges						(12.6)
Interest income						1.1
Consolidated profit before tax						**181.4**
Taxation expense						(44.4)
Consolidated profit after tax						**137.0**
Reportable segment assets	3,012.4	270.4	40.0	(9.0)	(52.0)	3,261.8
Unallocated assets						70.5
Consolidated assets						**3,332.3**

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

Revenue and results for the corresponding reportable segments for the period ended 30 June 2012 are shown below.

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

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

Revenue and results for the corresponding reportable segments for the year ended 31 December 2012 are shown below.

	31 December 2012					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover[*1]	1,936.2	162.9	103.5	12.5	-	2,215.1
Net insurance premium revenue	455.6	43.3	-	-	-	498.9
Other revenue and profit commission	342.7	10.8	103.5	12.5	-	469.5
Investment and interest income	13.9	0.1	-	-	-	14.0
Net revenue	812.2	54.2	103.5	12.5	-	982.4
Net insurance claims	(355.1)	(49.4)	-	-	-	(404.5)
Expenses	(84.3)	(29.3)	(85.5)	(10.0)	-	(209.1)
Segment profit / (loss) before tax	**372.8**	**(24.5)**	**18.0**	**2.5**	**-**	**368.8**
Other central revenue and expenses, including share scheme charges						(26.1)
Interest income						1.9
Consolidated profit before tax						**344.6**
Taxation expense						(86.2)
Consolidated profit after tax						**258.4**
Reportable segment assets	2,863.2	229.4	37.2	15.6	(41.4)	3,104.0
Unallocated assets						100.2
Consolidated assets						**3,204.2**

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

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 £7.4 million (H1 2012: £6.9million, FY 2012: £13.0 million). These amounts have not been eliminated as the Directors consider this to result in a better overall presentation of the financial statements. The impact on the financial statements in the current and prior periods 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 £9.7m 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. The equivalent amounts in prior periods have not been eliminated as there is no resulting material distortion of key performance indicators.

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 above. The revenue and results of the International Price Comparison businesses, Rastreator, LeLynx and Comparenow are not yet material enough to be presented as a separate segment.

4. Premium, Claims and Profit Commissions

4a. Net insurance premium revenue

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Total motor insurance premiums before co-insurance	942.0	997.2	1,897.2
Group gross premiums written after co-insurance	581.1	614.1	1,167.2
Outwards reinsurance premiums	(329.4)	(360.6)	(679.1)
Net insurance premiums written	251.7	253.5	488.1
Change in gross unearned premium provision	(10.8)	(53.6)	(10.7)
Change in reinsurers' share of unearned premium provision	0.5	46.6	21.5
Net insurance premium revenue	**241.4**	**246.5**	**498.9**

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.

4b. Profit commissions

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Underwriting year:			
2009 & prior	(0.6)	(0.6)	(2.3)
2010	14.1	8.2	9.4
2011	15.3	39.5	98.1
2012	11.6	0.7	3.2
Total profit commission	**40.4**	**47.8**	**108.4**

4c. Reinsurance assets and insurance contract liabilities

i) Analysis of recognised amounts:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Gross:			
Claims outstanding	1,273.9	969.1	1,147.7
Unearned premium provision	562.9	617.3	549.2
Total gross insurance liabilities	**1,836.8**	**1,586.4**	**1,696.9**
Recoverable from reinsurers:			
Claims outstanding	413.9	366.5	487.3
Unearned premium provision	319.4	357.1	315.7
Total reinsurers' share of insurance liabilities	**733.3**	**723.6**	**803.0**
Net:			
Claims outstanding[*1]	860.0	602.6	660.4
Unearned premium provision	243.5	260.2	233.5
Total insurance liabilities – net	**1,103.5**	**862.8**	**893.3**

*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, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to Note iii) below.

ii) Analysis of net claims reserve releases:

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Underwriting year:			
2009 & prior	1.5	-	(5.5)
2010	20.6	5.5	8.4
2011	23.3	5.4	14.7
2012	6.8	-	-
Total net reserve release	52.2	10.9	17.6
Net releases on Admiral net share[*1]	29.7	9.0	16.3
Releases on commuted quota share reinsurance contracts[*1]	22.5	1.9	1.3
Total net release as above	52.2	10.9	17.6

*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. £22.5 million of releases on commuted quota share reinsurance contracts is split as follows: 2011: £11.7 million; 2010: £10.3 million; 2009 & prior: £0.5 million.

Profit commission is analysed in Note 4b.

iii) Reconciliation of movement in net claims reserve:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net claims reserve at start of period	660.4	446.9	446.9
Net claims incurred (excluding releases)	195.8	205.3	411.3
Net reserve releases	(52.2)	(10.9)	(17.6)
Movement in net claims provision due to commutation	208.7	102.2	102.2
Net claims paid	(152.7)	(140.9)	(282.4)
Net claims reserve at end of period[*1]	**860.0**	**602.6**	**660.4**

*1 The increase in net claims reserve from £602.6 million at 30 June 2012 to £860.0 million is partly a result of the increase in the size of the gross claims reserves but largely due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

iv) Reconciliation of movement in net unearned premium provision:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net unearned premium provision at start of period	233.5	247.0	247.0
Written in the period	251.7	253.5	488.1
Earned in the period	(241.7)	(240.3)	(501.6)
Net unearned premium provision at end of period	**243.5**	**260.2**	**233.5**

5. Investments

5a. Investment and interest income

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net investment return	5.6	6.0	14.0
Interest receivable	1.1	0.9	1.9
Total investment and interest income	**6.7**	**6.9**	**15.9**

5b. Financial assets and liabilities

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Investments held at fair value	1,260.4	760.2	1,025.4
Short dated debt securities held at fair value	201.6	-	-
Held to maturity deposits with credit institutions	311.2	385.3	375.8
Held to maturity short dated debt securities	-	200.0	200.4
Receivables – amounts owed by policyholders	420.8	448.1	403.5
Total financial assets	2,194.0	1,793.6	2,005.1
Trade and other receivables	75.4	65.7	55.3
Cash and cash equivalents	205.6	277.1	216.6
	2,475.0	**2,136.4**	**2,277.0**
Financial liabilities:			
Trade and other payables	961.4	910.0	1,006.5

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

All investments held at fair value are invested in AAA-rated money market liquidity funds. These funds target a short-term cash return with capital security and low volatility and continue to achieve these goals. The fair value measurement at the end of the period for investments held at fair value and short term debt securities equates to the book value of these assets, and is based on an active quoted market value (level 1). Short term debt securities have been reclassified to fair value through profit and loss at the start of the period following the adoption of IFRS 13 Fair value measurement and subsequent level 1 classification. The amortised cost carrying amount of deposits and receivables is a reasonable approximation of fair value.

5c. Cash and cash equivalents

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Cash at bank and in hand	205.6	277.1	216.6
Total cash and cash equivalents	**205.6**	**277.1**	**216.6**

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.

6. Other revenue

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Contribution from additional products and fees	89.5	113.1	215.7
Price Comparison revenue	57.5	53.3	103.5
Other revenue	19.3	20.8	41.9
Total other revenue	**166.3**	**187.2**	**361.1**

7. Expenses

7a. Operating expenses and share scheme charges

	30 June 2013			30 June 2012		
	Insurance contracts £m	Other £m	Total £m	Insurance contracts £m	Other £m	Total £m
Acquisition of insurance contracts	19.1	-	19.1	25.5	-	25.5
Administration and marketing costs	24.5	70.5	95.0	9.0	72.0	81.0
	43.6	70.5	114.1	34.5	72.0	106.5
Share scheme charges	-	10.5	10.5	-	9.9	9.9
Total expenses	**43.6**	**81.0**	**124.6**	**34.5**	**81.9**	**116.4**

	31 December 2012		
	Insurance contracts	Other	Total
	£m	£m	£m
Acquisition of insurance contracts	50.6	-	50.6
Administration and marketing costs	26.7	137.3	164.0
	77.3	137.3	214.6
Share scheme charges	-	20.6	20.6
Total expenses	**77.3**	**157.9**	**235.2**

Analysis of other administration and marketing costs:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Expenses relating to additional products and fees	15.4	18.7	35.9
Price Comparison operating expenses	47.6	45.2	85.5
Other expenses	7.5	8.1	15.9
Total	**70.5**	**72.0**	**137.3**

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Insurance contract expenses from above	43.6	34.5	77.3
Add: claims handling expenses	5.2	5.8	10.8
Adjusted expenses	48.8	40.3	88.1
Net insurance premium revenue	241.4	246.5	498.9
Reported expense ratio	**20.2%**	**16.3%**	**17.7%**

7b. Staff share schemes

Analysis of share scheme costs (per income statement):

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
SIP charge	3.8	3.6	6.6
DFSS charge	6.7	6.3	14.0
Total share scheme charges	**10.5**	**9.9**	**20.6**

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross credit to reserves reported in the statement of changes in equity (£12.6 million; H1 2012: £10.7 million, FY 2012: £23.7 million).

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

8. Taxation

8a. Taxation

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
UK Corporation tax			
Current charge at 23.25% (2012: 24.5%)	43.0	41.8	88.4
Under provision relating to prior periods – corporation tax	-	-	1.2
Current tax charge	43.0	41.8	89.6
Deferred tax			
Current period deferred taxation movement	1.4	1.8	(2.8)
(Over) provision relating to prior periods – deferred tax	-	-	(0.6)
Total tax charge per income statement	**44.4**	**43.6**	**86.2**

Factors affecting the tax charge are:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Profit before taxation	181.4	171.8	344.6
Corporation tax thereon at 23.25% (2012: 24.5%)	42.2	42.1	84.4
Expenses and provisions not deductible for tax purposes	-	-	1.4
Difference in tax rates	-	-	0.7
Adjustments relating to prior periods	-	-	(0.4)
Other differences	2.2	1.5	0.1
Tax charge for the period as above	**44.4**	**43.6**	**86.2**

The UK corporation tax rate was reduced from 24% to 23% on 1 April 2013. The current corporation tax rate used for the 6 months to 30 June 2013 is the average effective rate for 2013 of 23.25% (2012: 24.5%).

8b. Deferred tax

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
(Asset) brought forward at start of period	(15.2)	(10.3)	(10.3)
Movement in period	(0.7)	0.3	(4.9)
(Asset) carried forward at end of period	**(15.9)**	**(10.0)**	**(15.2)**

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

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Tax treatment of share scheme charges	(2.4)	(2.5)	(3.8)
Capital allowances	(2.5)	(1.4)	(1.9)
Carried forward losses	(7.6)	(3.7)	(5.7)
Other differences	(3.4)	(2.4)	(3.8)
Deferred tax (asset) at end of period	**(15.9)**	**(10.0)**	**(15.2)**

The UK corporation tax rate was reduced from 24% to 23% on 1 April 2013. Deferred tax balances at 30 June 2013 have therefore been measured at 23% (H1 2012: 24%, FY 2012: 23%).

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

Amounts (charged) / credited to income or expense	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Tax treatment of share scheme charges	(3.6)	(2.6)	(1.3)
Capital allowances	0.6	(0.1)	0.4
Carried forward losses	1.9	1.1	3.1
Other differences	(0.3)	(0.2)	1.2
Net deferred tax (charged)/ credited to income	**(1.4)**	**(1.8)**	**3.4**

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

9. Other assets and liabilities

9a. Property and equipment

	Improvements to short leasehold buildings	Computer equipment	Office equipment	Furniture and fittings	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2012	6.7	28.3	11.4	4.9	51.3
Additions	0.4	1.0	0.8	-	2.2
At 30 June 2012	7.1	29.3	12.2	4.9	53.5
Depreciation					
At 1 January 2012	4.4	19.0	7.2	3.1	33.7
Charge for the year	0.5	1.8	0.8	0.3	3.4
At 30 June 2012	4.9	20.8	8.0	3.4	37.1
Net book amount					
At 30 June 2012	2.2	8.5	4.2	1.5	16.4
Cost					
At 1 January 2012	6.7	28.3	11.4	4.9	51.3
Additions	0.6	3.4	1.5	0.1	5.6
Disposals	-	(0.1)	-	-	(0.1)
At 31 December 2012	7.3	31.6	12.9	5.0	56.8
Depreciation					
At 1 January 2012	4.4	19.0	7.2	3.1	33.7
Charge for the year	0.9	3.6	1.5	0.6	6.6
Disposals	-	-	-	-	-
At 31 December 2012	5.3	22.6	8.7	3.7	40.3
Net book amount					
At 31 December 2012	2.0	9.0	4.2	1.3	16.5
Cost					
At 1 January 2013	7.3	31.6	12.9	5.0	56.8
Additions	0.8	1.7	0.3	0.1	2.9
At 30 June 2013	8.1	33.3	13.2	5.1	59.7
Depreciation					
At 1 January 2013	5.3	22.6	8.7	3.7	40.3
Charge for the year	0.5	2.3	0.9	0.4	4.1
At 30 June 2013	5.8	24.9	9.6	4.1	44.4
Net book amount					
At 30 June 2013	**2.3**	**8.4**	**3.6**	**1.0**	**15.3**

9b. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£m	£m	£m	£m
Carrying amount:				
At 1 January 2012	62.3	16.4	8.8	87.5
Additions	-	22.0	1.7	23.7
Amortisation charge	-	(20.2)	(1.8)	(22.0)
Disposals	-	-	(0.3)	(0.3)
At 30 June 2012	62.3	18.2	8.4	88.9
At 1 January 2012	62.3	16.4	8.8	87.5
Additions	-	51.9	5.5	57.4
Amortisation charge	-	(48.0)	(4.1)	(52.1)
Disposals	-	-	(0.3)	(0.3)
At 31 December 2012	62.3	20.3	9.9	92.5
Additions	-	47.0	3.6	50.6
Amortisation charge	-	(47.4)	(2.8)	(50.2)
Disposals	-	-	(0.1)	(0.1)
At 30 June 2013	**62.3**	**19.9**	**10.6**	**92.8**

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK Car Insurance segment. As described in the accounting policies within the 2012 annual report, the amortisation of this asset ceased on transition to IFRS on 1 January 2004.

All annual impairment reviews since the transition date, have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. No evidence has arisen during the 6 month period to 30 June 2013 to suggest that an interim impairment review is required.

9c. Trade and other receivables

	30 June 2013	30 June 2012	31 December 2012
	£m	£m	£m
Trade receivables	74.3	64.9	54.8
Prepayments and accrued income	1.1	0.8	0.5
Total trade and other receivables	**75.4**	**65.7**	**55.3**

9d. Trade and other payables

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Trade payables	11.7	9.7	13.0
Amounts owed to co-insurers and reinsurers	662.7	613.6	723.5
Finance leases due within 12 months	0.6	0.7	0.8
Finance leases due after 12 months	-	0.2	-
Other taxation and social security liabilities	27.3	27.5	22.9
Other payables	116.6	67.9	71.5
Accruals and deferred income (see below)	142.5	190.4	174.8
Total trade and other payables	**961.4**	**910.0**	**1,006.5**

Analysis of accruals and deferred income:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Premium receivable in advance of policy inception	117.0	123.9	115.4
Accrued expenses and deferred income	25.5	66.5	59.4
Total accruals and deferred income as above	**142.5**	**190.4**	**174.8**

10. Dividends, Earnings per share and Share capital

10a. Dividends

Dividends were declared and paid as follows:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
March 2012 (36.5p per share, paid June 2012)	-	98.0	98.0
August 2012(45.1p per share, paid October 2012)	-	-	121.3
March 2013 (45.5p per share, paid May 2013)	123.1	-	-
Total dividends	**123.1**	**98.0**	**219.3**

The dividend declared in March 2012 represented the final dividend paid in respect of the 2011 financial year (August 2012 - interim dividend for 2012). The dividend declared in March 2013 was the final dividend paid in respect of the 2012 financial year.

An interim dividend of 48.9 pence per share (£134 million) has been declared in respect of the 2013 financial year.

10b. Earnings per share

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Profit for the period after taxation (equity holders)	137.2	128.1	258.4
Weighted average number of shares – basic	273,737,377	271,088,885	271,714,535
Earnings per share – basic	**50.1p**	**47.3p**	**95.1p**
Weighted average number of shares – diluted	274,311,039	271,740,638	272,403,242
Earnings per share – diluted	**50.0p**	**47.2p**	**94.9p**

The difference between the basic and diluted number of shares at the end of the period (being 573,662, H1 2012: 651,753, FY 2012: 688,707) relates to awards committed but not yet issued under the Group's share schemes.

10c. Share capital

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Authorised:			
500,000,000 ordinary shares of 0.1p	**0.5**	**0.5**	**0.5**
Issued, called up and fully paid:			
271,318,837 ordinary shares of 0.1p	-	0.3	-
273,523,594 ordinary shares of 0.1p	-	-	0.3
273,906,710 ordinary shares of 0.1p	0.3	-	-
	0.3	**0.3**	**0.3**

During the first half of 2013, 383,116 (H1 2012: 529,762) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

All of these (H1 2012: 529,762) were issued to the Admiral Group Share Incentive Plan (SIP) Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

No new shares (H1 2012: nil) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme. The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

11. Related party transactions

i) Mapfre

In 2013, the Group participated in transactions with Mapfre S.A., during the normal course of its Car Insurance and Price Comparison operations. Mapfre is a related party of Admiral Group due to its 25% non-controlling interests in Group subsidiary Rastreator.com Limited. Details of total transactions with Mapfre and balances outstanding in respect of price comparison business are given in the table below:

	30 June 2013	30 June 2012	31 December 2012
	£m	£m	£m
Total transactions	0.7	0.5	0.7
Balances outstanding	0.3	0.1	0.2

ii) Lyons Davidson and Cordner Lewis Solicitors

In 2013, the Group participated in transactions with Lyons Davidson and Cordner Lewis Solicitors during the normal course of its UK Car Insurance operations. These companies are related parties of Admiral Group due to their 10% non-controlling interests shares in Group subsidiaries Admiral Law Limited and BDE Law Limited. Details of total transactions with Lyons Davidson and Cordner Lewis in respect of UK Car Insurance business are given in the table below. There are no material outstanding balances at the end of the period.

	30 June 2013
	£m
Total transactions – Lyons Davidson	0.3
Total transactions – Cordner Lewis	0.3

iii) Other

Details relating to the remuneration and shareholdings of key management personnel were set out in the remuneration report of the 2012 Annual Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

The Board considers that only the Board of Directors of Admiral Group plc are key management personnel.

12. Principal risks and uncertainties

The table below sets out the principal risks and uncertainties currently faced by the Group. Those are:

<table>
<tr><th>Risk</th><th>Impact</th><th>Mitigating Factors</th></tr>
<tr><td>1. UK Car Insurance – erosion of competitive advantage

Admiral has typically been able to produce a significant combined ratio advantage over the UK market as a whole. There is a risk that this advantage and/or the level of underwriting profit (and associated profit commission) generated by Admiral could erode.</td><td>The impact on the business would be a worse UK Car Insurance result and lower return on capital employed.

A sustained and uncorrected erosion of competitive advantage could affect the ability of the Group to extend its reinsurance arrangements, which might in turn mean the Group having to hold more capital.</td><td>A wide range of factors contribute to Admiral's combined ratio outperformance of the UK market.

• Experienced and focused senior management and teams in key business areas including pricing, claims management, operations, IT and marketing
• A highly data-driven and analytical approach to business decisions
• Continuous appraisal of and investment in staff, systems and processes
• A track record of innovation and an ability to react quickly to market conditions and developments
• A keen focus on maintaining a low-cost infrastructure and efficient acquisition costs</td></tr>
<tr><td>2. UK & International Car Insurance – claims shocks

The Group is exposed to underwriting risk through its underwriting of motor insurance policies.</td><td>The impact on the Group would be that claims costs could rise significantly above historic or expected levels, reducing the Group's profitability. This could arise from legislative changes, natural or man-made catastrophe events, large claims, fraud or significant increases in claims cost inflation.</td><td>Many of the potential causes of claims shocks are outside the control of the Group and the focus is, therefore, generally on how to prepare for and react to the occurrence of such events.

For very large claims the Group purchases excess of loss reinsurance, which mitigates the loss to the selected deductible amount (typically £5-7 million at total claim level).

Management has an increased focus on the identification and prevention of claims fraud, including material investment in systems and staff.

The Group holds a buffer in booked reserves to cover significant legislative changes impacting existing claims.

The Group continues to hold an additional buffer in its reserves in excess of the projected ultimate outcomes to cover other potential claims shocks.</td></tr>
</table>

3. Geographic and Product expansion – risk of failure There is an ongoing risk that one or more of the Group's new operations fail to become a sustainable long-term business.	The impact on the Group could be higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten the Group's objective to diversify its earnings by expanding in overseas locations.	The Group's approach to expansion is cautious. New insurance businesses tend to start small and are all backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. New price comparison businesses also focus on modest starts with low set-up costs and relatively small initial media spend budgets. This tends to mean that the losses a new operation can incur are minimised whilst management assess the likelihood of the business succeeding. The Directors are mindful of management stretch and regularly assess the suitability of the management structure in place for the Group's international operations.
4. Other revenue – potential diminution. There is a risk that the level of profit earned from additional products and fees per customer will diminish. This might be due to regulatory or legal changes, or customer or market behaviour.	The impact on the Group would be less profit earned on the car insurance portfolios and a lower return on capital employed. The most immediate risk to other revenue arises from regulatory intervention and most notably the referral of UK motor insurance to the Competition Commission. Whilst there are a range of possible outcomes from this study, Admiral is supportive of any changes that are likely to lead to lower claims costs.	Admiral earns other revenue from a portfolio of products and other sources and seeks to minimise reliance on any single item. This would mitigate the impact of a regulatory change which might affect a particular product or income stream. Admiral continuously assesses the value of the products it offers, and makes changes to ensure the products continue to offer value to policyholders.
5. UK Price Comparison – effects of continued competition Admiral is dependent on the four main UK price comparison websites as an important source of new business and growth. The growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of	The impact on Confused.com of higher levels of competition in the price comparison market, either through the aggressive activities of existing players or the entry of significant new participants would be to lower profits. However, a more competitive market might benefit the car insurance business through lower acquisition costs. The impact on the UK Car	The Group's ownership of Confused.com, one of the leading UK price comparison websites, and which operates independently of the UK car insurance business, helps to mitigate the risk of over-reliance on this distribution channel. Admiral also contributes materially to the revenues of the other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost. The management of Confused.com maintain an awareness of the risks of

leads.	Insurance business of losing one or more of the websites would be a potentially material reduction in new business volumes.	continued competition. Management analyse the success or otherwise of all media activity.
6. Co-insurance and reinsurance arrangements Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase return on the capital it does hold) and to mitigate the cost and risk of establishing new operations. There is a risk that such support will not be available in the future if the results and/or future prospects of either the UK business or (more realistically) one or more of the international operations are not satisfactory to the co- and/or reinsurers.	The impact on the Group would be the need to raise additional capital to support underwriting. This could be in the form of equity or debt. Return on capital would likely be lower than current levels.	Admiral mitigates risks to its reinsurance arrangements by ensuring that it has a strongly rated and diverse range of partners. Admiral has enjoyed a long-term relationship with one of the world's strongest reinsurers, Munich Re, which has supported Admiral since 2000. The Group also has strong relationships with a number of other reinsurers, including Amlin, Hannover Re, Mapfre Re, New Re, Swiss Re and XL Re (avoiding reliance on a single partner). In the UK, co- and reinsurance arrangements have been agreed up to the end of 2015, reflecting confidence in the Admiral UK car insurance business. Pricing on these deals was in line with existing arrangements. The long-term co-insurance agreement with Munich Re will remain in place (at 40% of the business) until at least the end of 2016.
7. Credit risk Admiral is primarily exposed to credit risk in the form of a) default of reinsurer; b) failure of banking or investment counterparty.	The impact of the materialisation of a major credit event on the Group may, dependent on its nature and severity, require additional capital to be raised. The Group would also need to ensure that it had sufficient liquid assets to meet its claims and other liabilities as they fell due.	The Group only conducts business with reinsurers of appropriate financial strength. In addition, most reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group holds the cash received as collateral. The Group considers counterparty exposure frequently and in significant detail. There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

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

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of cash flows, the Condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

28 August 2013