Doing what we do, and doing it even better than last year

Admiral Group plc Annual Report and Accounts 2015

Doing what we do best

Admiral Group is one of the UK's largest and most profitable car insurance providers, with over 11% market share and market-leading financial results.

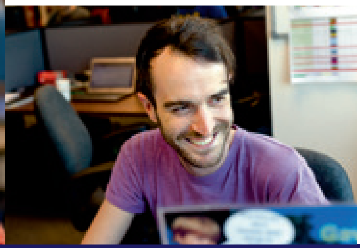
16

awards won by the Group in 2015

The history of the Admiral Group is one of growth, profitability and innovation. Admiral launched in 1993 with just one brand, zero customers and 57 members of staff. Besides the UK, the Group now has operations in Spain, Italy, France and the US, and has over four million customers.

Admiral's strategy is simple: To continue to progress in the UK car insurance market whilst taking what we do well to new markets and products: keep doing what we're doing and do it better year after year.

Admiral is one of the largest employers in South Wales and employs over 8,000 people worldwide.



A great place to work!

We pride ourselves on being a great place to work, and this is reflected in the many awards we win. We are particularly proud of these awards as they are voted for by staff.

Chairman's statement
Alastair Lyons, CBE
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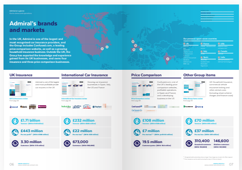

Admiral at a glance
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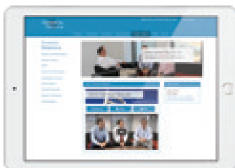
Chief Executive's statement
Henry Engelhardt, CBE
From page 8



Investor relations website
Stay up to date with the latest news and announcements
www.admiralgroup.co.uk

Record full year profit

"A very positive result from Admiral's UK Car Insurance business in 2015 helped the Group post a very pleasing record full year profit of £377 million – 6% higher than last year. We'll also pay a record dividend on the back of that result.

Geraint Jones
Chief Financial Officer

Group highlights

- Group profit before tax*1 6% higher at £377 million (2014: £357 million)
- Earnings per share 4% higher at 107.3 pence (2014: 103.0 pence)
- Final dividend of 63.4*2 pence per share, bringing the 2015 total dividend to 114.4 pence per share, up 16% (2014: 98.4 pence per share)
- Return on equity of 49% (2014: 52%)
- Group turnover*3 up 8% at £2.12 billion (2014: £1.97 billion)
- Group customers up 9% to 4.43 million (2014: 4.05 million)
- International Car Insurance turnover up 13% to £232 million, with customers up 14% to 673,000 (2014: £206 million and 592,600 customers)
- Over 8,000 staff eligible to receive free shares worth a total of £3,600 each in the employee share scheme based on the full year 2015 results

2015
Important moments from our year

*1 Represents Group's share of profit before tax after excluding Minority Interests. Refer to note 12d for a reconciliation to financial statement line items.

*2 Final dividend of 63.4 pence per share includes an additional return of excess capital of 11.9 pence per share. Refer to Chief Financial Officer's statement for further detail.

*3 Turnover is defined as total premiums written (including co-insurers' share) and Other Revenue (excluding vehicle commission). Refer to note 12a for a reconciliation to financial statement line items.

Turnover (£billion)

£2.12bn
+8%

2015	**2.12**
2014	1.97
2013	2.03
2012	2.22
2011	2.19

Customers (million)

4.4m
+9%

2015	**4.4**
2014	4.1
2013	3.7
2012	3.6
2011	3.4

Earnings per share (pence)

107.3p
+4%

2015	**107.3**
2014	103.0
2013	104.6
2012	95.1
2011	81.9

Full year dividend per share (pence)

114.4p
+16%

2015	**114.4**
2014	98.4
2013	99.5
2012	90.6
2011	75.6

Profit before tax*1 (£million)

£376.8m
+6%

2015	**376.8**
2014	356.5
2013	370.7
2012	344.5
2011	299.0

Return on equity (%)

49%
-6%

2015	**49**
2014	52
2013	58
2012	60
2011	59

February

Admiral Group's new headquarters, Tŷ Admiral, was officially opened by members of the Welsh rugby team

February

Admiral Group was named the 5th Best Company to Work For in the UK's Sunday Times Best Companies to Work For list. We also received a special recognition award for being the only company in the list for each of the 15 years since the competition began and CEO Henry Engelhardt won the Best Leader award for the second year running

May

Henry Engelhardt announced he will stand down as CEO of Admiral Group and David Stevens (co-founder) was announced as his successor as CEO

August

Launch of Carfused. Carfused is a one-stop shop that brings insurance, finance and a huge range of used and new cars together all in one place

Carfused by Confused.com

September

ConTe signed an important partnership with Italian football league Serie B and became the official sponsor for the 2015–2016 season

October

Admiral was named the Best Car Insurance Provider at the Personal Finance Awards for the third year running

Staff satisfaction: 'I am happy at Admiral' (%)

84%

2015	**84**
2014	78
2013	88
2012	91
2011	89

Customer satisfaction: 'Following a claim, I would renew with Admiral' (%)

95%

2015	**95**
2014	95
2013	91
2012	90
2011	91

Admiral is different

2015 in summary

- Group pre-tax profits grew by 6%
- UK Car Insurance business improved profits by 11% to £443 million
- Growth in our young UK household book to over 300,000 customers
- Admiral Seguros, our Spanish insurance operation, achieved break-even (on an underwriting year basis*1) in fiercely competitive market conditions
- ConTe, our Italian insurance operation, achieved growth and a further year of profitability
- Elephant Auto in the US achieved strong growth and is preparing to expand its operations into more states
- Our French motor insurance business, L'olivier – assurance auto, grew strongly
- Rastreator and LeLynx, our price comparison businesses in Spain and France are market leaders
- Continued investment in compare.com to build acceptance as a successful distribution channel
- Confused.com continues to battle in a mature UK market

> "A business is as good as its people and we at Admiral are hugely fortunate to have great people whose commitment, energy and initiative allows us to create great value for our shareholders.

Succession

As was announced last May, Henry Engelhardt will step down as Group Chief Executive in May 2016. There is no way to measure adequately the contribution of a founder of a business that has grown from zero to now worth almost £5 billion, employs over 8,000 people and serves more than 4 million customers. When we floated on the London Stock Exchange in 2004 it was under the by-line 'Admiral is Different' and this has been something we have always tried to be, not different for the sake of being different, but different to create value for our shareholders.

So what makes us different?

- That all employees of Admiral are shareholders.
- That we distribute each year all our profits over and above what we need to support and grow our business.
- That we have the lowest combined ratio amongst our major UK competitors.
- That we are the only company to have been in the Sunday Times Best Companies to Work For list every year for the last 15 years.
- That all our growth, at home and overseas, has been organic with the Admiral culture strongly embedded wherever we operate.

And I could go on much longer. In so many areas of difference the original thinking has stemmed from Henry's refusal to accept the status quo and the conventional, from his asking 'Why?' and from his recruitment of those who think like him and share the same values.

When any new employee joins Admiral's UK operations Henry gives them a piece of a jigsaw – a jigsaw is not complete until every piece is in place, no matter how small it may be; similarly, in Admiral every role has a contribution to make and is to be valued on the merits of the individual, not their status. As Henry said at a recent Staff General Meeting in which over 5,000 staff in the UK take part each year, what will continue to make Admiral different is not what the Board will do 'but what you, you, you, and you will do'.

On behalf of the Board and the entire Group I want to thank Henry for everything he has done over so many years and to say how delighted we all are that he will continue to work within the Group looking after our price comparison businesses around the world.

I said that Admiral's original thinking in part stems from those Henry has recruited and who share the same values. David Stevens, who takes over from Henry as Group CEO, was the second person Henry recruited to work alongside him to found Admiral. For the last seven years David has led the UK business and has been instrumental, alongside Henry, in shaping Admiral's course and the strong performance that has been achieved. When asked about succession my reply has always been that I am extremely fortunate as Chairman

*1 Refer to the glossary for the definition of underwriting year basis.

to have two people leading a business, both of whom could be CEO, and one of whom is four years younger than the other! Since we announced Henry's retirement last year we have been able to implement a seamless transition of leadership.

2015 in overview

In my statement last year I wrote that 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. It is encouraging that in 2015 it was appropriate to grow in four of our five car insurance businesses and particularly that market conditions were right to resume modest growth in the UK.

Admiral's combined ratio advantage compared with the UK motor market as a whole has always made it appropriate to grow when rates start to move upwards, our raising prices at a somewhat lower rate than the market as a whole. This was true of 2015, the improvement in our competitiveness showing through as a 5% growth in our UK motor base which stood at 3.30 million vehicles at the year end. We were also pleased to grow further our young UK household book, itself reaching over 300,000 customers at 31 December.

It is well understood that our reserving practice is to adopt a very prudent assessment against the range of possible outcomes whilst claims are in the early stages of development and then to release as we understand better the final cost of the claim. Alongside growth of our book in the UK last year we also experienced pleasing development of past years' motor claims, allowing us to make a higher than normal release of reserves whilst maintaining a prudent position overall.

The turn of the market, strong claims experience, and our low cost culture allowed our UK car insurance business to improve profits by 11% to £443 million.

This in turn supported increased investment in our young international car insurance and price comparison businesses, in particular in the US, whilst at the same time growing by 6% the level of Group pre-tax profits as a whole.

As a result we now have 673,000 motor customers overseas and our price comparison businesses in France and Spain are market leaders. Our Italian motor insurance business, ConTe, achieved both growth in its book in 2015 and a further year of profitability whilst our French motor business, L'olivier, grew strongly albeit off a low base. Elephant Auto in the US also achieved strong growth and is preparing to expand its operations into further states as it grows towards the scale required of a profitable operation. It was only in Spain that market conditions remained fiercely competitive with falling prices, making growth undesirable and management instead focused on achieving break-even, something the business achieved on an underwriting year basis.

Our price comparison operations range from the fully mature and intensely competed market in which Confused.com has to do battle in the UK through to the newly emerging in the US where we will continue our investment in compare.com to build both general market awareness and acceptance by insurers as a successful distribution channel. In the middle of this range we have businesses in France and Spain that, whilst in themselves market-leading, are still developing their channel credentials, both in insurance and other lines of business that lend themselves to internet-based comparison. All of these markets call for creativity to compete successfully, whether it be introducing European-style price comparison to the US market or making the most of the change in French law that makes it easier for consumers to switch motor insurers.

Our capital structure and dividend policy

We announced in December how the Prudential Regulatory Authority (PRA) has ruled on what capital we need as Solvency II comes into effect in 2016. As we had anticipated, we entered Solvency II with a significant surplus of actual against required capital. It will, however, be 2017 before we know fully what our Solvency II capital requirement will be, as we have agreed with the PRA to transition from the standard formula to a partial internal model. In the face, therefore, of a degree of ongoing uncertainty we have decided to release this surplus progressively as we transition to the new basis of calculating required capital. The first element is the release of £33 million into the 2015 final special dividend.

We have also reviewed the split between normal and special dividends. Since we floated in 2004 we have maintained our normal dividend at 45% of each year's earnings and then distributed as a special dividend the surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers. In practice we have every year distributed 90% or more of each year's earnings, in the light of which we believe the normal level of dividend is set too low. We are, therefore, raising this to 65% with effect from 2015 but in all other respects our dividend policy remains the same: we expect, for the foreseeable future at least, to continue to distribute, in total, the same proportion of our earnings as in the past.

This year's available surplus allows full year normal and special dividends of £283 million, representing a 96% distribution. Adding to this the above release of surplus capital, and calculating the normal element of the final dividend at 65% of post-tax profits, our full year dividends amount to a normal dividend of 57.9 pence per share, and special dividends of 56.5 pence per share.

Other Board changes

At the end of August last year we said goodbye to Manfred Aldag when he retired from Munich Re. With a wealth of insurance experience Manfred made a great contribution to Admiral's success over the 12 years he served on our Board and he will be much missed, both as a colleague and a friend.

Our 2016 AGM will also see the retirement of Lucy Kellaway and Margaret Johnson, both of whom joined the Board in 2006 and will, therefore, have served three full terms as Non-Executive Directors. They will long be remembered for their wise counsel given their ability, coming from outside the world of insurance, to approach sector and company issues from a fresh perspective.

During the year we welcomed Manning Rountree and Owen Clarke to the Board. Manning is a senior executive at the White Mountains Insurance Group, a publicly-traded holding company for insurance and financial services interests around the world. Now that Admiral has both developing auto insurance and price comparison businesses in the United States we are fortunate to have someone of Manning's experience in the US insurance sector joining our Group Board. We already much value his input as a member of the Board of compare.com, our US price comparison business in which White Mountains has an investment. Owen is currently the Chief Investment Officer of Equistone (formerly Barclays Private Equity): he served as a Director of Admiral from 1999 to 2004 when it was a private company having led BPE's participation in the MBO of Admiral in 1999. I am delighted that Owen is now able to rejoin the Board of Admiral; he has an excellent understanding of our business and a great commercial record, and we look forward to once again benefiting from his experience.

Thank you

A business is as good as its people and we at Admiral are hugely fortunate to have great people whose commitment, energy and initiative allows us to create great value for our shareholders. My grateful thanks to all who make up the jigsaw that is Admiral.

But a business is nothing without customers: my thanks to all our customers for their trust and confidence which we shall do our utmost to ensure are not misplaced.

Alastair Lyons
Chairman
2 March 2016

Admiral's brands and markets

In the UK, Admiral is one of the largest and most recognised car insurance providers, and the Group includes Confused.com, a leading price comparison website, as well as a growing household insurance business. Outside the UK, the Group has exported the knowledge and experience gained from its UK businesses, and owns four insurance and three price comparison businesses.

UK Insurance

Admiral is one of the largest and most profitable private car insurers in the UK

UK Car Insurance review
From page 20

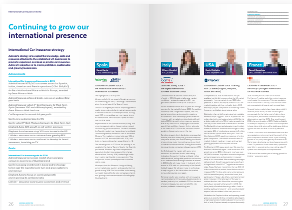
Admiral · Bell · elephant · Diamond

£1.71 billion
Turnover (2014: £1.60 billion)

£443 million
Pre-tax profit*1 (2014: £398 million)

3.30 million
Customers (2014: 3.15 million)

International Car Insurance



Growing car insurance businesses in Spain, Italy, the US and France

International Car Insurance review
From page 26

balumba seguros · Qualitas Auto · ConTe.it · Elephant Auto Insurance · L'olivier assurance auto

£232 million
Turnover (2014: £206 million)

£22 million
Pre-tax loss*1 (2014: £20 million)

673,000
Customers (2014: 592,600)

Our presence spans seven countries

1 UK
Admiral
Bell
Diamond
elephant.co.uk
Confused.com
Carfused
Admiral Household
Gladiator
Admiral Law
BDE Law

2 France
L'olivier – assurance auto
LeLynx

3 Italy
ConTe

4 Spain
Balumba
Qualitas Auto
Rastreator
Seguros.es

5 USA
Elephant Auto
compare.com

6 Canada
Admiral

7 India
Admiral Solutions
Admiral Technologies

Price Comparison

Price Comparison review
From page 30

Confused.com, one of the UK's leading price comparison websites, profitable operations in Spain and France, and a developing business in the US

£108 million
Turnover (2014: £108 million)

£7 million
Pre-tax loss[*1,2] (2014: profit £4 million)

19.5 million
Customer quotes (2014: 18.4 million)

Other Group items

Other Group items review
From page 33

UK Household Insurance, commercial vehicle insurance broking and other central costs (including share scheme charges and finance costs)

£70 million
Turnover (2014: £55 million)

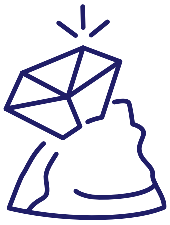
£37 million
Pre-tax loss (2014: £25 million)

310,400
Household customers (2014: 162,600)

146,600
Gladiator customers (2014: 143,900)

*1 All segment results exclude share scheme charges. These charges are included in the 'Other' segment.
*2 Price comparison pre-tax results excluding the impact of Minority Interests.

The year of the uncut diamond



In summary

Record profits, turnover again over £2 billion, record dividend, increase of 9% in number of policyholders and profits in Italy

Break-even result in Admiral Seguros, our Spanish operation, was a great achievement

UK business – rate increases ahead of the market, shift in risk profile and continued attention to operational detail all led to an excellent economic outcome

> **"2015 – we know there's certainly good value in there, after all, it's a diamond, but exactly how much value? Time will tell.**

Henry Engelhardt, CBE

I actually started doing end of year commentaries a few years before we went public such that this is my 16th statement. The first one was for the 2000 year and the highlight was the launch of our internet brand, elephant.co.uk. At the end of 2000 we employed 1,300 people on two sites and our turnover that year was £265 million. Compare that with the end of 2015 where we employ over 8,000 people on umpteen sites and turnover was over £2 billion.

I would sum up all our results since 2000 as being akin to a seedless watermelon: tasty and refreshing but somehow you always wonder 'how can that work in the future?' Every year Admiral's customer growth and profit growth always seems to take people a bit by surprise. Despite the fact that we've prospered in good economic times and bad economic times; that we've prospered when prices for car insurance were on the rise and when they weren't; that we've prospered even allowing for investment in new operations outside the UK; and that we've done it all organically, without any acquisitions. Despite this history we seem to surprise people when we pop up out of the ground each spring with better results than the year before.

2015 was no exception: record profits, turnover again over £2 billion, record dividend, increase of 9% in number of customers, profits in Italy, break-even in Spain… I would describe 2015 as: the year of the uncut diamond. When the year started many people thought it would turn out to be a lump of coal. But no, as the results detailed in the pages to follow will show, 2015 was no lumpy coal year. How good a year was it? Well, that's why it's an uncut diamond. We know there's certainly good value in there, after all, it's a diamond, but exactly how much value? Time will tell.

A lot of good things happened in 2015. For the sake of allowing you to finish this statement in a conscious state, let me highlight but two.

First, and key to the overall result, the UK insurance business. The work we did on the UK business in terms of rate increases ahead of the market (started in, but not limited to, 2014), the shift in the risk profile of the account over time and the continued attention to operational detail all led to an excellent economic outcome. Also, trust me, money from back year releases actually spends exactly the same as any other money. And there's more where that came from.

Following on from the success of ConTe, the break-even result in Admiral Seguros (AS) (actually a profit of €1.4 million), our Spanish operation, was a great achievement. The Spanish market is very different from the UK: it's short tail, small bodily injury claims, low propensity of consumer shopping, low average premiums, high acquisition costs and little or no market cyclicality… And so over its nine year life we've kept AS small, worked on the quality of the business and the efficiency of the operation. But we needed to prove that break-even could be achieved. Anyone who has tried to get a direct operation to break-even on just 160,000 customers, with low average premiums, will tell you that it's very challenging. A direct operation has overheads that are in place whether there are 160,000 or 1,160,000 customers. And an operation with only 160,000 customers has far less data to work with than a bigger organisation.

A look at the years according to Henry…

Since launching Admiral in 1993, Henry has often described the years through the use of metaphors. Here are a few of his most recent…

2007: The Sloth
UK car insurance market cycle is turning with sloth-like speed

2008: The Koala
A sleepy year on rates… but can be nasty if provoked

So it is with great pride that I can tell you that Admiral Seguros made a modest profit in 2015. And it is equally with great pride that I will tell you that AS will not break-even in 2016! Now we are ready for growth, but growth in Spain is expensive. So we will return to losses in the near term. But we did not enter this market to create a very small business that breaks even; we are here for a bigger slice of the paella.

There were other big successes in the Group in 2015, but I will let others tell those stories. There were also some things that didn't go according to plan. I'll definitely let others tell those stories!

As most of you know, this is my last CEO commentary. Last May I gave my one year's notice and so my last day as CEO will be May 12, 2016. I'll be turning over the CEO role to my longstanding colleague and friend, David Stevens. You may be surprised to know that David's actually quite a bit younger than I am. But I'm sure he will use his combination of youth and experience to bring Admiral Group to the next level.

David and I met almost 30 years ago at business school. We did some great projects together there including one on perfume advertising and another on what a beer bottle says about the beer inside. In 1991 I was recruited by a managing agency at Lloyd's of London to set up and run what's become Admiral Group. David was working as a Management Consultant in a blue chip firm but I thought, why not ask him if he'd be interested to join this car insurance start-up? And, much to my surprise, he said 'yes'! I officially started with Admiral in June 1991 and David came on board in August.

One of the keys to the success of our partnership has been to make arguing an art. The next time David and I agree on something I suspect will be the first time. I jest. Sometimes we did agree. I remember once back in 1996… But we do push each other hard and the debates and discussions we have invariably improve the end result. We both like to challenge the status quo and we make each other think. But the real key to success was that we never lost sight of the fact that both of us always had the same goal: make Admiral great. This meant that we walked away from every debate and discussion, no matter how fierce or passionate, as good friends. The other key to success has been to laugh together. We laugh at each other and we laugh at the world around us. I've shared more laughs with David than with any person other than my wife (who is still not for sale!).

I'm pleased to say too that I will stay on with Admiral on a part-time basis. I'll help David by managing the price comparison business CEOs.

I can also say that I wouldn't be stepping aside if I didn't feel we had depth in management below David. If the people working in key roles around the Group today don't do great things in the future then it will be my fault for not working more closely with them when I had the chance. The true evidence of my confidence in them is that I'm stepping aside to give them space to make their mark.

As this is my final CEO commentary I'll ask you to indulge me as I answer two questions. First, what will I miss when I step down and, second, what am I most proud of in my Admiral years?

There are many things that I'll miss when I step down in May, but let me share three of them with you.

" I would sum up all our results since 2000 as being akin to a seedless watermelon.

I'll miss coming in each morning and seeing how we did yesterday. I'll especially miss those days when one of our operations has broken a record – quotes, sales, etc. But I'll even miss looking at the reserve movements across all the businesses each morning and that nervous moment near the end of the month when the UK claims department puts the reserves on new injury cases… I remember in the very beginning of Admiral we were able to hit the refresh button during the day and find out how many sales had been made up to that minute. But managers were hitting refresh so frequently that the system was grinding to a halt! So we had to move to yesterday reporting. It may be a serious compulsive behaviour issue to look over your shoulder at yesterday all the time, especially for the size of business we've become, but it's still one of the little pleasures for me.

Second, I'll miss the way my PA of 18 years, Julie, says 'good morning' in such a positive way every morning, even when it's dark and wet and cold (most mornings actually) such that you can't help but think that, yes, maybe it really is a good morning!

Lastly, the thing I know for sure I'll miss most – that's working with the people I work with. I am very, very lucky to work with people I enjoy working with. No, we don't always agree on everything and there have certainly been good days and bad days, but I enjoy the challenges we work on together, the conversations, the problems, the attempts at solutions, the coffees and lunches, even the disagreements, and I enjoy seeing the spirit they bring to work every day. Especially that spirit. The people I work with bring with them a rare desire to improve and succeed, as the economist Joseph Schumpeter put it long ago: 'there is the will to conquer, the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself.' I look forward to my calls, my meetings and my trips around Admiral Group. And that's because the people I work with care: they care about what they do, they care about the company, they care about each other and, perhaps most importantly, they care about everyone who works in Admiral Group. I hope that care lasts for a long, long time.

Finally, people ask me what I'm most proud of. That's easy. I'm most proud to be part of an organisation that combines economic success with people being happy to come to work every day. In fact, what I'm really most proud of is that we had the ability to see that IF people are happy in their jobs every day THEN the chances for economic success are greatly enhanced.

Thanks for reading.

Henry Engelhardt
Chief Executive Officer
2 March 2016

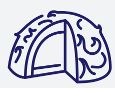
2009: The Ox
A lot of hard labour

2010: The Puppy
A cute, cuddly year

2011: The Chameleon
Quite useful but changeable

2012: The Kangaroo
Bounces around but… strong and energetic

2013: The baked potato
Comfort food: solid yet unflashy

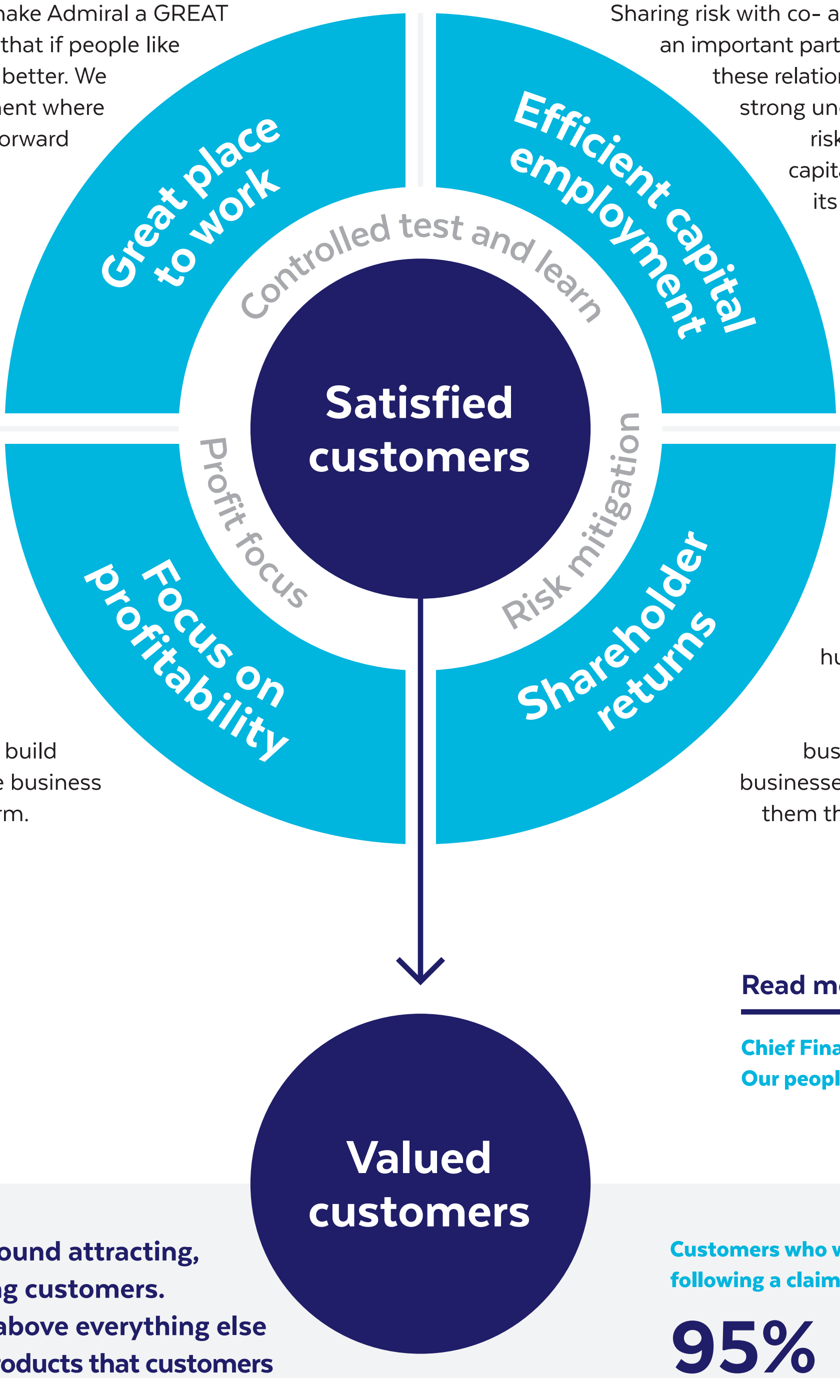


2014: The baked Alaska
Hot and cold in a single bite

Prioritising satisfied customers and happy staff

We go out of our way to make Admiral a GREAT place to work and believe that if people like what they do, they'll do it better. We have created an environment where Admiral employees look forward to coming to work and providing great service to customers.

Sharing risk with co- and reinsurance partners is an important part of Admiral's business and these relationships are underpinned by strong underwriting results. Sharing risk allows Admiral to provide capital backing for a minority of its business. This results in a superior return on capital for Admiral shareholders whilst also providing financial support if things go wrong.



Admiral continues to focus on bottom-line profitability in the short, medium and long term, and this perspective guides the decisions we make across all of our business operations. The Group's strategy is to build profitable and sustainable business operations for the long term.

We are committed to returning excess capital to shareholders. At Admiral we believe that keeping management hungry for cash keeps them focused on the most important aspects of the business. We don't starve our businesses, but neither do we allow them the luxury of excess capital.

Read more

Chief Financial Officer's review p16
Our people p38

Every day revolves around attracting, keeping and satisfying customers. We value customers above everything else and strive to design products that customers want and that represent value for money.

Our staff and departments are rewarded through incentive schemes that place emphasis on customer service, which is crucial to our success.

In 2015 we were honoured to be again voted by consumers as the Best Motor Insurance Provider at the Personal Finance Awards for the third year in a row.

Customers who would renew following a claim (%)

95%

2015	**95**
2014	95
2013	91

Target: >85%

Admiral has been in the Sunday Times 100 Best Companies to work for list every year since its inception which is why in 2015 we won a special award for that very fact.

Satisfying

Our approach

Risk mitigation

Admiral has always sought to protect its downside and this is characterised by: the reinsurance model; a very conservative approach to claims reserving; an organic growth strategy; a test and learn approach of taking measured steps before investing further; and a conservative approach to investment management.

Profit focus

Admiral is focused on bottom-line profitability in the short, medium and long term across all its business operations. We don't spend too much time thinking about things like our market share and size or target customer numbers; these factors are all by-products, not drivers, of the decisions that we make that are focused on generating profits.

Controlled test and learn

All our growth, at home and overseas, has been organic. We have built each business from the ground up, identifying and understanding the opportunity, taking measured steps to test how well we understand the challenge ahead and the effectiveness of our solutions, and then to learn from that experience and from the experience of those who have tried other strategies.

Customer Services, New Business and Renewals call answer rates (%)

94%

2015	**94**
2014	95
2013	92

Target: >90%

Claims call answer rate (%)

97%

2015	**97**
2014	98
2013	95

Target: >90%

Complaints per 1,000 vehicles

1.0

2015	**1.0**
2014	1.0
2013	1.2

Target: <1.4

Doing what we do, and doing it even better than last year

Our strategy is simple: we aim to build on our existing strengths. We've broken this down into four key objectives.

What we're doing

Performance

Maintain strong performance of our UK Car Insurance business

What this means

Stay ahead of the competition – in particular maintaining a material combined ratio advantage. This means underwriting profitable business and pricing effectively for risk, providing great customer service and maintaining a cost-conscious culture.

Our focus for 2016

Respond to UK market conditions – implement price changes where appropriate and control claims and expenses.

Inspiring

CEO Henry Engelhardt has been awarded the Best Leader Award twice in a row by Sunday Times 100 Best Companies to Work for.

Presence

Further grow our presence where we are established in Europe

Develop profitable, growing, sustainable businesses in insurance and price comparison that mirror the UK model by building on the brand profiles developed by our strong management teams.

Continue with the plan:

- Build on ConTe's second year of profits with more policy growth.
- Admiral Seguros can break-even on a relatively small policy base – we now plan to take advantage of the change in 'Baremo' to grow.
- L'olivier – assurance auto to take advantage of French legislative change and grow.
- Generate further growth from Rastreator and LeLynx's market-leading positions in the Spanish and French price comparison markets by a focused brand strategy and multi-product offering.

Opportunities

Take advantage of opportunities presented by the US auto insurance market

Learn from our experiences in the UK and Europe and export those learnings to the US. Understand the US consumer: what insurance cover and products they want and how they want to buy them. Educate the US consumer: shopping for car insurance online is a good thing!

Raise the profile of Elephant Auto – grow the customer base in the existing states in which we operate and expand into further states.

Capitalise on the strong insurer panel developed on compare.com during 2015 and increase marketing in key states to raise brand profile.

Products

Establish new products which use our existing expertise

Test and learn approach utilising our existing skills and expertise to develop products that customers want and that represent value for money.

Continue to develop household as price comparison becomes a stronger market for shopping for household cover.

European turnover (£million)

£137.7m

-2%

2015	**137.7**
2014	139.9
2013	147.0
2012	128.8

Elephant Auto turnover (£million)

£94.7m

+43%

2015	**94.7**
2014	66.3
2013	40.8
2012	30.4

Household customers

310,400

+91%

2015	**310,400**
2014	162,600
2013	43,600

European customers

532,800

+10%

2015	**532,800**
2014	483,700
2013	445,000
2012	383,550

Elephant Auto customers

140,200

+29%

2015	**140,200**
2014	108,900
2013	70,300
2012	52,450

An exciting, dynamic organisation

In a year of leadership transition, what have you been talking about?

Henry-ism: The internet is an irresistible force

Q 25 years in one industry, one company is a long time. Besides the internet, what has been the biggest change to the car insurance industry you've seen?

A Henry: Wow, glad you asked that question! I think the biggest change has been the sophistication of pricing. When we were working on the business plan for Admiral we would, literally, go into a broker's office and ask for a quote and the broker would take out a laminated paper with a company's rating engine on it. He would then go through the questions with us at the counter, using the paper to do the maths that would determine the quote. One time we asked the broker for the laminated paper, he gave it to us and so we had all of General Accident's rates!

Another time, we were doing some rate testing before we launched and we noticed that one firm we were friendly with at the time didn't rate for roofers. So we asked the Underwriter, why didn't he rate for roofers? He thought for a minute and then said, 'Don't like roofers.'

In our early years I'd take the rating table results home with me on the weekend and come back with three or four rate changes to make.

Today rating is a massive mix of questions, information, multi-dimensional tables, scoring, etc. Pricing has gone from art to mathematical science.

Henry-ism: The Customer, the customer, the customer

Q What do you see as the next big challenge for the UK motor insurance industry?

A David: In the short term, the biggest single challenge is to work out how to turn telematics from a high premium niche product accounting for less than a tenth of market new business volumes, to a mass market offering. Part of that evolution will, in the medium term, involve increased co-operation between insurers and vehicle manufacturers.

Q You have announced an additional return of capital as part of the 'special' dividend for 2015. Could you explain why and should shareholders expect more of these additional returns?

A Geraint: We anticipate that the additional payment of 11.9 pence per share we've announced as part of the final 2015 dividend is the first of a number of additional special returns to shareholders over the next two to three years which we expect to total about £150 million to £200 million.

This comes about as a result of Admiral entering the new Solvency II regime with surplus capital, and, consistent with our belief in not holding excess capital in the company, we plan to return that surplus to shareholders.

A level of uncertainty associated both with transitioning to the new regime and our planned application for approval to use an internal model for solvency capital requirements in 2017 means we will release this surplus capital gradually over the next couple of years.

David Stevens, CBE
Chief Operating Officer

Henry Engelhardt, CBE
Chief Executive Officer

Geraint Jones
Chief Financial Officer

Q What are the biggest changes you have seen in Admiral?

A **Henry:** The development of the culture is something I've watched with great pride. We are such a better company today than we were 20-odd years ago. But we've taken the things that just seemed like common sense to us then, like treating all staff with respect, not being afraid to say 'thank you', having a good time in the office while still working hard ... and we've made those the corner-stones of how we work.

Another big change has been our internationalism over the last 10 years. Not only do we have operations in 5 countries, but we share knowledge and we also get to know other cultures. As these international operations have grown, and all of them have faced different challenges, different from each other and different to the UK, we are all able to learn from the way those challenges are tackled. It's interesting to see, for example, that our Spanish team in Seville supports the IT development for France and Italy. Despite all the differences we all share some of the Admiral basics. When you go to an Admiral office, whether it's in Gurgaon, Richmond, Seville, Lille or wherever, you know it's an Admiral office.

Henry-ism: Have fun, satisfy customers, make money

Q Your Household business is growing. What changes have you seen and how do you see this market developing?

A **David:** The household market is in the process of being transformed by price comparison sites. By this time next year, it's likely that over half of sales of household policies will be via price comparison sites.

This gives opportunities to new entrants such as ourselves to grow a significant business cost effectively. In the medium term, the size of the opportunity will also depend on two, as yet unproved competencies – the ability to cross-sell to add another source of material, cost effective acquisition and the ability to price better than competitors to add a claims ratio advantage to our expense ratio advantage.

Q What does Solvency II mean for Admiral's dividend policy?

A **Geraint:** Entering the new regime prompted a review of the policy (which had been in place since we floated in 2004) and we are making a change to increase the normal dividend level from 45% to 65% of post-tax profits. We will also continue to return to shareholders excess capital beyond what we need to keep in the company for solvency and buffers.

Whilst we don't expect a change in the total dividend payout ratio for the foreseeable future, we think that the increase in the normal element results in a better balance between normal and special, in light of the fact that Admiral has paid out over 90% of earnings to shareholders every year since float. Including the final 2015 dividend, we've paid out a total of £2.07 billion in dividends in just over 11 years – 2.9 times the value of Admiral at IPO.

Henry-ism: The team, the team, the team

Q Can you fast forward 25 years to see the car insurance industry and Admiral of the future?

A **Henry:** No.

That's the short answer. The long answer is that I don't know what it will look like, but I know it won't look like what it looks like today!

My prediction is that there will be many, many more vehicles, including flying ones. I say this because as vehicles are created that have fewer and fewer accidents I don't think they'll need to be made of heavy metals. So they will be made of things like plastic, or paper, or bamboo or whatever. They'll be lighter and less costly to make (3D printed cars?) and so more and more people will own more and more cars. And there will still be a need for insurance, liability, storm damage, vandalism, theft, etc., but premiums will be very modest. So whereas the UK today is some 27 million private vehicles with premium of, say £11 billion, in 25 years you might have 50 million vehicles for the same population and premium of £9 billion. Check back in 2041 and we'll see if I'm right or not!

The Admiral of the future will be a different organisation. That's because Admiral is like a living culture, it's always changing, to grow something new... It's one of the reasons Admiral is such an interesting place to work: because we never sit still. I suspect we'll be doing a whole lot more than car insurance but exactly what I do not know. What I sincerely hope however, is that Admiral is still run by nice people (nicer than me, for sure!) who support each other when things don't go well and know how to celebrate success when they see it.

Henry-ism: Nothing succeeds like success

Q How do you see the Group's strategy changing under your leadership?

A **David:** Not a lot. It would be surprising if I said anything else given that I've been on the Board and working with Henry throughout our Admiral life. That's not to say that our strategy won't evolve, notably in response to changes in the markets in which we operate and new markets we may enter.

Q You mentioned planning to seek approval to use an internal model in 2017. What does this mean and what are the steps to get there?

A **Geraint:** Although Admiral will use the Solvency II Standard Formula to calculate capital requirement in the initial stages of Solvency II being live, we plan to apply in 2017 to use our own model for that calculation. The model will capture all aspects of Admiral's business and better reflect our risk profile (something the Standard Formula doesn't do well, hence the Capital Add-on).

If we make the application in 2017, the earliest we expect to be able to use the model for the capital requirement is the end of that year.

One benefit of applying for model approval after a number of other insurers have been through the process is that we're able to take the lessons learned in that first phase and hopefully benefit from them in our programme. We'll keep you updated.

A record profit and a record dividend

In summary

Record Group full year profit*1 for 2015 of £377 million (2014: £357 million)

Record regular dividend of 51.5 pence per share together with a return of excess capital representing 11.9 pence per share

Record UK car insurance profit of £443 million and encouraging signs of market rate increases

Over 4.4 million Group customers

Substantial growth in UK household insurance

Geraint Jones

A very positive result from Admiral's UK Car Insurance business in 2015 helped the Group post a very pleasing record full year profit of £377 million – 6% higher than last year. We'll also pay a record dividend on the back of that result (more on which below). The business review that follows contains a number of financial and operational highlights. I'd draw out:

- Our continued substantial growth in UK household insurance (plus a small profit, a market-beating expense ratio and very limited exposure to the terrible UK weather in the latter part of 2015).
- Another profit in ConTe in Italy with continued improvements in prior year claims reserves.
- The (successful) first stage release of our new IT system, Guidewire, in the UK.
- A successful end to our Solvency II implementation efforts and a very strong capital position entering the new regime.
- Ending 2015 with over 4.4 million insurance customers (+9%), 25% of which are in businesses beyond UK car insurance and almost 700,000 outside the UK.
- Of course, the record UK car insurance profit (£443 million), coupled with 5% growth in customer numbers and encouraging signs of market rate increases in the second half of the year.
- Agreeing extensions to UK car insurance reinsurance agreements out to the end of 2018.

To balance things a little, Confused.com experienced another tough year and saw profits fall to £12.5 million from £15.8 million. And, as Kevin explains in his note, the loss ratio at Elephant Auto came under pressure this year.

Along with hangovers and apocalyptically bad weather, 1 January 2016 also saw the implementation of the new European Solvency II regime. As we've said previously, Admiral is initially using the Standard Formula to calculate its requirement and has agreed a capital add-on with the Prudential Regulation Authority which reflects risks specific to Admiral that aren't captured by the Standard Formula.

We prepared well for the new regime and go into 2016 with a healthy capital position. Consistent with our long-standing belief in not holding excess capital in the company, we intend to return to shareholders funds that aren't needed for solvency and buffers. There are though a number of uncertainties that remain, not least of which is our plan to submit an application for approval to use an internal model to calculate capital requirements during 2017 and also the 2016 year-end reassessment of the capital add-on by the PRA. We, therefore, think it's prudent to return the capital surplus gradually, whilst the uncertainty reduces over the next two to three years. The final 2015 dividend includes the first such additional payment of £33 million or 11.9 pence per share. We'll separately identify these returns of capital as we make them.

Turnover (£billion)

£2.12bn

+8%

2015	**2.12**
2014	1.97
2013	2.03
2012	2.22
2011	2.19

Profit before tax*1 (£million)

£376.8m

+6%

2015	**376.8**
2014	356.5
2013	370.7
2012	344.5
2011	299.0

*1 Represents Group's share of profit before tax after excluding Minority Interests. Refer to note 12d for a reconciliation to financial statement line items.

> **"The final 2015 dividend totals 63.4 pence per share (£175 million). This includes a regular level of dividend of 51.5 pence per share equal to 98% of earnings per share, plus a return of excess capital of 11.9 pence per share.**

We are also announcing a change in our dividend policy involving an increase in the ordinary dividend level (to 65% of post-tax profits from 45%), with a continuing commitment to distribute whatever earnings we do not need to retain to support and develop the business. The increased ordinary percentage results in a more appropriate balance between normal and special dividends, but for the foreseeable future we expect to see similar total payout ratios to previous years.

The final 2015 dividend totals 63.4 pence per share (£175 million). This includes a regular level of dividend of 51.5 pence per share (representing normal and special elements) equal to 98% of earnings per share, plus the 11.9 pence per share additional return I refer to above. Further detail on the Solvency II capital position and dividends is included in the Business Review.

2016 brings monumental change for Admiral Group as one of our founders Henry Engelhardt retires from full time Group CEO duties. We're grateful Henry is staying with the Group to manage the price comparison CEOs, but there's no doubt he'll leave a very big hole. Alastair has paid appropriate tribute to Henry's contribution to Admiral earlier in the report (and soon-to-be Group CEO David has his say shortly), so I'll just say that I count myself very lucky to have had the chance to work for Henry and, equally so, that my next boss and Admiral's next CEO is David Stevens.

Geraint Jones
Chief Financial Officer
2 March 2016

Group results and dividend

- Pre-tax profits*[1] increased 6% to £376.8 million (2014: £356.5 million).
- UK Car Insurance profit increased by 11% to £443.0 million (2014: £398.0 million).
- International Car Insurance losses totalled £22.2 million (2014: £19.9 million).
- The combined Price Comparison business made losses of £7.2 million (2014: profit £3.6 million) reflecting the investment in compare.com.
- Other Group Items, including employee share schemes*[2] and net debt financing charges, amounted to a cost of £36.6 million (2014: £24.6 million).

The increase in Group profit was predominantly due to the result of the UK car insurance business, offset by the ongoing investment in compare.com – the Group's US comparison business (Admiral's share of the loss was £21.5 million in 2015 (2014: £15.0 million)).

Group turnover of £2.12 billion increased by 8% compared to 2014 (£1.97 billion). This was mainly due to the impact of growth across the operations and, in the UK Car Insurance business, improved retention and the impact of an increase in average premiums. During 2015, the Group increased its customer base to 4.43 million from 4.05 million at 31 December 2014, year-on-year growth of around 380,000 (9%).

Further details by segment are set out below.

Earnings per share

Earnings per share increased by 4% to 107.3 pence (2014: 103.0 pence). The increase is lower than the increase in pre-tax profit due to a slightly higher effective tax rate in 2015 (21%) compared to 2014 (20%).

Dividends

The Directors have announced a change in the Group's dividend policy to increase the ordinary dividend level to 65% of post-tax profits from 45%, and a continuing commitment to return excess capital to shareholders beyond what is required to be held to meet solvency requirements and buffers. The increase in the normal percentage reflects a better balance between the normal and special elements of the dividend.

In addition, following the calculation of the Group's regulatory capital requirement under Solvency II, and the approval of a capital add-on to the Standard Formula by the Prudential Regulatory Authority (PRA), the Directors have proposed an additional return of capital representing an element of surplus capital not required for solvency. The Group will adopt a phased approach to returning this surplus to shareholders, recognising the Group's plan to submit an application for approval to use an internal model to calculate capital requirements during 2017 and the reassessment of the capital add-on at the end of 2016.

The special dividend and the additional return of capital are 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 Directors have therefore proposed a final dividend for the financial year of 63.4 pence per share.

The final dividend of 63.4 pence per share is, therefore, made up of three elements:

- 33.6 pence per share representing a normal element, based on the updated dividend policy of distributing 65% of post-tax profits.
- A special element of 17.9 pence per share.
- An additional return of capital of 11.9 pence per share, representing an element of surplus capital not required for solvency.

The payment date is 3 June 2016, ex-dividend date 12 May 2016 and record date 13 May 2016.

*[1] Represents Group's share of profit before tax after excluding Minority Interests. Refer to note 12d for a reconciliation to financial statement line items.

*[2] Segment and business results exclude share scheme charges which are accounted for in Other Group Items.

Return on capital

Admiral's capital efficient and highly profitable business model achieved a return on equity of 49% (2014: 52%).

A key part of the business model is the extensive use of co- and reinsurance across the Group which provides both loss protection and capital relief.

Divisional performance highlights

The Group's UK Car Insurance business accounts for 81% of Group turnover (2014: 81%) and 75% of customers (2014: 78%). The relative decrease in the proportion of Group customer numbers is due to the continued growth and development of the Group's other businesses, whilst the relative stability of turnover reflects the premium increases experienced in the UK during 2015.

In 2015, the UK business implemented a number of premium increases as rates in the market started to rise. The number of vehicles insured in the UK business increased by 5% to 3.30 million (2014: 3.15 million).

Supported by strong releases from prior year claims reserves on the back of continued positive development in projected claims costs, the combined ratio improved to 78.2% (2014: 79.5%) and profit before tax was £443.0 million – up 11% on 2014's result of £398.0 million.

Higher average premiums in the competitive UK market with continued success in attracting and retaining customers, contributed to an increase in UK turnover of 7% to £1.71 billion (2014: £1.60 billion).

Outside of the UK, Admiral's International Car Insurance businesses continue to develop, with combined turnover rising 13% to £232.4 million (2014: £206.2 million) and customer numbers approaching 700,000 – an increase of 14% on a year earlier. The 2015 Group results include another small profit generated by ConTe and improved results for Admiral Seguros following the achievement of break-even (on an underwriting year basis). The combined loss from the international insurance operations was higher in 2015 at £22.2 million (2014: £19.9 million), primarily due to ongoing investment in France and the US offset by the improved ConTe profit. The overall international loss equalled 6% of the Group's profit before tax, in line with 2014.

Admiral's Price Comparison businesses made a combined loss of £7.2 million (2014: profit £3.6 million). In a very competitive UK comparison market, Confused.com, the Group's UK Price Comparison business, reported a pre-tax profit of £12.5 million – £3.3 million lower than 2014's result. This profit was offset by a net loss within the international price comparison businesses where investment in compare.com of £21.5 million (2014: £15.0 million) outweighed profits from the European price comparison operations, Rastreator in Spain and LeLynx in France, of £1.8 million (2014: £2.8 million). This reduced profit reflected increased marketing costs as both businesses sought to grow market share.

Other Group key performance indicators include:

- Group loss ratio 65.1% (2014: 67.8%) – a reduction in the UK loss ratio resulting from higher reserve releases alongside a stable international loss ratio.
- Group expense ratio 20.5% (2014: 18.7%) – slight increases in both UK and international ratios reflecting ongoing investment in international and the impact of a levy adjustment in the UK.
- Group combined ratio 85.6% (2014: 86.5%).

Investments and cash

Investment strategy

Admiral's investment strategy was unchanged in 2015 and the Group continued to invest in the same asset classes as previous years.

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

A shift in allocation of funds, which commenced in 2014, continued during the first half of 2015 with a greater proportion invested in fixed income and other short dated securities (and less in money market funds and deposits). There has been no significant change in credit quality and over 90% of assets are rated A- and above.

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

Cash and investments analysis

	31 December 2015				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Fixed income and debt securities	1,230.0	–	–	198.2	1,428.2
Money market funds	568.1	40.0	–	19.6	627.7
Cash deposits	244.3	3.2	–	20.1	267.6
Cash	93.8	94.3	59.5	17.7	265.3
Total	2,136.2	137.5	59.5	255.6	2,588.8

	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

Money market funds, fixed income and debt securities continue to comprise the majority of the total; 79% at 31 December 2015 and 2014.

Investment and interest income in 2015 was £32.6 million, an increase of £17.2 million on 2014 (£15.4 million). The increase was due to the full year impact of the increased allocation of funds to fixed income and other short dated securities that took place across 2014. Further allocations of funds to fixed income and other short dated securities continued in 2015. In addition, investment and interest income for 2014 was offset by an adjustment (of approximately £8 million) relating to notional investment income being accrued on quota share reinsurance funds withheld arrangements. The cumulative accrual at 31 December 2015 is £8 million, unchanged from a year earlier.

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.

	2013 £m	2014 £m	2015 £m
Operating cash flow, before transfers to investments	616.8	540.2	**509.3**
Transfers to financial investments	(295.3)	(286.3)	**(142.0)**
Operating cash flow	321.5	253.9	**367.3**
Tax and interest payments	(88.5)	(77.0)	**(63.8)**
Investing cash flows (capital expenditure)	(10.1)	(47.5)	**(43.3)**
Financing cash flows (2014 offset by proceeds of debt issue)	(250.3)	(64.4)	**(253.4)**
Foreign currency translation impact	(1.3)	3.0	**2.6**
Net cash movement	(28.7)	68.0	**9.4**
Movement in investment valuation reserve	–	10.9	**(12.6)**
Net increase in cash and financial investments	266.6	365.2	**138.8**

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

	2013 £m	2014 £m	2015 £m
Profit after tax	286.9	281.6	**291.8**
Change in net insurance liabilities	186.2	187.5	**148.7**
Net change in trade receivables and liabilities	22.3	(34.7)	**(55.7)**
Non-cash income statement items	38.1	36.7	**47.6**
Tax and net interest expense	83.3	69.1	**76.9**
Operating cash flow, before transfers to investments	616.8	540.2	**509.3**

Total cash plus investments increased by £139 million or 6% (2014: £365 million, 18%). 2014 was boosted by the proceeds of the £200 million bond issue.

Capital structure and financial position

Admiral's capital-efficient and profitable business model led to a return on equity of 49% (2014: 52%). A key feature of the business model is the extensive use of co- and reinsurance across the Group. The Group has agreed terms with partners to extend its UK motor reinsurance arrangements until the end of 2018. Extensions have been agreed on similar contract terms and conditions to those currently in effect, with the exception that it is planned for the Group to reduce its underwriting share from 25% to 22% with effect from 2017. Similar long term arrangements are in place in the Group's international insurance operations and UK Household Insurance business.

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

The Group's regulatory capital from January 2016 will be based on the Solvency II Standard Formula, with a capital add-on agreed by the PRA to reflect recognised limitations in the Standard Formula with respect to Admiral's business (predominantly in respect of profit commission arrangements in co- and reinsurance agreements and risks arising from claims including Periodic Payment Order (PPO) claims).

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

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

Group	£bn
Eligible own funds (pre 2015 final dividend)	1.03
2015 final dividend	(0.18)
Eligible Own Funds (post 2015 final dividend)	0.86
Solvency II capital requirement	(0.42)
Surplus over regulatory capital requirement	**0.44**
Solvency ratio (post dividend)	**206%**

In July 2014, the Group completed the issue of £200 million of ten year dated subordinated bonds. The rate of interest is fixed at 5.5% and the bonds mature in July 2024. The bonds qualify as tier two capital under the Solvency II regulatory regime.

Taxation

The tax charge reported in the Consolidated Income Statement is £76.9 million (2014: £69.1 million), which equates to 21% (2014: 20%) of profit before tax. The higher effective rate of taxation compared to 2014 results from reductions in deferred tax assets relating to losses in the Group's US businesses.

Henry

Geraint: In response to serious questions about whether we'd consider selling businesses… His reply is usually 'Everything's for sale… apart from my wife'.

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

Market discipline

UK Insurance strategy

The strategy for Admiral's UK business is unchanged and remains simple:

- **The Group aims to grow profitably its share of the UK private motor insurance market whilst maintaining a capital-efficient structure.**
- **At the same time, Admiral endeavours always to give excellent service to customers, whilst providing a positive environment in which staff can work and develop.**

David Stevens, CBE

Achievements and goals

UK Insurance achievements in 2015

Profit before tax increased 11% to £443 million (2014: £398 million)

Record number of vehicles insured up 5% at 3.30 million (2014: 3.15 million)

Combined ratio improved in 2015 to 78% (2014: 80%)

Profit generated from the portfolio of insurance products that complement the core car insurance product of £175 million (2014: £182 million)

Strong policy growth in Household to 310,000 (2014: 162,600)

95% of customers who have submitted a claim would renew with Admiral, based on their claims experience (2014: 95%)

96% of staff say that Admiral is a friendly place to work according to the Great Place to Work survey

5th Best Big Company to Work For, The Sunday Times 100 Best Companies to Work For

4th Best Large Workplace in the UK, Great Place to Work Institute

Best Car Insurance Provider in the Personal Finance Awards for the third year in a row

UK Insurance goals for 2016

Appropriate rate changes in response to claims trends and market conditions

Continued reserve releases if back years develop as expected

Successful transition to new IT system (Guidewire)

This will be my last UK insurance review before taking over from Henry as CEO later this year. Next year he'll be leaving me the responsibility of choosing just the right analogy, after years of Henry's always entertaining, sometimes illuminating, occasionally enigmatic, choices. That's just one of the challenges of taking over from Henry, after his 25 years of pretty much faultless stewardship of the company. Perhaps the biggest single advantage I have in tackling this challenge is having watched Henry, over those years, mix the brilliant blend of inspiration, determination, sensitivity and vision that creates, in Admiral, something special for staff and shareholders alike.

Given it's my last UK Insurance Review, I'll take the long view and start by going back to our early days as a quoted company.

For a while, after our flotation, we were without comparison. Or perhaps, more accurately, 'without comparables'. We were, for a number of years, the only quoted direct personal lines insurer. Analysts and commentators could only half-heartedly benchmark us against a couple of battle-scarred, multi-national, multi-line composites and a mixed selection of Lloyd's managing agencies. Roll on ten years and the stock market is awash with companies that are primarily direct personal lines insurance companies: ourselves; Direct Line; Esure; most recently Hastings; and, notwithstanding its initial reluctance to acknowledge its insurance-ness, Saga. Ten years ago quoted focused personal lines players (ourselves and a couple of Lloyd's motor operations) accounted for 5% of the UK motor market. The other 95% was buried within massive global insurers and banks for whom the UK car insurance result was not that big a deal. Now 40% of the UK car insurance market is in the hands of the quoted personal line players.

Good news for Admiral?

Or bad?

Well, both to be honest.

The investment community has tended to look askance at a sector whose extreme cyclicality has, over the decades, delivered an unappetising combination of very modest average returns on capital, combined with extreme volatility around that average. Might the market discipline, the extra scrutiny and transparency, the better alignment of manager and owner interests, mean that, in this new world, UK car insurers could lift their game enough, both to push up cross-cycle average returns, and to moderate the ups and downs of the cycle?

It's too early to make a call, but I am somewhat encouraged by premium movements over the last 18 months. Market-wide price increases from mid 2014 and throughout 2015 should mean that the combined ratio for accident year 2015, the most recent worst point of the car insurance cycle, will be materially below the 120% plus combined ratios (on a pure year, before reserve release, basis) that marked the last two worst points (1998/9, 2009/10). If sustained over a decent period of time, evidence of higher and less volatile returns must ultimately increase investor interest in non-life insurance as a whole.

“40% of the UK car insurance market is in the hands of the quoted personal line players.

So what's the downside of more quoted focused personal lines players?

Market discipline should not only make them more rational managers of their business, it should also make them more effective competitors – more sophisticated pricers, better claims handlers, lower cost operators. It should, in short, help them narrow the long-standing and substantial combined ratio gap between ourselves and themselves. Have they?

Not on expense ratios. The market and our own car insurance expense ratio have oscillated, but our relative outperformance has stayed consistent at 12–14 percentage points below market averages. While on household, despite our sub-scale circa 1% market share and our big share of new business versus renewals, we're already beating the market average expense ratio.

What about on claims ratios?

It's hard to know, to be honest. It takes a good three years for enough claims to settle, or at least stabilise, for us to be able to compare ourselves reliably to the market as a whole. What we can say is the 2011/12 years look to be delivering loss ratios of 11–12 percentage points below market averages; less than the 20 percentage points advantage in 2009 (when price comparison neophytes were severely punished); but no less than 2005/6, when we outperformed by 10–11 percentage points.

We insured about 1.2 million cars in the UK in 2006, and 3.0 million in 2012. If you'd asked me back in 2006 if we could insure almost three times as many cars in 2011/12, and still maintain the same claims ratio advantage versus the market, I'd have said 'probably not'.

If you ask me now if we have maintained the same claims advantage versus the market in 2015 (now with 3.3 million cars on cover) as in 2006 and in 2012, I'd again say 'probably not'.

But I have been proved wrong before.

David Stevens
Chief Operating Officer
2 March 2016

Henry

David: Henry challenges established wisdom – rejecting doing something a certain way because everyone else does. 'Admiral is different' is an expression of Henry's commitment to do things the right way, the best way, rather than the apparently obvious way.

UK Car Insurance financial review

Non-GAAP*1 format income statement

	2013 £m	2014 £m	2015 £m
Turnover*2	1,698.9	1,602.7	**1,708.2**
Total premiums written*3	1,553.0	1,453.1	**1,539.7**
Net insurance premium revenue	425.1	394.3	**386.5**
Investment income	12.4	11.5	**26.1**
Net insurance claims	(251.3)	(198.3)	**(161.3)**
Net insurance expenses	(52.1)	(44.6)	**(52.1)**
Underwriting profit	134.1	162.9	**199.2**
Profit commission	99.3	71.8	**85.2**
Underwriting profit plus profit commission	233.4	234.7	**284.4**
Net other income	136.8	140.7	**131.9**
Instalment income	23.7	22.6	**26.7**
UK Car Insurance profit before tax*4	393.9	398.0	**443.0**

*1 GAAP = Generally Accepted Accounting Practice.

*2 Turnover (a non-GAAP measure) comprises total premiums written and Other Revenue. Refer to note 12a 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

	2013 £m	2014 £m	2015 £m
Motor	121.8	144.2	**183.2**
Additional products	12.3	18.7	**16.0**
Underwriting profit	134.1	162.9	**199.2**

Key performance indicators

	2013	2014	2015
Reported motor loss ratio*1	68.0%	68.6%	**64.1%**
Reported motor expense ratio*2	15.0%	14.4%	**16.9%**
Reported motor combined ratio	83.0%	83.0%	**81.0%**
Written basis motor expense ratio	14.5%	16.0%	**16.3%**
Reported total combined ratio*3	81.0%	79.5%	**78.2%**
Claims reserve releases – original net share*4	£53.3m	£66.8m	**£84.6m**
Claims reserve releases – commuted reinsurance*5	£40.9m	£70.6m	**£88.8m**
Total claims reserve releases	£94.2m	£137.4m	**£173.4m**
Vehicles insured at year end	3.02m	3.15m	**3.30m**
Other Revenue per vehicle	£67	£67	**£63**

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

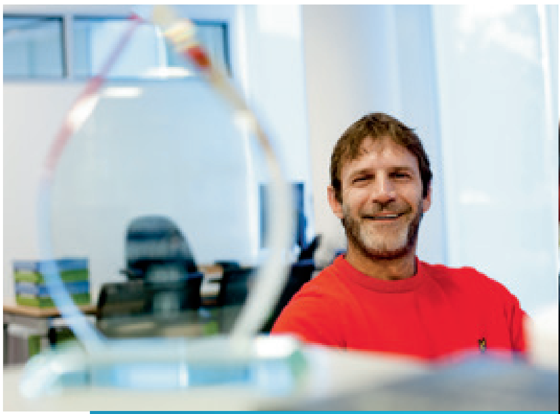
*2 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 12c.

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

*4 Original net share shows reserve releases 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.

“ The market and our own car insurance expense ratio have oscillated, but our relative outperformance has stayed consistent at 12–14 percentage points below market averages.



This year Admiral Group customers increased to 4.4 million, a record number.

Growing

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 2016 to 2018

The Group has agreed terms with partners to extend its UK reinsurance arrangements until the end of 2018. Extensions have been agreed on similar contract terms and conditions to those currently in effect, with the exception that it is planned for the Group to reduce its underwriting share from 25% to 22% with effect from 2017.

The proportion underwritten by Munich Re (via 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 2015 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.

Munich Re 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 2015, all material UK quota share reinsurance contracts for underwriting years up to and including 2013 had been commuted. All reinsurance for the 2014 and 2015 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.
- Credit risk of significant counterparties through default of a reinsurer.

Details of the potential impact and mitigating factors the Group has in place are available on pages 34 to 37.

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

UK Car Insurance financial performance

Following an unprecedented period of premium deflation over 2011–2013, 2015 saw prices continue to rise following an early indication of increasing prices emerging in late 2014. Admiral started to implement rate increases in early 2014, ahead of the market, and the business performance in 2015 benefited from this pricing strategy. Turnover increased by 7% to over £1.7 billion and vehicles increased to a record level of 3.3 million.

Profit

Profit from UK Car Insurance increased 11% to £443.0 million (2014: £398.0 million). Profit from underwriting and profit commission increased by 21% to £284.4 million (2014: £234.7 million), reflecting an improved combined ratio whilst investment income increased by £14.6 million to £26.1 million (2014: £11.5 million). 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.

The increase of £14.6 million in investment income was due to the full year impact of the increased allocation of funds to fixed income and other short dated securities that took place across 2014. In addition, investment and interest income for 2014 was offset by an adjustment (of approximately £8 million) relating to notional investment income being accrued on quota share reinsurance funds withheld arrangements. Net other income and instalment income decreased by 3% to £158.6 million (2014: £163.3 million).

Turnover and premiums

UK turnover of £1.71 billion increased by 7% (2014: £1.60 billion) primarily due to increases in average premiums which also led to a 6% increase in total premiums written to £1.54 billion (2014: £1.45 billion). The closing vehicle count increased to a record 3.30 million (2014: 3.15 million). Average written premium for the year was around £470, up 4% on 2014 (2014: £453), reflecting rate increases implemented during 2014 offset by 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 improved in 2015 as shown below:

UK Car Insurance Motor combined ratio	2014	2015
Loss ratio excluding reserve releases from original net share and commuted reinsurance	86.9%	**87.7%**
Reserve releases – original net share	18.3%	**23.6%**
Loss ratio net of releases – original net share*1	68.6%	**64.1%**
Expense ratio	14.4%	**16.9%**
Combined ratio – original net share*1	83.0%	**81.0%**

*1 Ratios calculated on original net share use 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 improved to 81.0% (2014: 83.0%) (both figures exclude the impact of reserve releases from commuted reinsurance contracts). This reflects an improved reported loss ratio of 64.1% (2014: 68.6%), which was due to the impact of higher reserve releases (£84.6 million v £66.8 million). These higher releases were possible due to positive claims development during 2015 that resulted in improvements in the projected ultimate loss ratios, especially for the 2011 to 2013 underwriting years.

Despite these higher reserve releases in 2015 the margin held in booked reserves above actuarial best estimates remains significant. Reflecting the level of uncertainty in motor insurance reserving (particularly relating to the ultimate costs of very large claims), the margin remains at the upper end of the Group's reserving policy.

Excluding reserve releases, the loss ratio increased to 87.7% (2014: 86.9%), largely due to the impact of lower premiums earned in 2015.

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 increased to 16.9% from 14.4% due to 2014 benefiting from a one-off adjustment to levy costs (excluding the adjustment the earned motor expense ratio for 2014 would have been 16.3%).

The projected ultimate loss ratio for Admiral for the 2015 accident year is 82% (2014 accident year: 77%). The level of projected ultimate loss ratio continues to reflect the impact of increases in average claims costs and lower earned average premiums.

The projected ultimate combined ratio (ultimate loss ratio plus written expense ratio) for Admiral for the 2015 accident year is 97%, in line with 2014. The reported combined ratio for the UK market (excluding Admiral) for 2014, excluding reserve releases, was 111%.

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 insurance business underwritten by the partner. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In 2015 Admiral recognised profit commission revenue of £85.2 million (2014: £71.8 million) and reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted of £88.8 million (2014: £70.6 million). Total income from both of the above therefore increased significantly to £174.0 million (2014: £142.4 million) due to improvements in prior year claims costs and the associated reductions in loss ratios of those years. 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.

Other Revenue

Admiral generates Other Revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net Other Revenue are:

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

Contribution from Other Revenue (net of costs) decreased by 4% to £174.6 million (2014: £182.0 million). The reduction was due to a number of impacts, most notably a change to reinsurer vehicle commissions (the change reallocates revenue to profit commission, albeit with a time lag in recognition of approximately a year) and higher loss ratios on add-on products underwritten by the Group (as a result of enhancements to product features to benefit customers).

Other Revenue was equivalent to £63 per vehicle (gross of costs) – reflecting the change in allocation of vehicle commission. Net Other Revenue (after deducting costs) per vehicle was £54 (2014: £58).

UK Car Insurance Other Revenue – analysis of contribution:

	2013 £m	2014 £m	**2015 £m**
Contribution from additional products and fees	170.4	177.8	**173.7**
Contribution from additional products underwritten by Admiral*[1]	12.3	18.7	**16.0**
Instalment income	23.7	22.6	**26.7**
Other Revenue	206.4	219.1	**216.4**
Internal costs	(33.6)	(37.1)	**(41.8)**
Net Other Revenue	172.8	182.0	**174.6**
Other Revenue per vehicle*[2]	£67	£67	**£63**
Other Revenue per vehicle net of internal costs	£57	£58	**£54**

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

*[2] Other Revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

Instalment income

Instalment income is interest charged to customers paying for their insurance in instalments. During 2015 Admiral earned £26.7 million from instalment income, up 18% on the prior period (2014: £22.6 million) for a number of reasons including an increase in average premium, customer numbers and the proportion of customers paying by instalment.

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 2015 was £16.0 million (2014: £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).

The Group is required to maintain capital at a level prescribed by the lead regulator for Solvency II purposes, the PRA, and maintains a surplus above that required level at all times.

Continuing to grow our international presence

International Car Insurance strategy

Admiral's strategy is to exploit the knowledge, skills and resources attached to the established UK businesses to promote expansion overseas in private car insurance. Admiral's objective is to create profitable, sustainable and growing businesses.

Achievements

International Car Insurance achievements in 2015

- Admiral insured 673,000 customers across its Spanish, Italian, American and French operations (2014: 592,600)
- 4th Best Multinational Place to Work in Europe, awarded by Great Place to Work
- Admiral Seguros achieved break-even on an underwriting year basis
- Admiral Seguros voted 4th Best Company to Work for in Spain (between 250 and 499 employees), awarded by Great Place to Work Institute
- Rastreator voted 5th Best Company to Work For in Spain (between 250 and 499 employees)
- ConTe reported its second full year profit
- ConTe grew customer base by 11%
- ConTe voted 9th Best Medium Company to Work for in Italy
- Elephant Auto 40% growth in net written premium
- Elephant Auto became a top 100 auto insurer in the US
- L'olivier – assurance auto customer base grew by 66%
- L'olivier – assurance auto continued to develop its brand awareness, launching on TV

Goals

International Car Insurance goals for 2016

- Admiral Seguros to increase market share and grow consumer awareness of Qualitas brand
- ConTe increasing investment in brand and technology to leverage the expected cycle turn and grow customers and revenue
- Elephant Auto to focus on continued growth and improving its combined ratio
- L'olivier – assurance auto to grow customers and revenue

balumba seguros · Qualitas Auto

Launched in October 2006 – the most mature of the Group's international businesses.

The highlight of 2015 in Spain?

We successfully hit our target of breaking-even on an underwriting year basis; a meaningful achievement given the small size of the Spanish book.

Our focus during the year was on improving portfolio quality, strong cost control and making improvements in infrastructure and customer processes. Having used 2015 to consolidate, we now have a strong foundation from which to scale up the business over coming years.

Improvements in the Spanish economy during 2015 drove increases in claims frequency in a context of continuing price competition. The result was that the Spanish market may have entered unprofitable underwriting territory for the first time in more than 10 years. The market combined ratio was 96% at the end of 2014. It rose to 99% in H1 2015, and looks to have continued an upward trend in H2.

The other big news in 2015 was the passing of an update to the claims 'Baremo' law by the Spanish parliament. 'Baremo' regulates compensation payouts in bodily injury cases and the change, effective from January 2016, makes large bodily injury claims significantly more expensive. This will provide further upward pressure on market claims costs.

We expect that the 'Baremo' change will bring some market price reaction and opportunities for growth during 2016. Our focus will be on increasing our market share within the price comparison channel, and growing consumer awareness of our flagship Qualitas brand.

Italy

Milena Mondini
CEO, ConTe

Launched in May 2008 – the largest international business within the Group.

ConTe recorded its second consecutive year of profit in 2015. Despite challenging market conditions – prices decreasing by 6% – we grew the customer count by 11% to 315,300.

For the first time in more than 10 years the average premium for the market fell below €380. Competition was fierce, with a large media spend, rate cuts, special promotions and product innovations, like telematics and alternate payment methods. However, with a market combined ratio still well below 100%, it should not come as any surprise that many firms would be trying to increase the size of their portfolios. I expect further rate cuts in the first half of 2016 but the pace should slow as claims frequency is now on the rise.

Transition towards direct distribution progressed at a slower pace than in the past, given that traditional companies led the price and advertising war. Mobile is becoming a major force with around one third of visits to insurance websites coming from mobile devices and price comparison sites grew around 12%.

ConTe followed the market with some price reductions but resisted drastic rate cutting. Instead we focused on finding profitable niches within the book, selling other products and services to our customers and retaining customers at renewal. In 2016 ConTe will invest more in its brand, which started in 2015 with our sponsorship of the Serie B football league. We will also invest in technology to help us grow in the future when the market turns and prices rise once again.

Technical results were positive, with encouraging claims development. Improved actuarial projections resulted, not only in a profitable 2015 on the back of reserve releases, but also turned 2014 into another profitable underwriting year.

USA

Kevin Chidwick
CEO, Elephant Auto

Launched in October 2009 – serving four US states (Virginia, Maryland, Illinois and Texas).

Comprehensive 2015 market data is not yet available, but it is fair to assume that the US market grew again – from a market of over $180 billion premium in 2014 to around $190 billion in 2015. The market is stable with low cyclicality, but in 2015 the major players complained of increasing claims frequency and talked about raising rates.

Distribution channel shift remains slow but inevitable. Market surveys suggest c.25% of all premiums are written direct with new business being c.40%. But it is a sticky market, with only 10% of customers switching annually, so the overall shift in distribution is modest. For Elephant this is somewhat academic as the direct market is enormous and more than enough to satisfy our needs. 40% of new business represents 8 million new business opportunities each year. That'll do. One feature of 2015 was the emergence of online price comparison – whilst still modest in the US market, it clearly made an impact and is a fast growing proportion of our quote volumes.

For Elephant, 2015 was a good year. We grew the business substantially again – with more than 40% growth we wrote $135 million and now have over 140,000 customers. Acquisition economics improved as brand awareness and perception increased nicely in our core markets. New marketing campaigns delivered well. Growth was particularly significant in Virginia and in the US's 2nd largest auto insurance state, Texas. We have moved into the top 100 US auto insurers with a market share that rounds to a massive 0.1%. The loss ratio came under pressure with increased frequency across the board, but particularly in Texas. Like others, we implemented price increases in the latter part of the year to address the loss ratio. We will be monitoring this carefully as we seek further growth in 2016. We have plenty of market share to go after – both in existing states and beyond – and we will probably expand into new states in the next year or so.

We believe the Elephant culture and operating model gives us an opportunity for a competitive advantage in a high expense ratio market. Adjusted for our current lack of scale, Elephant already compares favourably.

France

Pascal Gonzalvez
CEO, L'olivier – assurance auto

Launched in December 2010 – the Group's youngest international car insurance business.

2015 was the year of a new law in France ('loi Hamon') making switching motor insurance much easier for consumers. This new regulation was in-force from 1 January 2015 and was rolled out progressively all year at each renewal date.

To avoid losing market share, large players didn't increase prices much, at least not enough to compensate for the higher cost of claims. As a consequence, the market combined ratio kept deteriorating, reaching 107%. One would expect 2016 to be a continuation of 2015. Market profitability is unlikely to improve, as claims cost are expected to keep rising, while prices will be stable as a defence against the new law that is now fully effective.

L'olivier – assurance auto benefited both from the new regulatory environment and the growth of the price comparison market. It was a year of strong growth as our policy base grew by more than 60%. We've been developing our brand awareness with a new TV presence. At the same time, operations were fully in-sourced and a new cutting edge IT system was developed and implemented.

2016 should be another year of strong growth for L'olivier – assurance auto.

Henry

Sarah: Henry doing *call listening* in Spanish and coming up with many improvements! (That was so impressive).

International Car Insurance financial review

Non-GAAP format income statement

	2013 £m	2014 £m	2015 £m
Turnover	187.8	206.2	**232.4**
Total premiums written	168.3	185.4	**213.3**
Net insurance premium revenue	54.1	58.1	**62.3**
Investment income	–	0.2	**–**
Net insurance claims	(49.1)	(50.5)	**(50.9)**
Net insurance expenses	(32.9)	(34.0)	**(40.1)**
Underwriting result	(27.9)	(26.2)	**(28.7)**
Net other income	5.8	6.3	**6.5**
International Car Insurance result	(22.1)	(19.9)	**(22.2)**

Key performance indicators

	2013	2014	2015
Adjusted loss ratio*1	91%	77%	**77%**
Adjusted expense ratio*1	49%	50%	**49%**
Adjusted combined ratio*2	140%	127%	**126%**
Adjusted combined ratio, net of Other Revenue*3	129%	116%	**115%**
Vehicles insured at period end	515,300	592,600	**673,000**

*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 2015: 146%; 2014: 145%; 2013: 152%.

*3 Adjusted combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of Other Revenue would be 2015: 136%; 2014: 134%; 2013: 141%.

Geographical analysis

	2015				
	Spain	Italy	France	US	Total
Vehicles insured at period end	**160,700**	**315,300**	**56,800**	**140,200**	**673,000**
Turnover (£m)*1	**38.6**	**77.9**	**21.2**	**94.7**	**232.4**

	2014				
	Spain	Italy	France	US	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

*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 2015 year Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively. The arrangements for 2016 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 continued to grow, adding over 80,000 customers and ending 2015 14% larger than a year earlier. Turnover grew by 13% to £232.4 million (2014: £206.2 million). Turnover and vehicles in these businesses represent 11% and 15% of the Group totals respectively, with turnover up from 10% in 2014 while the customer proportion remained stable.

The adjusted combined ratio remained stable at 126% (2014: 127%). Continued improvement in ConTe's prior years claims development and higher net insurance premium revenue has been offset by continued investment in operations in France and the US, resulting in an increased loss of £22.2 million in 2015 (2014: £19.9 million). The adjusted expense ratio decreased slightly to 49% (2014: 50%). 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 cause a strain on the expense ratio when the business is growing.

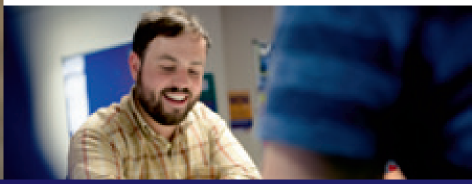
As the Group's international insurance operations grow, it is expected that they will make losses until appropriate scale has been achieved. The Group is satisfied with the progress each business continues to make towards the goal of becoming a sustainable, growing, profitable operation.

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 160,700 customers at the end of 2015, broadly stable on a year earlier. In 2015, Admiral Seguros focused on cost control and improvements in infrastructure and customer processes rather than growth and achieved break-even on an underwriting year basis, although reported a loss on an IFRS basis.

The Group's largest international operation is ConTe in Italy, which insured 315,300 vehicles at the end of 2015, up 11% year-on-year. ConTe was launched in 2008 and in 2015 enjoyed positive development of projected ultimate claims outcomes on its back years and was able to report a second annual profit. Despite the releases, the level of conservatism in the booked reserves at year end remains very strong.

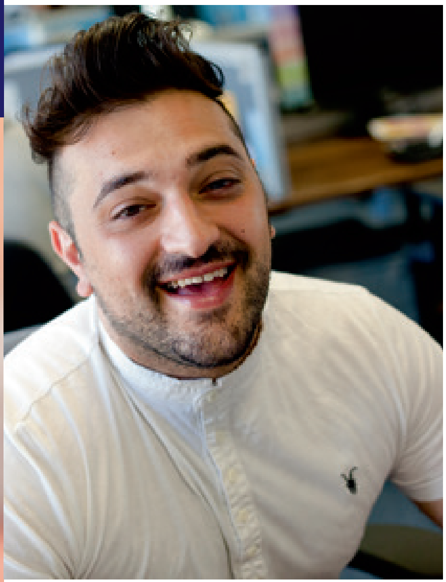
Henry

Milena: Henry suggested a TV ad to capture the great ConTe atmosphere – he thought our team's spirit would be contagious and could instill more trust in our customers. We forced him to record a shot and of course, he did the most persuasive interpretation of all!



Rewarding

Staff are continually rewarded for their length of service to Admiral



Admiral's youngest and smallest international insurance business is L'olivier – assurance auto, which launched in 2010 in France. L'olivier insured 56,800 vehicles at the end of 2015, up over 60% on the prior year and has focused on brand development during the year.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £7.0 million, a reduction of 33% on 2014 (2014: £10.4 million). The adjusted combined ratio net of Other Revenue improved to 103% from 105% 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 2015 Elephant Auto insured over 140,000 vehicles, up 29% year-on-year. Elephant Auto's adjusted combined ratio net of Other Revenue improved from 146% in 2014 to 134% in 2015.

Henry

Pascal: He's like Merlin the wizard in The Sword in the Stone. Without a magic wand, he has the ability to boost and motivate people.

Henry

Kevin: My first SGM presentation – I was super nervous and stumbled over some words and made a mistake. I looked down at the front row to see my boss, not looking cross or concerned, but just laughing. It completely relaxed me. It speaks volumes about Henry's way of making all his team feel relaxed and able to do their best.

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 on page 25, 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.

Focused brand strategy and multi-product offering

Price Comparison strategy

Admiral's strategy is to develop websites that allow consumers to compare a range of general insurance, financial services and other products. The international strategy is to exploit the UK expertise in price comparison and export it overseas.

Achievements

UK Price Comparison achievements in 2015

Quote volumes: 10.7 million (2014: 11.8 million)

Continued development of Confused.com beyond motor insurance with encouraging results in home, van and life insurance

Launch of Carfused, a car buying and selling platform

Continued brand development of Brian, the Confused.com robot

International Price Comparison achievements in 2015

Quote volumes: 8.8 million (2014: 6.6 million)

Rastreator has reinforced its leadership in Spain with continued growth in quotes

Rastreator voted 5th Best Company to Work for in Spain, awarded by Great Place to Work

LeLynx retained its leadership position in the French market

compare.com has more than 60 auto insurance companies, including half of the top 25, under contract in the US

Goals

UK Price Comparison goals for 2016

Build brand preference to strengthen market position in core products

Develop and promote new products and offers in order to have more diversified revenue sources

International Price Comparison goals for 2016

Rastreator – continued defence of market leading brand and building on its role as a strategic data partner

LeLynx – further developing the French aggregator market by exploiting the new Hamon law

compare.com – continued lowering of acquisition cost while increasing the number of carriers and rates presented to consumers

Confused.com Carfused by Confused.com

Launched in 2002 – the Group's most mature business and a leading UK price comparison website.

Confused.com has seen a lot of changes in the market since it pioneered insurance comparison back in 2002, creating an ever growing and profitable industry while offering transparency and savings to British consumers. 13 years later, the market is now mature and commoditised with established players and is characterised by a very high level of competition. In 2015, the price comparison websites have spent more than ever in advertising and other promotional activities to attract customers. At the same time, the price comparison market as a whole did not grow as much as in previous years despite an apparent turn of the price cycle towards the end of the year, as indicated by the Confused/Willis Towers Watson price index.

This fiercely competitive environment in a stagnant market, and increasing acquisition costs across every media channel, meant Confused.com had a challenging year in 2015. This resulted in a reduced profit of £12.5 million.

We have achieved a lot in 2015 including finalising significant projects such as the launch of the Brian toy promotion and the entire redesign of our websites and customer experience. We have also launched new activities to become the go-to place for car buying with the launch of Carfused.com. These new developments have required investment in 2015 and will need time to transform in actual future profits for Confused while they have hurt the bottom line in the short term. Confused has also gone through organisational change in 2015, to face a market with increased regulation impacting the way price comparison websites operate and more competition, requiring a greater need to stand out.

Launched in March 2009 – the leading insurance price comparison website in Spain.

2015 has been a healthy year for Rastreator both in terms of growth and results. We have reinforced our market leadership in Spain with strong growth in quotes and sales, integrated a new brand, Seguros.es, and also expanded our presence in the market with several new products.

Our brand has grown, not only in recognition but also in preference. By communicating our multiproduct strategy effectively and efficiently we should continue to grow our business profitably.

Within the insurance business we are proud to deliver a comparison of prices that represents 86% market share and which includes traditional players in our panel. At the same time we keep working on our role of strategic data partner for insurers that work with us, with our annual insurance price index and our Big Data team providing new tools. For 2016, the new 'Baremo' law will bring premium increases which will increase shopping in car insurance.

Henry

Elena: The level of autonomy and freedom Henry gave us was unique.

Launched in January 2010 – the leading price comparison website in France.

2015 was a good year for LeLynx.fr.

We decided to take the opportunity offered by the 'loi Hamon' – enabling people to switch insurance at any time of the year – to push our investment into more offline and online marketing. Quote volumes and revenues grew as a result. LeLynx maintained its leadership position in the French market.

The aggregator market in France grew by 13%. On the one hand, the 'loi Hamon' and strong TV investment pushed the market up. On the other, stable insurance prices and aggressive retention focus from insurers slowed it down.

Our vision is that the price comparison market will develop, although slower than in the UK, and that LeLynx has the strength to be a leading player. We will focus our efforts on developing our presence within this market in 2016.

Henry

Diane: Henry told me 'Never forget how important you will be to the people you manage'. Since then, when times get tough, I try to keep a smile and be kind with everyone at the office.

Launched in March 2013 – the first European-style price comparison website in the US.

One shouldn't forget that the US is 51 distinct auto insurance markets – yes even Washington DC is its own – not one unified market. This means it is hard to find a unified trend across the country. Two things did seem to bind the country together this year, however; lower gasoline prices and continued large advertising. The gas prices correlated strongly with miles driven and subsequently claims frequency while advertising again remained concentrated in the few largest insurers, again topping $6 billion.

With 70% of consumers starting their search online, the big advertisers absorb a disproportionate amount of traffic. Countering this trend is the growing, but still small, auto insurance comparison market. compare.com, the largest auto insurance comparison site in the US, was joined this year by other players pushing similar, but different, models. While we continue to operate in 49 of the 51 markets (apologies to Alaska and Hawaii again!), advertising efforts grew to nearly twenty states and included a very successful nationwide TV advertising test.

Advertising growth was permitted by the continued expansion of our carrier panel. With over 60 auto insurance brands under contract, including nearly half of the top 25, the average number of rates returned nationwide is now nearly a handful. Volumes are now at the level that all but the very largest carriers view us as a very meaningful potential, and actual, source of business.

We again must caution that while we made huge strides and grew substantially, we have just the opportunity for, not the guarantee of, success. Attempting to change singlehandedly, a market of this size is not for the faint of heart. Pitfalls remain. Can we continue to lower acquisition cost? Will carriers continue to join? Will consumers continue to shop via our site? Will competitors complicate or complement our efforts?

Only time will tell, but another year of progress means we are closer to success than failure in our effort to transform the market.

Price Comparison financial review

Non-GAAP format income statement

	2013 £m	2014 £m	2015 £m
Revenue			
Car insurance price comparison	87.2	81.0	**82.3**
Other	25.5	26.5	**25.8**
Total Revenue	112.7	107.5	**108.1**
Operating expenses	(92.3)	(110.3)	**(123.6)**
Operating profit/(loss)	20.4	(2.8)	**(15.5)**
Confused.com profit	21.7	15.8	**12.5**
International price comparison result	(1.3)	(18.6)	**(28.0)**
	20.4	(2.8)	**(15.5)**
Group share of operating profit/(loss)*1			
Confused.com profit	21.7	15.8	**12.5**
International price comparison result	(0.6)	(12.2)	**(19.7)**
	21.1	3.6	**(7.2)**

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

UK Price Comparison – Confused.com

Confused.com faced continuing challenging market conditions and produced a lower result, with revenue 7% lower than 2014 at £75.4 million (2014: £80.8 million) although the trend improved slightly in the second half of the year. Profit also fell to £12.5 million (2014: £15.8 million). Confused.com's results were impacted by limited overall growth in the price comparison market in the UK as well as fierce competition.

Revenue from non-car insurance comparison sources represents over a quarter of total revenue. Confused.com's operating margin reduced to 17% (2014: 20%).

Henry

Martin: Henry always suggests the most unexpected option to a problem and 'How Henry would approach it' has now become a regular comment in manager meetings.

International Price Comparison

Admiral 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 2015 increased to £28.6 million (2014: £25.3 million), with nearly 30% more quotes provided to customers. Both Rastreator and LeLynx have market-leading positions and strong brand recognition in their respective markets. The Group's share of the combined result for Rastreator and LeLynx was a profit of £1.8 million (2014: £2.8 million), the reduction reflecting investment in brand awareness outside of motor insurance. 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. Admiral Group owns 71% of compare.com, with the remaining 29% owned by White Mountains and Mapfre. During 2015 Admiral's share of compare.com's loss was £21.5 million before tax (2014: £15.0 million). Due to the ongoing investment in compare.com, the Group's share of compare.com's losses for 2016 will be in the range of $30–35 million.

The combined result for International Price Comparison was therefore a loss of £19.7 million (2014: loss £12.2 million) – the profit from Rastreator and LeLynx offset by investment in compare.com.

During late 2015 the Group established Preminen, a 50:50 joint venture with Mapfre, to explore the potential of price comparison overseas.

Henry

Andrew: One unique thing Henry does is a different poem or rhyme every time he has an out of office notice.

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, US, and licensed in all other US states.

Household enjoyed another year of strong growth

	2013 £m	2014 £m	2015 £m
UK Household Insurance result	(0.1)	(0.1)	**1.2**
UK Commercial Vehicle operating profit	2.5	2.2	**1.5**
Other interest and investment income	1.9	3.7	**6.5**
Share scheme charges	(22.5)	(21.2)	**(27.2)**
Business development costs	(0.3)	(0.7)	**(1.9)**
Other central overhead	(3.5)	(3.9)	**(5.6)**
Finance charges	–	(4.6)	**(11.1)**

UK Household Insurance

UK Household Insurance was launched in December 2012 under the Admiral brand. The product is underwritten within the Group and in common with other businesses it is supported by proportional reinsurance covering 70% of the risk (shared between Munich Re, 40%, and Swiss Re, 30%). The business enjoyed another year of strong growth with policy numbers increasing by more than 90% to over 310,000 (2014: 162,600). Despite the relatively small size of the Household book, it has generated a small profit and its expense ratio is lower than the UK market ratio.

UK Commercial Vehicle

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

Gladiator has been impacted by operational changes which, together with a very competitive environment, has resulted in a reduced operating profit of £1.5 million (2014: £2.2 million), although customer numbers increased from 143,900 to 146,600 at the end of 2015.

Interest and investment income

Interest and investment income in 2015 was £6.5 million (2014: £3.7 million). The increase represents a full year's interest on 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 increase in the charge is due to an increase in the number of awards across the Group resulting from headcount growth and the higher share price at the end of 2015.

Finance charges

Finance charges of £11.1 million (2014: £4.6 million) represent a full year's interest on the £200 million subordinated notes which were issued in July 2014 (refer to note 6 to the financial statements for further details).

The table below sets out the principal risks which Admiral has identified through its Enterprise Risk Management Framework ('ERMF'). The impact of those risks and actions taken to mitigate them are explained below.

Risk	Impact	Mitigating Factors
Insurance risk		
Reserving risk in UK and International Insurance		
Admiral is exposed to reserving risk through its underwriting of motor and household insurance policies. Claims reserves in the financial statements may prove inadequate to cover the ultimate cost of earned claims which are by nature uncertain. This is a particular risk for motor insurance liabilities, where the ultimate cost of bodily injury claims (particularly large claims) can be materially different to initial estimations.	Adverse run-off leading to higher claims costs in the financial statements.	Admiral has a conservative reserving policy and holds a significant margin in its financial statement claims reserves above actuarially determined best estimates. Best estimate reserves are estimated both internally and externally by an independent actuary. Many of the potential causes of claims shocks are outside the control of Admiral and the focus is, therefore, on how to prepare for and react to the occurrence of such events. The Group continues to make material investments in staff and systems to work on the identification and prevention of claims fraud. For very large claims Admiral purchases excess of loss reinsurance, which mitigates the loss.
Periodical Payment Orders (PPOs) are increasingly used to settle large bodily injury claims		
PPOs provide for a regular payment over an extended time to the claimant, rather than a single lump sum payment.	Increased uncertainty of the cost of significant claims over a longer term. A requirement to meet these payments over an extended term.	Regular reviews of both settled and potential PPO cases are undertaken by the Claims and Actuarial teams, with independent Actuarial opinions provided as part of the external reserving analysis. As noted above Admiral has a conservative reserving policy and continues to hold a material margin in its financial statement claims reserves above actuarially determined best estimates.
Premium risk		
The Group is exposed to the risk that claims cost on future business is higher than allowed for in the premiums charged to customers.	Higher claims costs and loss ratios, resulting in reduced profits or underwriting losses.	There are a number of aspects which contribute to Admiral's strong UK underwriting results, including: • Experienced and focused senior management and teams in key business areas including pricing and claims management; • Highly data-driven and analytical approach to regular monitoring of claims and underwriting performance; • Ability to identify and resolve underperformance promptly through changes to key performance drivers, particularly pricing; and • Continuous appraisal of and investment in staff, systems and processes. Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims. The Group continues to work to establish similar capability and expertise in its newer UK and international businesses.
Catastrophe risk		
Admiral is exposed to the risk of high losses due to the occurrence of man-made catastrophes or natural weather events.	A large flood or windstorm causes extensive property damage (both motor and household) to a significant proportion of the portfolio, leading to a large total claims cost in relation to the event.	Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims. Proportional quota share reinsurance and co-insurance also mitigate the impact of this risk.

Insurance risk continued

Reduced availability of co-insurance and reinsurance arrangements

Risk	Impact	Mitigating Factors
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 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 newer operations are not satisfactory to the co- and/or reinsurers.	A potential need to raise additional capital to support an increased underwriting share. This could be in the form of equity or debt. Return on capital might reduce compared to current levels.	Admiral mitigates the risk to its reinsurance arrangements by ensuring that it has a diverse range of financially secure partners. Admiral continues to enjoy a long term relationship with one of the world's largest reinsurers, Munich Re, which has supported Admiral since 2000. Admiral also has relationships with a number of other reinsurers. As well as UK Motor, long term arrangements are also in place for UK Household and International businesses.

Group risk

Erosion of competitive advantage in UK Car Insurance

Risk	Impact	Mitigating Factors
Admiral typically maintains a significant combined ratio advantage over the UK market. This advantage and/or the level of underwriting profit (and associated profit commission) could be eroded. This risk could be exacerbated by irrational competitor pricing.	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 Admiral to extend its reinsurance arrangements, which might in turn require Admiral to hold more capital.	Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK market. Some are set out on page 34, but in addition: • Track record of innovation and ability to react quickly to market conditions and developments; and • Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs.

Failure of geographic and/or product expansion

Risk	Impact	Mitigating Factors
Admiral continues to develop and support the UK household and overseas operations. One or more of the operations could fail to become a sustainable, profitable long term business. Product expansion into new areas could lead to unprofitable business and increased regulatory risk.	Higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products.	Admiral's approach to expansion and product development remains conservative, applying the 'test and learn' philosophy that has proven successful for previous operations. International insurance businesses have executed cautious launch strategies and are all backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. New price comparison businesses have aligned their marketing investment with the extent of improvement in key performance indicators such as average cost per quote and conversion ratio. The Group also considers partial disposals of equity to share start-up losses with partners. The Directors are mindful of management stretch and regularly assess the suitability of the management structure in place for Admiral's new UK and international operations.

Potential diminution of Other Revenue

Risk	Impact	Mitigating Factors
Admiral earns Other Revenue from a portfolio of products and other sources. The level of this revenue could diminish due to regulatory or legal changes, customer behaviour or market forces.	Lower profits from insurance operations and lower return on capital.	Admiral continuously assesses the value to its customer of the products it offers, and makes changes to ensure the products continue to meet customer needs and offer good value. Admiral seeks to minimise reliance on any single source by earning revenue from a range of products. This would mitigate the impact of a regulatory change which might affect a particular product or income stream.

Group risk continued

Competition in UK price comparison

Risk	Impact	Mitigating Factors
Admiral is dependent on the four main UK price comparison websites as an important source of new business and growth. Growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of customers.	A potentially material reduction in UK Car Insurance new business volumes. The impact on Confused.com of higher levels of competition in the price comparison market, either through the aggressive activities of existing players or the entry of significant new participants would be to lower profits. However, a more competitive market might benefit the car insurance business through lower acquisition costs.	Admiral's ownership of Confused.com (one of the leading UK price comparison websites which operates independently of the UK Car Insurance business) helps to mitigate the risk of over-reliance on this distribution channel. Admiral also contributes materially to the revenues of other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost. The management of Confused.com maintain a very keen awareness of the risks of continued competition.

Legal and regulatory risk

Risk	Impact	Mitigating Factors
Failure to comply with legal or regulatory requirements and/or changes. Unexpected regulatory changes are introduced.	Exposure to regulatory intervention, censure and/or enforcement action through fines and other sanctions.	Mitigated by regular review of the Group's compliance with current and proposed requirements (including the General Data Protection Regulation) and interaction with regulators by Executive Management and the Board. As the Solvency II regime comes into effect, the Group will commence its transition to using a Partial Internal Model to calculate its capital requirement. Whilst the level of Capital Add-On to be applied to the Solvency II Standard Formula has been agreed with the Prudential Regulation Authority ('PRA'), there is an inevitable level of general uncertainty as the new regulatory regime comes into effect. There is investment in resources to prepare for a Partial Internal Model application which is expected to be made during 2017. The project will have regular progress updates with the Board and Regulators.

Counterparty risk

Credit risk of significant counterparties

Risk	Impact	Mitigating Factors
Admiral is primarily exposed to credit risk in the form of a) default of reinsurer; b) failure of banking or investment counterparty. One or more counterparties suffer significant losses leading to a credit default.	Additional capital may need to be raised as a result of a major credit event, dependent on its nature and severity. Admiral would also need to ensure that it continues to have sufficient liquid assets to meet its claims and other liabilities as they fell due.	Admiral only conducts business with reinsurers of appropriate financial strength. In addition, most material reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as Admiral holds the cash received from policyholders as collateral. Concentrations of credit risk in respect of investments are managed by investing in liquidity funds and other mandates which invest in a wide range of short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. Some long term investments are held in Government bonds. Admiral considers counterparty exposure frequently and in significant detail, and has in place appropriate triggers and limits, to mitigate exposure to individual investment counterparties.

Operational risk

People risk

Risk	Impact	Mitigating Factors
Failure to recruit, develop and retain suitable talent.	Unable to successfully carry out Admiral Group strategy and achieve goals.	We aim to attract, retain and motivate quality staff to deliver quality customer service and achieve business objectives. 'People who like what they do, do it better'. We seek to establish a motivational culture through various staff benefits and rewards underpinned by communication, equality, recognition and fun. Admiral is also able to attract and retain staff through the employee share schemes. Succession planning is based on targeted recruitment, identifying potential leaders through internal development, talent management and retention processes. Further detail on how Admiral interacts with its employees is set out on pages 38 to 39 and in the CSR Report available online.

Operational risk continued

Risk	Impact	Mitigating Factors
Process risk		
A failure in processes or failure of their associated controls.	Fraud, unanticipated loss and/or reputational damage.	Internal controls are in place and monitored to minimise the risk and the control framework is regularly reviewed. The internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls. The resulting reports are reviewed by the Audit Committee, Group Risk Committee, Executive Management and the Boards.
Technology risk		
Failure to invest in, and successfully implement, appropriate technology (particularly Guidewire implementation in the UK) to support the Group's future business development.	Unable to support the required growth and development essential for future business success, maintaining competitor advantage and developing the Group's business model.	Regular review of the effectiveness of the Groups IT capability by Executive Management and the Board. Strong project governance and oversight of new systems implementations with external specialist review and assurance where required.
Cyber risk		
Financial loss, data loss, business disruption or damage to the reputation of the Group from failure of the information technology systems derived from internal or external threats.	Availability of systems and data: Unable to operate the business for an indeterminate period, depending upon the severity of the attack. Integrity of data: Potential for data corruption impeding the ability to place reliance upon it. Confidentiality of data: Potential for data breaches or loss of intellectual property. Outcomes: Potential customer detriment and/or potential regulatory censure.	Within IT there is a major incident team which is tasked with maintaining system availability, with Business Continuity Plans (BCP) and Disaster Recovery (DR) plans in place. Security controls are in place covering logical and physical assets to reduce the risk of unauthorised access to data. Data is backed up to allow for its recovery in the event of corruption. All staff receive mandatory training around IT Security and Data Protection. Adherence with Security policies is monitored.
Customer outcome risk		
Failure of products, processes or services to meet customer and regulator expectations and failure to address customer complaints promptly or appropriately.	Potential customer detriment and/or potential regulatory censure/enforcement and/or reputational damage as a result of Admiral's action.	Admiral operates the three lines of defence model for overseeing its products, processes and service. At each stage of the customer journey customer outcomes are monitored, managed and reported in order to mitigate customer detriment. Further detail on how Admiral interacts with its customers is set out on page 10 and in the Corporate Social Responsibility (CSR) Report available online. https://admiralgroup.co.uk/our-community/corporate-social-responsibility

This Strategic Report was approved by the Board of Directors and signed on its behalf by:

Henry Engelhardt
Chief Executive Officer
2 March 2016

Happy people make happy customers

Happy people make happy customers and happy customers make for a successful, thriving company. Our success goes hand-in-hand with having a strong culture. So our philosophy is a simple yet effective one: People who enjoy what they do, do it better.

Our approach to people is founded on four key pillars:

1

Communication

We communicate with people, people communicate back to us. We make sure that everyone knows what's going on with the business because people want to be involved. Our staff portal, Atlas, is updated daily with all the news from around the Group, whether we've won an award or changed a procedure – our staff will know about it!

2

Equality

At Admiral we strive to lessen the obvious divides between people. There are no company cars or executive dining rooms; everyone sits in the same chairs and eats in the same cafeterias. Our managers don't have offices, all our desks are open plan – there is no 'us' and 'them'. Everybody's a shareholder – whether working in Canada, Seville or Swansea you're a shareholder and every new starter gets treated equally.

3

Recognition

We like to make sure that people who are doing a good job are told about it! This can be in the form of a good word or positive feedback. But we also like to 'go big' – from Star Lunches, where exceptional performers are taken out to lunch by Senior Management, to awards for length of service. Recognition is a key part of life at Admiral and we ensure that great performance, both individual and collective, is acknowledged and rewarded.

4

Fun

Fun is a big component of working for the Admiral Group. We celebrate as many events and occasions as possible! The Ministry of Fun ensures that there are great competitions and activities on a weekly basis for staff, meaning life is never dull!

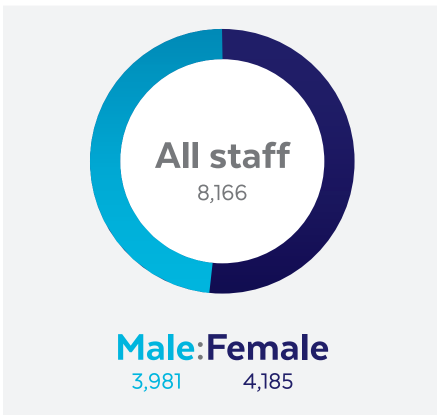
Together, these principles create an environment where Admiral employees look forward to coming to work and give that little extra effort when they're at work.

Our annual staff survey

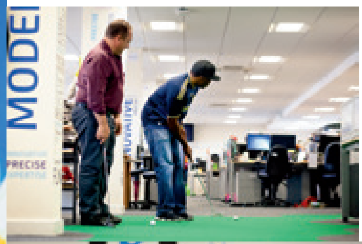
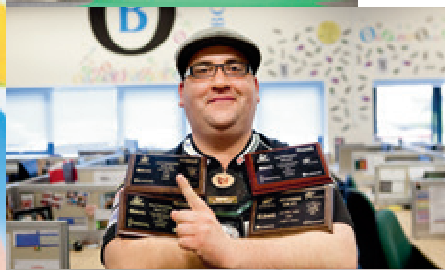
One of the most important tools we use to measure employee satisfaction is our anonymous Staff Survey which provides an insight into what it's like to work for us.

Believe this is a friendly place to work	96%
Believe the Admiral Group is truly customer focused	88%
Believe people care about each other here	89%
Would recommend their manager as a good manager	88%

Target: 100%






An award winning year

Here are some of the awards Admiral Group won in 2015

Awards and achievements in 2015

- Sunday Times Best Companies To Work For Special Award 2015 – Best Leader – Henry Engelhardt
- Sunday Times Best Companies To Work For Special Award 2015 – 15 Years – Special Recognition Award
- Sunday Times Best Companies To Work For – 5^{th}
- Great Place to Work Best Large Workplace in the UK – 4^{th}
- Great Place to Work Best Multinational Workplace in Europe – 4^{th}
- Prince's Trust Million Makers Challenge – 2^{nd}
- Nova Scotia's Top Employers 2015 – Admiral Insurance Services
- European Business Awards 2015 – National Champion – United Kingdom (Employer of the Year)
- Great Place to Work Best Workplace in Spain (between 250 – 499 employees) – 4^{th} Admiral Seguros, 5^{th} Rastreator
- Great Place to Work Best Workplace in France (less than 500 employees) – 22^{nd}
- Virginia Business Best Places to Work 2015 – 50^{th}
- Great Place to Work Best Medium Workplace in Italy – 9^{th}
- Special Award – Admiral Million Makers – Prince's Trust Outstanding Supporter
- Best and Most Popular Insurance Website – Website of the Year UK Awards
- Personal Finance Awards – Best Motor Insurance Provider 2015/16

To read more about our corporate social responsibility strategy visit www.admiralgroup.co.uk

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2015

best company 2015

GREAT PLACE TO WORK Best Workplaces 2015 Category: Large United Kingdom

GREAT PLACE TO WORK Best Workplaces 2015 Europe

The Board is committed to maintaining the highest standards of corporate governance

> **We believe that having a sound corporate governance framework enables effective and efficient decision making.**

Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Report for the financial year ended 31 December 2015. The focus of the Board continues to be on maintaining high standards of corporate governance which it achieves by ensuring the appropriateness and effectiveness of the Group's management and control framework. This Report sets out the Admiral framework of governance and the approach the Board has taken during 2015 to promote the standards of good corporate governance that are rightly expected by our shareholders.

We believe that having a sound corporate governance framework enables effective and efficient decision making and promotes the right balance of skills and experience to assess and manage the risks in the markets in which the Group operates.

As you will have seen from my Chairman's letter earlier in this report, succession planning has been a key area of focus for the Board in 2015. With Roger Abravanel and Manfred Aldag stepping down from the Board in April and August 2015 respectively, and with Lucy Kellaway and Margaret Johnson each having served nine years on the Board during the year and, therefore, stepping down at the 2016 AGM, the balance and composition of the Board was reviewed to ensure that the right mix of skills, experience and background was reflected in the membership of the Board. We were, therefore, pleased to welcome Penny James, Manning Rountree, and Owen Clarke who joined the Board respectively at the beginning of the year, in June, and in August. Penny comes with considerable insurance experience and risk management skills, whilst Manning brings a deep knowledge of the US insurance market, and Owen great commercial experience and a strong understanding of Admiral, its culture and business model, having previously served as a Director from 1999 until we floated in 2004.

As the next external Board evaluation facilitated by an independent external consultant will not take place until later this year, the process of evaluating the Board's performance this year consisted of each Board member completing a questionnaire detailing specific areas of focus for the Board including the composition of the Board, the performance of the Company in capturing strategic opportunities and the top priorities for improving the Board's performance over the coming year. The results of the evaluation and areas for development were discussed by the Board at the meeting in December 2015 and are set out in more detail on pages 45 and 46 of this report.

We confirm the Group's compliance, with the principles and provisions set out in the UK Corporate Governance Code (the Code) which was revised by the Financial Reporting Council in September 2014 and is applicable to the year under review.

This Corporate Governance Report is structured in order to demonstrate to shareholders that the Board has complied during 2015 in all respects with each section of the Code – Leadership; Effectiveness; Accountability; and Relations with Shareholders. Remuneration is dealt with in the separate Remuneration Report.

Alastair Lyons
Chairman
2 March 2016

Corporate structure

Board of Directors

↓

Board Committees

Audit Committee
Membership at 31 December 2015*[1]
- Colin Holmes (Chair)
- Annette Court
- Penny James*[2]
- Margaret Johnson

Meetings during 2015:
7

Read more
From page 48 to 51

Group Risk Committee
Membership at 31 December 2015
- Jean Park (Chair)
- Annette Court
- Lucy Kellaway
- Manning Rountree*[3]
- David Stevens

Meetings during 2015:
6

Read more
From page 52 to 55

Nomination Committee
Membership at 31 December 2015
- Alastair Lyons (Chair)
- Colin Holmes
- Lucy Kellaway

Meetings during 2015:
2

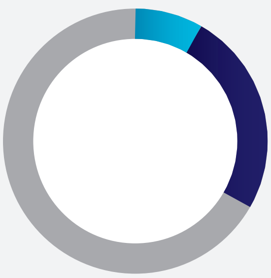
Read more
From page 56 to 57

Remuneration Committee
Membership at 31 December 2015
- Annette Court (Chair)
- Margaret Johnson
- Jean Park

Meetings during 2015:
6

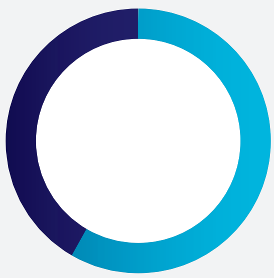
Read more
From page 58 to 68

Board composition



Chairman 1
Executive 3
Non-Executive 8

Gender diversity



Male 7
Female 5

*[1] Owen Clarke was appointed to the Board on 19 August 2015 and joined the Audit Committee with effect from 1 January 2016.
*[2] Penny James was appointed to the Board on 1 January 2015 and joined the Audit Committee with effect from that date.
*[3] Manning Rountree was appointed to the Board on 16 June 2015 and joined the Group Risk Committee with effect from that date.

Read more about gender diversity within the Company
On page 69

Extensive experience in the direct insurance industry

Alastair Lyons, CBE (62)
Chairman

Appointed in 2000 NC

Current appointments

- Deputy Chairman of Bovis Homes Group plc

Background and experience

In his executive career Alastair was Chief Executive Officer (CEO) of the National Provident Institution and of the National & Provincial Building Society, Managing Director of the Insurance Division of Abbey National plc and Director of Corporate Projects at National Westminster Bank plc. He has held numerous non-executive roles in both private equity and public markets.

He has also been a Non-Executive Director of both the Department for Transport (DfT) and the Department for Work and Pensions (DWP), as well as of its predecessor, the Department of Health and Social Security (DHSS).

A Fellow of the Institute of Chartered Accountants, he was awarded a CBE in the 2001 Birthday Honours for services to social security.

Henry Engelhardt, CBE (58)
Chief Executive Officer

Appointed in 1999

Background and experience

Henry is a founder Director of Admiral and was recruited by the Brockbank Group in 1991 to set up the Admiral business.

Prior to joining Admiral, Henry was the original Marketing and Sales Manager for Churchill Insurance.

Henry has an MBA from INSEAD, a BA from the University of Michigan and was awarded an honorary CBE in 2008 for services to business in Wales.

Henry has twice been the recipient of the Sunday Times Best Leader for Big Companies award.

David Stevens, CBE (54)
Chief Operating Officer

Appointed in 1999 GRC

Current appointments

- Trustee of the Waterloo Foundation

Background and experience

David is a founder Director of Admiral and was recruited in 1991 to set up the Admiral business.

Prior to joining Admiral David worked at McKinsey & Company, in the Financial Interest Group, and Cadbury Schweppes in the UK and the USA.

David has an MBA from INSEAD and he was awarded a CBE in 2010 for services to business and the community in Wales.

Colin Holmes (50)
Senior Independent Director

Appointed in 2010 AC NC

Current appointments

- Chairman of GO Outdoors Ltd
- Chairman of the British Heart Foundation Retail Committee
- Member of the Chartered Institute of Management Accountants Advisory Panel

Background and experience

Colin was previously a member of the Executive Committee of Tesco plc and during his 22 year career at Tesco held a wide range of positions, including UK Finance Director and CEO of Tesco Express. Until 2014 Colin was a Non-Executive Director at Bovis Homes Group plc where he chaired the Remuneration Committee.

Colin is a Fellow of the Chartered Institute of Management Accountants.

Penny James (46)
Non-Executive Director

Appointed in 2015 AC

Current appointments

- Group Chief Risk Officer at Prudential and member of the Prudential plc Board

Background and experience

Penny was previously Director of Group Finance at Prudential plc from March 2011 until September 2015.

Her previous appointments include being Chief Finance Officer of Omega Insurance Holdings and UK General Insurance CFO of Zurich Financial Services.

Margaret Johnson, OBE (57)
Non-Executive Director

Appointed in 2006 AC RC

Current appointments

- Group CEO of Leagas Delaney

Background and experience

Margaret has worked for the international advertising agency Leagas Delaney for the past 17 years.

Margaret was awarded an OBE in 2013 in recognition of her services to the creative industries and her voluntary work for charities.

Committee membership key

- AC Audit Committee member
- GRC Group Risk Committee member
- NC Nomination Committee member
- RC Remuneration Committee member
- Committee Chair
- Senior Independent Director

Geraint Jones (39)
Chief Financial Officer

Appointed in 2014

Background and experience

Geraint is responsible for finance, actuarial, compliance and investments. He joined Admiral in 2002 and held a number of senior finance positions including Head of Finance, before being promoted to Deputy Chief Financial Officer in January 2012 and Chief Financial Officer in August 2014.

A Fellow of the Institute of Chartered Accountants in England and Wales, Geraint spent the early part of his career as an external auditor at Ernst & Young and KPMG.

Owen Clarke (52)
Non-Executive Director

Appointed in 2015 AC

Current appointments

- Chief Investment Officer of Equistone Partners Europe (formerly Barclays Private Equity, 'BPE')

Background and experience

Previous Director of Admiral (1999–2004). Led BPE's participation in the management buy out.

Annette Court (53)
Non-Executive Director

Appointed in 2012 RC AC GRC

Current appointments

- Non-Executive Director of Jardine Lloyd Thompson Group plc
- Non-Executive Director of Foxtons plc
- Non-Executive Director of Workshare
- Chairman of the Dining Club

Background and experience

Between 2007 and 2010 Annette was CEO of Europe General Insurance for Zurich Financial Services and a member of the Group Executive Committee.

Annette is former CEO of the Direct Line Group. In this role Annette was also a member of the RBS Group Executive Management Committee.

Annette has previously served as a member on the Board of the Association of British Insurers (ABI).

Lucy Kellaway (56)
Non-Executive Director

Appointed in 2006 NC GRC

Current appointments

- Lucy is a management columnist for the Financial Times

Background and experience

In her 30 years at the Financial Times Lucy has been an oil correspondent, a Lex columnist and Brussels correspondent.

Lucy has authored various books.

Jean Park (61)
Non-Executive Director

Appointed in 2014 GRC RC

Current appointments

- Non-Executive Director of Murray Income Trust plc
- Non-Executive Director of the National House Building Council

Background and experience

Jean was Group Chief Risk Officer at the Phoenix Group from 2009 until June 2013. Previously, she was Risk Management Director of the Insurance and Investments division of Lloyds TSB and, before that, Head of Compliance and Audit at Scottish Widows.

Jean is a Member of the Institute of Chartered Accountants of Scotland.

Manning Rountree (43)
Non-Executive Director

Appointed in 2015 GRC

Current appointments

- Managing Director of White Mountains Capital Inc., White Mountains Insurance Group, Ltd. since March 2009

Background and experience

Manning joined White Mountains in 2004 and is the former President of WM Advisors.

Prior to joining White Mountains, Manning spent two years with Putnam Investments and three years with McKinsey & Company.

The role of the Board

The Board is the principal decision-making forum for the Group providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team. The Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote its success for the benefit of its members as a whole. The Board is accountable to shareholders for setting and achieving the Group's strategic objectives; for the creation and delivery of strong sustainable financial and operational performance; for ensuring that in carrying out its duties the Group's legal and regulatory obligations are being met; and for ensuring that it operates within appropriately established risk parameters. The Group's UK regulated entities are responsible to the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) for ensuring compliance with the Group's UK regulatory obligations and that dealings with the FCA and PRA are handled in a constructive, co-operative and transparent manner. Similar provisions apply in respect of the Group's international businesses with regard to the relevant regulatory authorities in those overseas jurisdictions in which the Group also operates.

The Board has adopted a formal schedule of matters reserved for the Board's consideration. This is monitored by the Company Secretary and reviewed by the Board on an annual basis. Specific matters reserved to the Board include the approval of:

- The Group's long term objectives and corporate strategy.
- Operating and capital budgets, financial results, and any significant changes to accounting practices or policies.
- The Group's capital structure.
- Results and financial reporting.
- The system of internal control and risk management.
- The Group's overall risk appetite.
- Changes to the structure, size and composition of the Board, including new appointments.
- Succession plans for the Board and senior management.
- Dividend policy and proposals for dividend payments.
- Major acquisitions, disposals, and other transactions outside delegated limits.
- The annual review of its own performance and that of its Board Committees.
- Annual review of the Group's Board policies.
- The review of the Group's overall corporate governance arrangements.

Board activity during 2015

At each scheduled meeting the Board receives updates from the Chief Executive, Chief Operating Officer and Chief Financial Officer as to the financial and operational performance of the Group and any specific developments in the areas of the business for which they are directly responsible and of which the Board should be aware. Items that are considered on an annual basis are included in an annual schedule of rolling agenda items to ensure that they are considered at the appropriate point in the financial and regulatory cycle. Meetings are structured so as to allow for consideration and debate of all matters. Mindful of the need to ensure effective Director succession through senior managers below Board level having exposure to and gaining experience of the operation of the Board, the heads of the Group's US and Italian direct insurance businesses and the head of UK Motor (respectively Kevin Chidwick, Milena Mondini and Cristina Nestares) were invited to attend every Board meeting and Board dinner.

The Board met on seven occasions in 2015 with six of these meetings being held over two days.

In addition to the regular consideration of financial and operating performance and risk management and compliance, the Board received presentations on a variety of topics including updates from the management teams of each of the Group's businesses and regular reviews of progress implementing Solvency II.

In addition to his visits to the Group's UK operations, the Chairman seeks to visit each of the Group's overseas operations every year and Non-Executive Directors are invited to join either him or the Chief Executive on one or more of their overseas visits each year. In addition, the Non-Executive Directors and the Chairman met during the year without the Executive Directors being present. In order to increase their understanding of the depth and breadth of management across the Group below Board level, the Non-Executive Directors and the Chairman also attended two dinners with members of the Group's senior management team without the Executive Directors being present. When management teams present to the Board on their operations they are invited to join the Board for dinner which gives the opportunity for informal interaction between Directors and management.

Meetings and attendance

	Scheduled Board meetings	Audit Committee meetings	Group Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Total meetings held	**7**	**7**	**6**	**2**	**6**
Alastair Lyons (Chairman)	7			2	
Henry Engelhardt (Chief Executive Officer)	7				
David Stevens (Chief Operating Officer)	7		5		
Geraint Jones (Chief Financial Officer)	7				
Roger Abravanel*	2/3				3/4
Manfred Aldag*	4/5				
Owen Clarke*	2/2				
Annette Court	7	7	6		6
Colin Holmes	7	7		2	
Penny James	7	7			
Margaret Johnson	6	7			5
Lucy Kellaway	7		5	2	
Jean Park	7		6		5
Manning Rountree*	4/4		3/3		

* Notes:
Roger Abravanel stepped down from the Board with effect from 29 April 2015.
Manning Rountree joined the Board with effect from 16 June 2015.
Owen Clarke joined the Board with effect from 19 August 2015.
Manfred Aldag stepped down from the Board with effect from 31 August 2015.

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Group to perform their duties. Where Directors are unable to attend meetings they receive papers for that meeting giving them the opportunity to raise any issues with the Chairman in advance of the meeting. The number of scheduled Board meetings and Committee meetings of which they are a member attended by each Director during 2015 is provided in the table on page 44.

Agendas and papers are circulated to the Board electronically in a timely and secure manner in preparation for Board and Committee meetings. The Board agenda is structured by the Chairman in consultation with the Company Secretary and Chief Executive. Routine Board papers are supplemented by information specifically requested by the Directors from time to time. All Board and Committee meetings during the year were held in an open atmosphere conducive to robust and constructive challenge and debate. All Directors have, therefore, been able to bring independent judgement to bear on issues such as strategy, risk management, performance, and resources. Additional meetings are called when required and there is contact between meetings, where necessary, to progress the Group's business.

The Company Secretary

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for advising the Board, through the Chairman, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

Board effectiveness

This year the evaluation of the Board was carried out internally with the Chairman leading the Board evaluation process. The evaluation considered the effectiveness and performance of the Board during the year under review and sought to identify the areas that the Board was prioritising to do differently in 2016. When considering the evaluation process the Chairman considered feedback received from each Director after one-to-one meetings held with him during the year as to areas of focus to improve Board effectiveness.

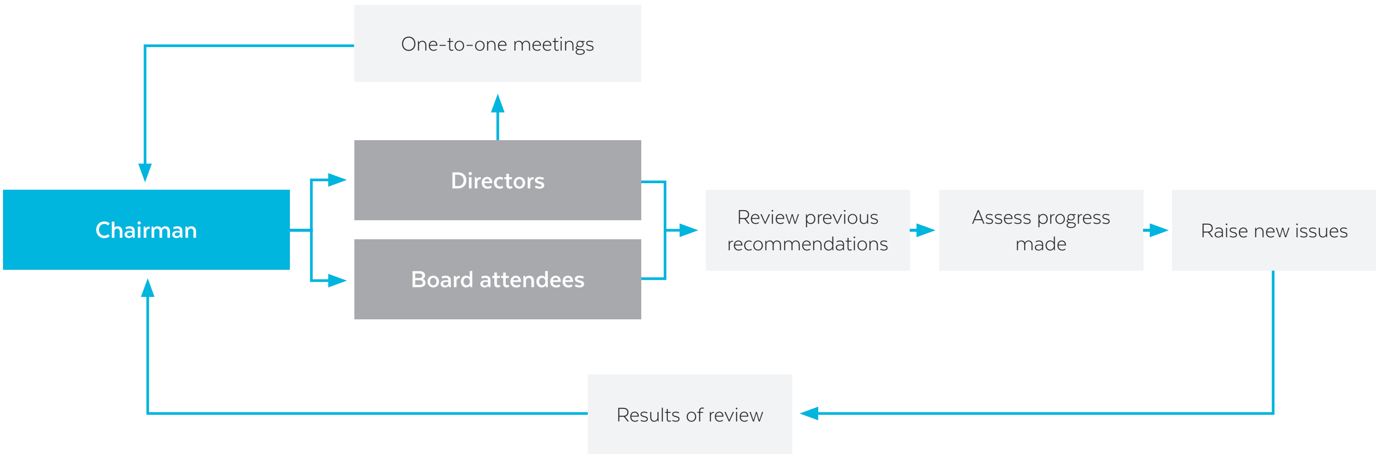
The evaluation process involved the Chairman circulating an online questionnaire to all Directors and Board attendees. Respondents were asked to assess the performance of the Board across a number of areas including: Board composition to ensure that it was aligned with the Group's strategic goals; the dynamics of the Board in the context of assessing whether it was conducive to equal contribution, candid discussion and critical thinking; the content and format of management reports coming before the Board; the focus of the Board on strategic oversight and whether there was sufficient challenge of management in determining the strategic direction of the Group; and the Board's assessment of the top three risks facing the business over the next three to five years. Respondents were also invited to raise any new issues of significance that they felt had developed since the last review a year ago and on which they believed the Board should focus in the coming year.

The results of the review were presented by the Chairman to the Board in December 2015. Overall the review found that the Board continued to work effectively and that each Director contributes and demonstrates full commitment to his/her duties.

The review identified the following areas to which the Board might give particular focus in 2016:

- Standardising the format of reports that are presented to the Board to adopt more of a balanced scorecard approach with summaries of performance against plan for each business detailing the key metrics, with the supporting financial material included in an appendix.
- Increasing the Board's understanding of the markets in which it operates, particularly for the overseas businesses.
- Enhancing the involvement of the Non-Executive Directors in the business outside of Board meetings by introducing structured UK site visits alongside the visits scheduled to the Group's overseas businesses.
- In the context of succession planning, it was felt that visibility to the Board of potential successors to key positions from within the business could be improved by increasing the time that Non-Executive Directors spend, on an informal basis, with the next level of management below Board level to ensure that these individuals are being developed as part of the Group's longer term succession plans.
- Understanding the Group's performance relative to its main competitors was highlighted as an area where more could be done to explore the performance of competitors and understand the differences with how the Group operates.
- Integrating new Board members as Board composition evolves in the coming year.
- Alignment of the Board agenda to ensure that more time is available to discuss strategic topics in the context of the development of the Group.
- Consideration of the top strategic issues facing the Company over the next three to five years including: succession management and continued talent development; maintaining the Group's competitive advantage; and successful delivery of profitable international businesses, particularly in the US.

Our Board evaluation process



Board effectiveness continued

The Chief Executive, to whom they report, appraises annually the performance of the individual Executive Directors. The Chairman, taking into account the views of the other Directors, reviews the performance of the Chief Executive. The performance of the Chairman is reviewed by the Board led by the Senior Independent Director ('SID'). Following the latest review, the SID considered and discussed with the Chairman the comments and feedback that had been received from the Directors as part of the Chairman's evaluation questionnaire, and was able to confirm that the performance of the Chairman continues to be effective and that he continues to demonstrate appropriate commitment to his role.

The roles of the Chairman and Chief Executive

The Board has approved a statement that sets out the clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is primarily responsible for the leadership and workings of the Board, setting its agenda, and monitoring its effectiveness. The Chairman is not involved in the day-to-day management of the business. Save for matters reserved for decision by the Board, the Chief Executive, with the support of the other Executive Directors, is responsible for proposing the strategy to be adopted by the Group; running the business in accordance with the strategy agreed by the Board; and implementing specific Board decisions relating to the operation of the Group. The statements of division of responsibilities and matters reserved for decision by the Board are reviewed annually.

Board balance and independence

Careful consideration continues to be given to Board structure and balance particularly given two of the Non-Executive Directors, Margaret Johnson and Lucy Kellaway, will be stepping down from the Board at the AGM in April having each reached nine years service. In this context the Group continues to monitor the need to refresh Board and Committee membership in an orderly manner so as to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board as a team. The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge of the Group to enable it and its Committees to discharge their duties and responsibilities effectively, as required by the Code.

The Board currently comprises 12 Directors, the Chairman (who was independent on appointment), three Executive Directors, and eight independent Non-Executive Directors. As can be seen from the Directors' biographies on pages 42 to 43, the Directors have a broad range of skills and experience and can bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct which are integral to the success of the Group.

Appointments to the Board are the responsibility of the Board as a whole, acting on the advice and recommendations of the Nomination Committee. The Nomination Committee seeks to balance the retirement and recruitment of Non-Executive Directors so as to avoid dislocation of Board process by losing experience and skills ahead of their replacement. Appointments are made on merit and against objective criteria, having due regard to the benefits of diversity, including gender, with a view to ensuring the Board has the appropriate mix of personality, skills, and experience. Following a formal, rigorous and transparent process led by the Nomination Committee, the Board was delighted to appoint as independent Non-Executive Directors Penny James with effect from 1 January 2015, Manning Rountree with effect from 16 June 2015, and Owen Clarke with effect from 19 August 2015. Penny joined as a member of the Audit Committee with effect from her appointment, Manning joined as a member of the Risk Committee on appointment, and Owen joined the Audit Committee with effect from 1 January 2016. Both Manning and Owen will be subject to election by shareholders at the forthcoming AGM.

Manning Rountree is Managing Director of White Mountains Capital Inc (White Mountains) and acts as Board Observer for White Mountains on the Board of the Group's US price comparison subsidiary, in which White Mountains has a minority shareholding. Given the relatively small size of White Mountains' shareholding in an overseas Group subsidiary company, the Board has determined that Manning Rountree remains independent in character and judgement and that his attendance at Inspop USA LLC Board meetings does not affect his ability to present an objective, rigorous and constructive challenge to the assumptions and viewpoints presented by management and the Board. A process for managing any potential conflicts has been agreed by the Board such that Manning Rountree will recuse himself from any Group Board discussions where a potential conflict of interest with his role with White Mountains has been identified.

> **"The Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote its success for the benefit of its members as a whole.**

The Board, having given thorough consideration to the matter, considers the eight Non-Executive Directors to be independent and is not aware of any relationships or circumstances which are likely to affect, or could appear to affect, the judgement of any of them. It is the view of the Board that the independent Non-Executive Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Independent Non-Executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders. The initial three-year period may be extended for two further three-year periods subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

Although the Chairman has served in that role since July 2000 the Board remains of the view that he should continue in office. The Chairman, along with all the Directors, seeks election by shareholders annually.

Colin Holmes is the Senior Independent Non-Executive Director (SID). He has the requisite knowledge and experience gained through his Board position, his Chairmanship of the Audit Committee, and his appointments to the boards of other companies. He is available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive, or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. He is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new Chairman, as and when appropriate.

In accordance with the requirement under the Code for annual election of Directors, all Directors will be submitting themselves for re-election by shareholders at the forthcoming AGM. The Board is satisfied that all are properly qualified for their reappointment by virtue of their skills and experience and their contribution to the Board and its Committees.

The Directors are given access to independent professional advice at the Group's expense, should they deem it necessary to carry out their responsibilities.

Professional development

On appointment, Directors take part in a comprehensive induction programme whereby they receive financial and operational information about the Group; details concerning their responsibilities and duties; as well as an introduction to the Group's governance, regulatory and control environment.

This induction is supplemented by visits to the Group's head office in Cardiff and certain overseas offices, and meetings with members of the senior management team and their departments. Development and training of Directors is an ongoing process. Throughout their period in office the Directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part.

The table below details the length of service of the Chairman and each of the Non-Executive Directors and illustrates the balance of experience and fresh perspectives.

Director	Date of appointment	Current length of service as a Non-Executive Director at 31 December 2015
Alastair Lyons (Chairman)	1 July 2000	15 yrs 6 mths
Margaret Johnson	4 September 2006	9 yrs 4 mths
Lucy Kellaway	4 September 2006	9 yrs 4 mths
Colin Holmes	3 December 2010	5 yrs 1 mth
Annette Court	21 March 2012	3 yrs 9 mths
Jean Park	17 January 2014	1 yr 11 mths
Penny James	1 January 2015	1 yr
Manning Rountree	16 June 2015	6 mths
Owen Clarke	19 August 2015	4 mths

The Board receives presentations from senior managers within the Group on a regular basis and Non-Executive Directors are encouraged to make informal visits to different parts of the Group to meet with local management.

Engagement with shareholders

The Company attaches considerable importance to communications with shareholders and engages with them regularly. Open and frequent dialogue with investors enables them to understand fully the Group's strategy, objectives and governance. The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full-year results. A number of analysts and investors visited the Group's Cardiff office during the year to meet with the Executive Directors and senior management in order to get a better understanding of how the Group operates and how it intends to achieve its strategic and operational objectives. Senior executives from the Group's overseas businesses also visit the UK in order to present to, and meet with, analysts and investors. Site visits and individual discussions with the Executive Directors are also arranged throughout the year with individual shareholders.

In addition the Chairman had individual meetings during the year with major shareholders and reported to the Board on issues raised with him.

This is supplemented by feedback to the Board on meetings between management and investors. In addition, the Investor Relations team produces a quarterly Investor Relations Report that is circulated to the Board for their consideration. The Report contains an analysis of share price performance; a summary of analyst reports received during the month and of meetings that have been held with investors and analysts; together with details of any significant changes to the shareholders' register.

The Senior Independent Director has specific responsibility to be available to investors who have any issues or concerns, and in cases where contact with the Chairman, Chief Executive Officer and Chief Financial Officer has either failed to resolve their concerns, or for where such contact is inappropriate. No such concerns have been raised in the year under review.

All shareholders are invited to attend the Company's Annual General Meeting (AGM). The Chairs of the Audit, Remuneration, Nomination and Group Risk Committees attend the AGM along with the other Directors and are available to answer shareholders' questions on the activities of the Committees they chair. Shareholders are also invited to ask questions during the meeting and have an opportunity to meet with Directors after the formal business of the meeting has been concluded. Details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

> The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors. The major shareholders of the Company are listed on page 70.

Conflicts of interest

In compliance with the requirements of the Companies Act 2006 regarding Directors' duties in relation to conflicts of interest, the Group's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits as it thinks fit. The Company has put in place procedures to deal with conflicts of interest. These procedures include each Board member completing, annually, a conflicts of interest questionnaire that sets out any situation in which they, or their connected persons have, or could have, a direct or indirect interest that could conflict with the interests of the Company. Any current Directorships that they, or their connected persons hold, any advisory roles or trusteeships held, together with any companies in which they hold more than 1% of the issued share capital are also disclosed. These procedures were reviewed by the Board in December 2015 and it was concluded that they continued to operate effectively.

Board Committees

The Board has delegated authority to a number of permanent Committees to deal with matters in accordance with written Terms of Reference. The principal Committees of the Board – Audit, Remuneration, Group Risk and Nomination – all comply fully with the requirements of the Code.

All Committees are chaired by an independent Non-Executive Director, except the Nomination Committee which is chaired by the Chairman of the Board, and comprise a majority of independent Non-Executive Directors. Appointments to the Committees are made on the recommendation of the Nomination Committee and are for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent. The Committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the Company Secretary and can also be found on the Company's website: www.admiralgroup.co.uk. Directors are fully informed of all Committee matters by the Committee Chairmen reporting on the proceedings of their Committee at the subsequent Board meeting. Copies of Committee minutes are also distributed to the Board. Committees are authorised to obtain outside legal or other independent professional advice if they consider it necessary. The Chairman of each Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

The Audit Committee's primary responsibilities are to:

Monitor the integrity of the Group's financial statements and any formal announcement relating to the Group's financial performance, reviewing any significant financial reporting judgements which they contain

Keep under review the effectiveness of the Company's internal financial controls, internal control and risk management systems

Review the Group's procedures for handling allegations from whistleblowers and for detecting fraud

Monitor and assess the role and effectiveness of the Group's Internal Audit functions in the context of the Group's overall internal control and risk management systems

Consider and make recommendations to the Board, to be put to shareholders for their approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor

Review the external auditor's independence and objectivity and the effectiveness of the audit process

Review the policy on the engagement of the external auditor to provide non-audit services, considering the relevant regulatory guidance regarding the provision of non-audit services by the external auditor

Colin Holmes

Dear Shareholder,

I'm pleased to provide an update on the main activities of Admiral's Audit Committee during 2015.

The key areas of focus for the Committee during the year have been to provide support to the Board in its oversight of financial reporting and the control environment across the Group. The setting of insurance claims reserves continues to be a key accounting judgement in the Group's financial statements, and the Committee placed considerable focus on reviewing the recommendations of management and discussing the key reserving judgements with the Group's independent actuaries and external auditor. In addition, the Committee continued to monitor the appropriateness of the Group's system of risk management and internal control as well as the robustness of the internal and external audit processes.

The Committee studied a number of control issues, highlighted through a range of different sources including the Risk Register, Internal Audit and the Committee's previous work. One significant focus during the year was on the area of IT Security and Control, in part due to the major project to transfer the UK business onto a new bespoke software system. The Committee will remain focused on this issue during 2016 as the transfer of active business to the new software platform occurs across the year. On the issue of IT Security the Committee sought assurance from the Head of IT Security that the action plan to mitigate against cyber risks remained appropriate and, given the seriousness of the threat posed to the business from cyber risks, that actions and recommendations were being dealt with in a timely manner.

Consideration of the implementation of Solvency II and the impact this would have on the Group took up a considerable amount of the Committee's time in 2015 as the Committees considered the Group's reporting requirements under the Solvency II regime. The Committee also received an update on the adoption of IFRIC 21 and continued to monitor changes in accounting standards.

During the year the Committee led the tender process for the Group's external audit, which resulted in a recommendation that Deloitte LLP should be recommended to shareholders as the Group's auditor at the 2016 AGM. Over the last 16 years KPMG LLP have undertaken an effective and value adding external audit for the Group and I would like to express the Committee's thanks to all the KPMG staff involved.

Within the Committee itself we welcomed Penny James as a member in early 2015 and Owen Clarke in January of this year. Both of these appointments have added to the strength and breadth of the Audit Committee. At the AGM Margaret Johnson steps down from the Board and this Committee and I would like to thank her for her huge contribution over the last nine years. I hope you find the above summary, and the more detailed report, both useful and informative.

Colin Holmes
Chairman of the Audit Committee
2 March 2016

> **"Consideration of the implementation of Solvency II and the impact this would have on the Group took up a considerable amount of the Committee's time in 2015 as the Committee considered the Group's reporting requirements under the Solvency II regime.**

Summary of key activities during 2015

During the year the Committee reviewed the following:

The Annual Report and interim results.

Reports from the Internal Audit departments within the Group on the effectiveness of the Group's risk management and internal control procedures, details of key audit findings, and actions taken by management to manage and reduce the impact of the risks identified.

Reports from the external auditor on the principal findings from their review of the Group's systems and controls, and on their key accounting and audit issues and conclusions on the half and full year reporting.

Reports from the Chair of the Group Risk Committee on the principal risks faced by the Group and the work undertaken by the Committee to ensure risk is appropriately managed.

Presentations from independent actuaries to assist the Committee in concluding on the adequacy of the Group's reserves.

Reports from the external auditor on their proposed audit scope, fees, audit findings, and auditor independence.

Proposals from invited external audit firms as part of the audit tender process.

Performance and effectiveness of the Internal Audit department including review of the results of the external effectiveness review of Internal Audit.

All reports from Internal Audit including management responses to the conclusions set out in the reports.

Reports and updates on the project and financial controls of the new UK IT system.

The effectiveness of the Group's Whistleblowing Policy which sets out the arrangements for raising and handling allegations from whistle blowers.

The Committee also had presentations and discussions on a range of important issues including: IT Security, deferred tax assets and Solvency II preparatory phase reporting requirements.

Its own Terms of Reference.

Its own effectiveness.

Membership

Audit Committee attendance (7 meetings)

Colin Holmes	■	■	■	■	■	■	■
Annette Court	■	■	■	■	■	■	■
Penny James	■	■	■	■	■	■	■
Margaret Johnson	■	■	■	■	■	■	■

■ Chair ■ Member □ Did not attend

Membership of the Committee at the end of the year was: Colin Holmes (Chair), Annette Court, Penny James and Margaret Johnson. The Committee has been strengthened by the addition of Owen Clarke who joined the Committee with effect from 1 January 2016 and ensures that with Margaret Johnson stepping down from the Board in April, the composition of the Committee remains well balanced. Committee members continue to have a broad range of financial and business experience such that they are able to effectively analyse, challenge and debate the issues that fall within the Committee's remit.

The Company Secretary acts as Secretary to the Committee. The Committee meets at least four times per year and has an agenda linked to events in the Company's financial calendar and other important issues that arise throughout the year which fall for consideration by the Committee under its remit.

The Board considers that the members of the Committee have the appropriate competence and experience necessary to contribute meaningfully to the Committee's deliberations and further considers that Colin Holmes (Committee Chair), as a Chartered Management Accountant, has appropriate recent and relevant financial experience having previously been the UK Finance Director for Tesco plc.

The Committee is kept up to date with changes to Accounting Standards and relevant developments in financial reporting, company law, and the various regulatory frameworks through presentations from the Group's external auditor, Chief Financial Officer and Company Secretary. In addition, members attend relevant seminars and conferences provided by external bodies. The Terms of Reference of the Audit Committee include all the matters required under the Code.

Other individuals such as the Chief Financial Officer, Chief Operating Officer, Chief Executive Officer, Chairman of the Board, the Chief Risk Officer, Heads of Compliance and Internal Audit, and representatives of different parts of the Group may be invited to attend all or part of any meeting as and when appropriate. The external auditor was invited to attend all of the Committee's meetings held in 2015, excepting those agenda items when its own performance/appointment was to be reviewed and provision of non-audit services discussed. In addition, a number of private meetings were held between members of the Committee and the auditor.

Significant issues considered by the Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's financial statements related to: insurance liabilities; profit commissions; and the valuation of deferred tax assets.

These issues were discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditor's Group audit plan; when the auditor reviewed the interim financial statements in August 2015 and also at the conclusion of the audit of these full year financial statements.

Insurance liabilities

The Audit Committee considered the provision for claims outstanding comprising provisions for the estimated cost of settling all claims incurred but unpaid as at the balance sheet date, whether reported or not. The Board has approved a Reserving Policy that sets out the methodology by which management sets reserves in the financial statements that are sufficient, to a high degree of likelihood, to cover any liabilities that can be reasonably assumed to arise from business earned up to the valuation date. The approach is to ensure that an appropriate margin is provided above actuarial best estimates to allow for uncertainty and volatility.

The Committee held separate meetings with the Group's external actuaries at which there was challenge and debate on the methodology used and best estimates developed by the external actuaries and recommended for adoption by management and the Group's internal actuary. At these meetings management provided further information on the reserving levels proposed and were challenged by the Committee as to their adequacy and level of inherent prudence.

Whilst acknowledging that the setting of reserves to cover future claims is a complex and judgemental area and having had the opportunity at the separate meetings referred to above to consider and question the recommended best estimates, the Committee is satisfied that an appropriate process has been followed and that there has been scrutiny, challenge and debate to give confidence that the reserving levels set provide an appropriate margin above best estimates, though noted the continued high level of prudence that remains within the reserves.

The Committee also received an update from the auditor regarding the procedures they had used to test management's methodology in setting best estimates and considered the auditor's assertion that they had challenged the reserving approach taken by management and were satisfied with management's assumptions and that the Group's approach to setting reserves was in compliance with current accounting standards.

Profit commission

The Committee considered the impact on profit commission income of future changes in claims reserves as the recognition 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. The Committee remained satisfied that profit commission was correctly accounted for by the Group and was in accordance with the contractual arrangements that were in place.

The Audit Committee considered the auditor's overall findings on this area which indicated that it considered the profit commission recognised was appropriate in the context of the financial statements as a whole.

Recognition of intra-group trading

The Committee considered and reviewed the accounting treatment, relating to intra-group trading. In previous years, the auditor had continued to report an unadjusted difference in relation to intra-group trading between the Group's insurance and price comparison businesses and management had opted not to make the elimination adjustments on the basis that the impact was immaterial.

However for 2015, management have determined that an adjustment for the elimination of the intra-group trading should be made within the financial statements. This change in approach was proposed on the basis that the materiality of the adjustment of the individual revenue and expense captions within the income statement was increasing due to the trading between the Group's international price comparison entities and the respective insurance operations in those countries. KPMG had confirmed that they were satisfied that the proposed treatment was appropriate.

The Committee fully considered and challenged management on the change in approach proposed. Following comprehensive review, the Committee confirmed its acceptance of management's position on the basis that accounting for intra-group trading in this way had no profit impact and that explanatory footnotes would be added to the financial statements.

Valuation of deferred tax assets

The Group has both recognised and unrecognised deferred tax assets in respect of tax losses within its US businesses. There is significant judgement involved in assessing the probability of realising future taxable profits when operations are not yet fully established and are currently loss making, and inherent uncertainty involved in forecasting future taxable profits, which determine the extent to which deferred tax assets are or are not recognised.

Valuation of deferred tax assets continued

The Committee had considered the approach proposed by management in determining the value of these deferred tax assets in the Group's balance sheet. It was noted that the probability of the availability of future taxable profits had been formalised in a policy and was 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. The policy used by management classified the Group's businesses as either: a start up business; a new business or an established business and used relevant criteria such as markets and performance against KPIs to assess the status of each business.

During 2015, management had also proposed that for "new businesses", an additional stress test to assess the impact of delayed profitability should be considered. Applying the policy, management proposed that, in relation to compare.com, as management's level of confidence in the long-term objectives of the business continues to be high it was appropriate to continue to hold an asset in relation to £27 million of losses. For Elephant, management proposed that, although management's level of confidence in the future profitability of the business continued to remain high, the application of the policy leads to the reversal of the existing deferred tax asset and considered this to be an appropriately prudent outcome with respect to deferred tax asset recognition. Given the size of the total deferred tax asset in relation to US losses at 31 December 2015, KPMG have concluded that it is not a significant risk in terms of being potentially misstated and are satisfied that the deferred tax asset has been calculated by management in line with Admiral's deferred tax accounting policy.

The Committee challenged management on the application of management's deferred tax accounting policy and agreed with the approach proposed by management.

Misstatements

An adjusted audit difference was reported in relation to the intra-group trading issue reported above but no unadjusted audit differences were reported. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Non-audit fees

During the year the Committee reviewed its policy on non-audit services in the context of EU Audit Reforms, and consultations issued by The Department for Business, Innovation and Skills (BIS) and the Financial Reporting Council (FRC). Given the proposed changes in this area, the Committee approved, in February 2016, a revised Policy that was aligned with current regulatory guidance. Under the policy, the Group's statutory auditor would only be engaged to carry out non-audit work in exceptional circumstances or where there was a regulatory or tax authority request and where agreed by the Committee.

Unless required by law, regulatory or tax authority, from 2016, any non-audit services will: a) be subject to prior approval from the Committee and b) in aggregate, shall not cost more than 70% of the average statutory audit fee for the past three financial years. In considering whether to approve such non-audit services, the Committee shall ensure that:

- There is no direct effect, or the effect is clearly inconsequential, on the non-audit services on the Group's financial statements;
- The estimation of the effect on the financial statements is documented and explained in a report to the Committee;
- The non-audit services provided comply with the principle of independence; and
- The audit firm must not place significant reliance on the output of the non-audit services for the audit work.

The Committee will continue to monitor regulatory developments in this area to ensure that its policy on non-audit fees adheres to current guidance.

Effectiveness of the external audit process

The Committee undertakes an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, the progress achieved against the agreed audit plan, and the competence with which the auditor handled the key accounting and audit judgements. Following this review the Committee concluded that the auditor, KPMG LLP, remained independent and provided a service that was robust and fit for purpose.

Audit tender

As confirmed in this report last year, given the requirements of the UK Corporate Governance Code and changes to the EU regulatory framework, the audit for the year ended 31 December 2016 was put out to tender in 2015. As the Committee has primary responsibility for making recommendations to the Board concerning the appointment, reappointment and removal of the external auditor, the Committee led the tender process. The Group's auditor, KPMG LLP, was invited to tender together with Deloitte LLP and PricewaterhouseCoopers LLP. The tender process involved: the three firms being identified as having the right level of experience and resource submitting a formal invitation to tender document; each firm had individual meetings with key members of management and the Chair of the Audit Committee; and a final presentation to the Committee was made by each of the tendering firms focusing on the Group's key business risks and their proposed audit approach.

Following completion of the transparent and independent audit tender process and on the recommendation of the Committee, the Board approved that, Deloitte LLP should be recommended to shareholders as the Group's auditor at the 2016 AGM. A resolution to that effect will be proposed at the AGM. There are no contractual obligations that restrict the Group's choice of external auditor. The Committee will continue to keep under review the auditor appointment as the regulatory changes in this area continue to evolve.

Internal audit

The Group Head of Internal Audit attends all Audit Committee meetings and provides a range of presentations and papers to the Committee, through which the Committee monitors the effectiveness of the Group's internal controls. The Committee reviewed and approved the Group Internal Audit Terms of Reference which set out the role; objectives; reporting lines and accountability; authority; independence; and objectivity of the Internal Audit function. The role and competence of each Internal Audit function across the Group was also assessed and considered by the Committee. It was agreed that the Group Head of Internal Audit would have increased responsibility to ensure the quality of the Internal Audit activities in the Group's overseas locations.

Members of the Committee also receive all issued audit reports, enabling them to challenge the reports' content and related recommendations. The Committee approves the Internal Audit programmes at the start of each calendar year whilst the effectiveness and workload of the Internal Audit functions and the adequacy of available resources are monitored throughout the year.

In accordance with agreed parameters, the overseas operations in Spain, Italy and the US have their own locally based internal auditors, who report to their respective country heads. All reports are evaluated by the Group Head of Internal Audit to ensure the quality and effectiveness of the reported findings. In addition, the UK Internal Audit department carries out high level governance reviews of all foreign operations, assessing the internal control frameworks and system of risk management. The overseas internal auditors attend Committee meetings periodically.

Committee effectiveness review

As part of the Committee's detailed annual review of its performance and processes, each Committee member completed a comprehensive questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring internal and external audit. The Committee discussed the results of the review and it was concluded that the Committee and the audit process were effective; that the Committee had full access to all the information it required; that the Committee had appropriate Terms of Reference; and that it was adequately discharging its responsibilities.

Dear Shareholder,

Having now implemented the Group's Enterprise Risk Management Framework ('ERMF') and thereby improved the understanding of risks at a Group level the Committee has focused during the year on developing the Board's risk strategy and risk appetite with greater granularity. Risk Owners have agreed a refreshed suite of Key Risk Indicators with associated triggers and limits. This has improved the effectiveness of the Committee by placing greater focus on the main risks affecting the business.

A significant amount of time has been dedicated to achieving compliance with the Solvency II requirements which have been introduced in January 2016, in particular, the application for the Group's regulatory capital add-on. The Committee has also reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy.

The Committee challenged and reviewed the setting of and outputs from the regular stress and scenario testing and reverse stress testing. The output was incorporated into the Own Risk and Solvency Assessment ('ORSA') report for 2015, which the Committee also reviewed.

Regular reports have been received on the risks and progress of the major change programme responsible for the implementation of a new policy administration system and data warehouse, known as Project Bolt. The first phase of the programme was successfully implemented in December 2015.

The focus on monitoring and reporting customer outcome risks continued during the year and included the introduction of Group minimum compliance standards, which introduces the levels of compliance resources and monitoring levels that all Group firms must apply to their respective regulatory obligations.

The composition of the Committee was strengthened by the addition of Manning Rountree who joined as a member of the Committee in June 2015.

I look forward to continuing the good work this year.

Jean Park
Chair of the Group Risk Committee
2 March 2016

The responsibilities of the Committee can be summarised as:

- Oversee the development, implementation and maintenance of the Group's overall Risk Management Framework and ensure that it is in line with emerging regulatory, corporate governance and best practice guidelines
- Monitoring the Group's prudential risk exposure, which includes ensuring that the Group's capital resources and liquidity profile are appropriate to its needs whilst meeting minimum regulatory requirements, including overseeing and challenging the design and execution of the Group's stress and scenario testing
- Monitoring the Group's current and future conduct risk exposure
- Ensuring the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime and data protection
- Monitoring the adequacy and effectiveness of the Group's Compliance functions
- Reviewing the Group's progress towards achieving Solvency II compliance
- Reviewing compliance with Group policies, including the established Reserving Policy and process
- Considering and recommending to the Board for approval the Group's risk appetite, including any changes to the appetite for each material type of risk faced by the Group
- Approving the annual plans for the Group Risk and Compliance functions which include reviewing regulatory developments and regular meetings with the PRA and FCA

> "The Committee challenged and reviewed the setting of and outputs from the regular stress and scenario testing and reverse stress testing.

Summary of key activities during 2015

During the year the Committee:

Reviewed the Group's updated risk strategy, risk appetite and associated triggers and limits in the context of the Group's agreed strategic objectives.

Reviewed the Group's Enterprise Risk Management Framework and received external assurance on the successful implementation of the updated framework in line with Solvency II requirements.

Reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy.

Reviewed the Group's regulatory capital add-on application in preparation for the introduction of Solvency II capital requirements.

Through stress and scenario testing and reverse stress testing, considered in-depth analysis of a number of the Group's most significant risk areas, including the potential default of a reinsurer.

Considered the adequacy of risk mitigation measures and contingency plans including a review of the Group's reinsurance provisions.

Monitored the Group's progress towards implementation of Solvency II including approval of a number of new and revised policies.

Recommended to the Board approval of the 2015 ORSA Report prior to submission to the regulator and approved the ORSA policy.

Reviewed the executive succession planning processes.

Considered the provisions of the Senior Insurance Managers Regime and approved the Group's approach.

Reviewed a number of new product propositions.

Received regular updates on IT Security and presentations on a number of key risk topics including cyber risk, investments and liquidity.

Reviewed regular reports on the risks and progress of the major change programme responsible for the implementation of a new policy administration system and data warehouse, known as Project Bolt.

Received regular risk monitoring reports on performance of Key Risk Indicators within the overall risk management framework.

Received regular monitoring reports on UK conduct risk and complaint handling and approved the introduction of Group minimum compliance standards.

Composition of the Group Risk Committee (GRC)

Membership at the end of the year was: Jean Park (Chair), Annette Court, Lucy Kellaway, Manning Rountree and David Stevens. The Company Secretary acts as Secretary to the Committee.

The Committee met six times during the year.

Group Risk Committee attendance (6 meetings)

Jean Park	Chair	Chair	Chair	Chair	Chair	Chair
Annette Court	Member	Member	Member	Member	Member	Member
Lucy Kellaway	Member	Member	Member	Member	Did not attend	Member
Manning Rountree*[1]				Member	Member	Member
David Stevens	Member	Member	Member	Member	Did not attend	Member

Chair / Member / Did not attend

*[1] Manning Rountree was appointed to the Board with effect from 16 June 2015.

Duties and responsibilities of the Group Risk Committee

The duties and responsibilities of the Committee are set out in Terms of Reference that were approved by the Board in January 2013 and updated and approved in January 2015.

The Committee Chair reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, as set out in previously circulated minutes to the Board. The Committee Chairperson also reports on the activities of the Committee in a formal written report that is submitted to and discussed by the Board every six months.

The work of the Committee is supported by more detailed work undertaken by executive Risk Management Committees in each of the Group's operational entities. At each meeting, the Risk Management Committees consider significant movements in the operation's risk profile, any risks that have arisen and any emerging risks. Risk Management Committees also assess and monitor any regulatory issues, ensuring that their resolution and the action taken are appropriately recorded. In the UK, the Risk Management Committee receives regular information on Conduct Risk, such as complaint handling reports and other related management information. The Group Risk Management function reviews and collates information from across the Group for consideration by the Group Risk Committee.

Internal control and risk management

The Board is ultimately responsible for the Group's system of risk management and internal control and, through the Audit Committee, has reviewed the effectiveness of this system. The system of risk management and internal control over insurance, operational, market, legal and regulatory risks is designed to manage rather than eliminate the risk of failure to achieve business objectives and breaches of risk appetites and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's risks and internal controls; that it has been in place for the year ended 31 December 2015; and that, up to the date of approval of the Annual Report and Accounts, it is regularly reviewed by the Board and accords with the internal control guidance for Directors provided in the UK Corporate Governance Code.

The Board confirms that it has performed a robust assessment of the Group's principal risks. These risks, along with explanations of how they are being managed and mitigated, are included in the Strategic Report on pages 34 to 37.

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board meets at least seven times a year to discuss the direction of the Company and provide oversight of the Group's risk management and internal control systems. The role and responsibilities of the Board are documented within their Terms of Reference and these are reviewed annually.

A key element of the control system is that the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility. As described above, in order to ensure these responsibilities are properly discharged, the Board has delegated to the Audit Committee to keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems.

The Board has delegated the development, implementation and maintenance of the Group's overall risk management framework to the Group Risk Committee ('GRC'). The GRC reports on its activities to the Board and the Audit Committee, supporting the overall assurance provided by the Audit Committee that the Group's internal control, risk management and compliance systems continue to operate effectively.

The Group has a 'three lines of defence' approach to Internal Control. The Board recognises that the day-to-day responsibility for implementing policies lies with the senior management, the 'first line of defence', whose operational decisions must take into account risk and how this can be controlled effectively.

The 'second line of defence' describes the Committees and functions that are in place to provide an oversight of the effective operation of the internal control framework. The Group Risk Department and the Compliance functions are part of the second line of defence.

The Group Risk Department defines and prescribes the insurance, market and operational risk assessment processes for the business. It performs second line reviews, including of the reserving and capital modelling processes, and undertakes regular reviews of all risks in conjunction with management, with the results of these reviews recorded in risk registers. Furthermore, Group Risk records any actual losses or near misses that occur as a consequence of the crystallisation of risk and analyses the sufficiency of the action taken to avoid reoccurrence. The Chief Risk Officer has responsibility for ensuring that managers are aware of their risk management obligations, providing them with support and advice, and ensuring that risk management strategies are properly communicated. Reports are produced showing the most significant risks identified and the controls in place. Internal Audit uses the risk registers to plan and inform their programme of audits around the most significant risks to the Group to ensure that the prescribed controls are in place and are operating effectively.

There is Compliance resource assigned to each operation who review and report on the first line of defence's compliance with designated control activities. The Group Compliance function consolidates these reviews and provides reports to the Group Risk Committee.

The 'third line of defence' describes the independent assurance provided by the Audit Committee and the Group Internal Audit function that reports to that Committee. Internal Audit undertakes a programme of risk based audits covering all aspects of both the first and second lines of defence. The findings from these audits are reported to all three lines, i.e. management, the executive and oversight Committees, and the Audit Committee.

The GRC, UK Risk Management Committee and other UK and overseas Risk Committees receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. They, together with the Audit Committee, also receive regular reports from the Internal Audit function, which include recommendations for improvement of the control and operational environment. Twice a year the Chair of the GRC provides a comprehensive written report to the Board of the activities carried out by GRC. In addition, the Board receives reports from the Chair of the Audit Committee as to its activities, together with copies of the minutes of the GRC and Audit Committee.

The Audit Committee's ability to provide the appropriate assurance to the Board depends on the provision of periodic and independent confirmation, primarily by Internal Audit, that the controls established by management are operating effectively and where necessary provides a high-level challenge to the steps being taken by the GRC to implement the risk management strategy.

Viability

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years to December 2018. This assessment has been made taking into account the current financial position of the Group, the Group's business plans, the Group's 'Own Risk and Solvency Assessment' (ORSA) process, and the principal risks and uncertainties faced by the Group, which are disclosed on page 34 to 37 of the Strategic Report.

The ORSA is performed in line with Solvency II regulations and requires the Group to demonstrate that it has a detailed understanding of the risks facing the business over a three-year time horizon. In addition to this the Group Risk Committee and the Group Board review regular updates to the Group's capital and solvency projections.

Quantitative and qualitative assessments of risks are performed as part of the ORSA process. The quantitative assessment (in line with the Group's capital and solvency projections) considers how the regulatory capital requirements, economic capital needs, own funds and the solvency position of the Company is projected to change over the three year time horizon. It also includes a series of stress tests, linked to the Group's principal risks and reports the impact of these stresses alongside any mitigating factors that reduce the impact.

The results of the stress tests form part of the process to set the Group's capital risk appetite, which ensures that a buffer on top of the Group's regulatory capital requirement is held to protect its capital position against shocks and stresses.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this three year period.

Dear Shareholder,

Succession planning has been a key area of focus for the Committee in 2015 given the changes to the composition of the Board that have taken place during the year with both Roger Abravanel and Manfred Aldag stepping down from the Board. The composition will change further in the coming year with Margaret Johnson and Lucy Kellaway retiring at the forthcoming AGM and Henry Engelhardt stepping down as CEO in May. In this context and in keeping with its remit to review regularly the composition and experience of the Board, the Committee led the process of Non-Executive Board appointments during the year. The Committee carried out a robust and comprehensive recruitment process resulting in the appointment of Penny James, Manning Rountree and Owen Clarke, further enhancing the range of skills, breadth of experience and diversity around the Board table.

The Committee continued the development of a structured succession plan that would ensure appropriate action was taken well ahead of the dates on which individuals would be retiring in order to achieve their replacement, if appropriate, with individuals of the appropriate skills, experience and fit to the Board.

Alastair Lyons
Chairman of the Nomination Committee
2 March 2016

The Nomination Committee's primary responsibilities are to:

- Lead the process for making appointments to the Board.
- Ensure there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.
- Ensure plans are in place for orderly succession for appointments to the Board and for other senior management positions.

> The Committee carried out a robust and comprehensive recruitment process.

Membership

The membership of the Committee at the year end was Alastair Lyons (Chairman), Colin Holmes and Lucy Kellaway. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive to attend meetings when it deems appropriate. The Committee met formally on two occasions in 2015 although members of the Committee corresponded and met informally on a number of occasions to consider and meet with individuals that the Committee had identified as possible candidates to join the Board.

Nomination Committee attendance (2 meetings)

Alastair Lyons	■	■
Colin Holmes	■	■
Lucy Kellaway	■	■

■ Chair ■ Member □ Did not attend

The Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The Committee ensures there is a formal, rigorous and transparent process for the appointment of new Directors to the Board embracing a full evaluation of the skills, knowledge and experience required of Directors. The Committee also ensures plans are in place for orderly succession for appointments to the Board and reviews the succession plans for other senior management positions. Responsibility for making senior management appointments rests with the Chief Executive.

Having secured Penny James as a Non-Executive Director during 2014, during 2015, having regard to forthcoming retirements and the changing nature of the Group's business, the Board initiated a search for two new Non-Executive Directors. The Group has in place a policy of recruiting well ahead of impending retirements in order to ensure continuity of knowledge and Board dynamics. The Committee developed an appropriate specification for these roles having regard to the required skills and experience. Following this process, the Committee identified Manning Rountree and Owen Clarke as best placed to fill the roles identified.

Manning is a senior executive at White Mountains Insurance Group Ltd., a publicly-traded, Bermuda-domiciled holding company for insurance and financial services interests around the world, where he oversees transactions, mergers and acquisitions and new business development. Until recently, he also served as President of White Mountains Advisors, the company's in-house asset management operation. Prior to joining White Mountains in 2004, Manning was a consultant at McKinsey & Company, focused on the insurance, asset management and financial services sectors. He was also the Director of Corporate Development for Putnam Investments, a Boston-based asset management company. Manning's experience in the US insurance sector will be invaluable as the Group's auto insurance and price comparison businesses develop in the US.

Owen is currently the Chief Investment Officer of Equistone (formerly Barclays Private Equity): he served as a Director of Admiral from 1999-2004 when it was a private company having led BPE's participation in the MBO of Admiral in 1999. Consequently, Owen has an excellent understanding of the Group's business and culture, as a well as a great commercial record.

Given Manning's and Owen's background, experience and competence, and the external references that were obtained, the Committee did not consider it either necessary or appropriate to undertake a full search led by an external recruitment consultancy.

Each Committee member met separately with Manning and Owen and agreed that each would bring invaluable experience to the Board. The Board approved the Committee's recommendations and following regulatory approval Manning was formally appointed to the Board with effect from 16 June 2015 and Owen with effect from 19 August 2015.

The Board, at its meeting in April 2015, considered the Group's current Succession Plan which considered the senior roles within the Group and identified whether there was emergency short term cover in place in the event that an individual left the organisation, and whether there was a permanent replacement available within the organisation, or whether the position would need to be filled externally. It also identified where there were individuals who, with further experience and guidance, would be capable of moving into particular senior management roles.

The Committee remains satisfied that succession plans for Directors and senior management are in place to ensure the continued ability of the Group to implement strategy and compete effectively in the markets in which it operates.

The Group remains strongly supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. What is important is diversity of thought, experience and approach and each new appointment must complement what already exists at the Board table. Accordingly, appointments will always be made on merit against objective criteria, including diversity, and not just to achieve an externally prescribed number. Given women already constitute over 25% of our plc Board, the Group has already met the target set for 2015 by Lord Davies in his report: Women on Boards. The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its workforce both in the UK and overseas. A breakdown of the gender of Company Directors and senior employees at the end of the financial year together with details of the Group's Equality, Diversity and Dignity at Work Policy are set out in the Directors' Report on page 69.

Remuneration Committee

Full details of the membership, responsibilities and activities of the Remuneration Committee can be found in the Directors' Remuneration Report set out on pages 58 to 68.

Detailed information of individual Directors can be found on pages 42 to 43

Appointments made in the last year

Manning Rountree (43)
Non-Executive Director

Owen Clarke (52)
Non-Executive Director

I remain confident that the Group's Remuneration Policy supports the view, held by the Board, that wide share ownership drives outstanding performance and promotes the long term success of the business whilst remaining in alignment with shareholder interests.

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report (the Report) for the year ended 31 December 2015, which has been prepared by the Remuneration Committee (the Committee) and approved by the Board.

2015 has been another strong year for the Admiral Group despite challenging conditions in the cyclical core UK motor insurance market. Earnings per share in the year were 107.3 pence (2014: 103.0 pence), up 4% on 2014. Return on equity of was 49% (2014: 52%). Total Shareholder Return was 34% over the year, placing Admiral in the top quartile of the FTSE 350. Total dividends for the financial year (including the proposed final dividend of 63.4 pence per share) will be 114.4 pence per share, representing 108% of our earnings. The Group's strategy remains to continue to maximise our position in the UK while taking what we know and do well, which is internet and telephone delivery of insurance and price comparison, to our overseas businesses.

Two of the three Executive Directors are founding Directors and receive remuneration that only comprises salary and modest benefits. The Committee continues to hold the view that this is appropriate, as their significant shareholdings provide a sufficient alignment of their interest with those of other shareholders. In order to provide full transparency of pay arrangements for our Executive Directors, this Report includes single figure and comparative data for our CFO as well as for our CEO, as the pay arrangements for the CFO are more reflective of those for (non-founder) executives. The Group continues to maintain base salary levels for most senior management positions at well below the lower quartile of their peer group in the FTSE 350.

As I noted in my letter last year, the Company undertook in late 2014 and early 2015 a comprehensive review of the Group's DFSS (Discretionary Free Share Scheme) rules. A considerable amount of the Remuneration Committee's time in early 2015 was spent consulting with our top shareholders and other stakeholders on the proposed revisions to the DFSS. The proposed changes to the DFSS were incorporated into the Group's Remuneration Policy which was put to shareholders for approval at the Group's AGM in April 2015 and subsequently approved with 96% voting in favour. I remain confident that the Group's Remuneration Policy supports the view, held by the Board, that wide share ownership drives outstanding performance and promotes the long term success of the business whilst remaining in alignment with shareholder interests.

In addition to consideration of the proposed DFSS changes set out above, the Committee also considered the following matters during the year ended 31 December 2015:

- Reviewing the salary arrangements and fee proposals for the Executive Directors, the Chairman and senior management.
- Reviewing the appropriateness of the performance conditions for the Free Share Incentive Plan (SIP) awards.
- Reviewing the Company's performance against the performance conditions applicable to the DFSS and SIP awards and where appropriate authorising the vesting of awards.
- Reviewing and authorising the grant of awards under both the DFSS and SIP.
- Reviewing the Committee's Terms of Reference and recommending amendments to the Board for approval.
- Approval (subject to shareholder approval) for a sub-plan of the DFSS to be created in order to take advantage of the changes in France with respect to the Macron Law.

Annette Court
Chair of the Remuneration Committee
2 March 2016

Remuneration Committee attendance (6 meetings)

	1	2	3	4	5	6
Annette Court	Chair	Chair	Chair	Chair	Chair	Chair
Roger Abravanel*	Member	Member	Member	Did not attend		
Margaret Johnson	Did not attend	Member	Member	Member	Member	Member
Jean Park	Member	Member	Did not attend	Member	Member	Member

Chair Member Did not attend

* Roger Abravanel stepped down from the Board with effect from 29 April 2015.

Compliance statement

This Remuneration Report has been prepared according to the requirements of the Companies Act 2006 (the Act), Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and other relevant requirements of the FCA Listing Rules. In addition, the Board has applied the principles of good corporate governance set out in the UK Corporate Governance Code (the Code) and has considered the guidelines issued by its leading shareholders and bodies such as the Investment Association and the Pensions and Lifetime Savings Association.

The Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) on 29 April 2015, and took effect from that date. This section presents a summary of the approved policy, including the policy table and notes, pay-for-performance charts, the recruitment policy, and Non-Executive Director appointments. The full policy can be found on pages 60 to 65 of the 2014 Annual Report and Accounts.

The sections presented below are as disclosed in the 2014 Directors' Remuneration Report save a number of non-significant changes, as follows:

- References to financial years have been updated where appropriate.
- Pay-for-performance scenario charts have been updated to reflect latest salaries.
- Current Non-Executive Director appointment expiry dates have been updated.

Key principles of Admiral Remuneration arrangements

The Group is committed to the primary objective of maximising shareholder value over time and ensuring that there is a strong link between performance and reward. This is reflected in the Group's stated Remuneration Policy of paying competitive, performance-linked and shareholder-aligned remuneration packages comprising basic salaries coupled with participation in performance-based share schemes to generate competitive total reward packages for superior performance. The Board is satisfied that the adoption of this policy continues to meet the objectives of attracting and retaining executives of the highest quality across the Group.

The Committee reviews the framework and remuneration packages of the Executive Directors and the most senior managers and recognises the need to ensure that the Remuneration Policy is firmly linked to the Group's strategy, including its risk management approach. In setting the policy and making remuneration decisions, the Committee takes into account pay and conditions elsewhere in the Group. The main principles underlying the Remuneration Policy are:

- **Competitive –** the Group aims to combine salaries with attractive performance-related incentives which provide the potential for competitive total reward packages for the achievement of superior performance. Base salaries reflect the role, job size and responsibility together with individual performance and effectiveness. Prevailing market and economic conditions and developments in governance are also considered, as are general salary levels throughout the organisation. In considering total remuneration for the Executive Directors, the Committee takes into account remuneration in companies of a similar size in the Financial Services sector.
- **Performance-linked –** a significant part of the Executive Directors' (excluding the founding Directors) and senior managers' reward remains performance-linked and shareholder-aligned.
- **Transparent –** all aspects of the remuneration structure are clear to employees and openly communicated.

Remuneration Policy table

This table describes the key components of the remuneration arrangements for Executive Directors for 2015 and beyond.

Purpose and link to strategy	Operation	Opportunity and performance metrics
Base salary To attract and retain talent by setting base salaries at levels appropriate for the business.	Salaries are reviewed annually or following a significant change in responsibilities. Salary levels/increases take account of: • Scope and responsibility of the position. • Individual performance and effectiveness, and experience of the individual in the role. • Average increase awarded across the Group.	Any salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that salary increases will normally be in line with the increase for the general employee population over the term of this policy. More significant increases may be awarded in certain circumstances including, but not limited to: where there has been a significant increase in role size or complexity, to apply salary progression for a newly appointed Executive Director, or where the Executive Director's salary has fallen significantly behind market. Where increases are awarded in excess of that for the general employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension To provide retirement benefits.	The Group operates a Personal Pension Plan, a Defined Contribution Scheme. This is available to all employees following completion of their probationary period.	The Group matches employee contributions up to a maximum of 6% of base salary subject to an overall maximum employer contribution of £9,000. Salary is the only element of remuneration that is pensionable. Henry Engelhardt has declined to be included in the plan.

Remuneration Policy table continued

Purpose and link to strategy	Operation	Opportunity and performance metrics
Other benefits To provide competitive benefits.	Includes (but not limited to): • Death in service scheme. • Private medical cover. • Permanent health insurance. • Relocation, at the Committee's discretion. All benefits are non-pensionable.	Benefits may vary by role. None of the existing Executive Directors received total taxable benefits exceeding 5% of salary during the most recent financial year, and it is not anticipated that the cost of benefits provided will exceed this level over the term of this policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation), or in circumstances driven by factors outside the Company's control (e.g. material increases in insurance premiums).
Discretionary Free Share Scheme (DFSS) To motivate and reward longer term performance, aid long term retention of key executive talent, use capital efficiently, grow profits sustainably and further strengthen the alignment of the interests of shareholders and staff.	Executive Directors may be granted awards annually at the discretion of the Committee. Henry Engelhardt and David Stevens have declined to participate given their significant shareholdings. Awards are generally made as a specific number of shares and vest after a minimum of three years subject to Group performance and continued employment. Awards are subject to clawback and malus, i.e. forfeiture or reduction of unvested awards and recovery of vested awards in exceptional circumstances (such as material misstatement or gross misconduct).	Maximum opportunity: £2,000,000. For awards above £1,000,000 a maximum of 600% of base salary applies. Vesting of DFSS awards is subject to the Group's performance over a three-year performance period. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities. Details of the measures, weightings and performance targets used for specific DFSS grants are included in the Annual Report on Remuneration. Threshold performance will result in vesting of up to 25% of the maximum award.
DFSS bonus To further align incentive structures with shareholder interests through the delivery of dividend equivalents.	To incentivise shareholder value creation, in particular in the form of dividends, management participate in a bonus scheme which directly links their awards to dividends paid to shareholders. Bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares awarded but not vested.	Maximum opportunity: sum equal to dividends payable during the year on awarded but unvested DFSS shares. No bonus is payable unless dividends are payable on Admiral shares.
Approved Free Share Incentive Plan (SIP) To encourage share ownership across all employees using HMRC approved schemes.	All UK employees participate in the SIP (except Henry Engelhardt and David Stevens, who have declined to participate). Grants are made twice a year based on the results of each half year and vest after three years subject to continued employment.	The SIP is an all-employee scheme and Executive Directors participate on the same terms as other employees. The acquisition of shares is therefore not subject to the satisfaction of a performance target. Maximum opportunity is in line with HMRC limits.
Minimum shareholding requirement To align interests of Executive Directors with shareholders.	Guideline to be met within five years of appointment	Two times salary.

The Committee is satisfied that the above Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking. The Committee retains discretion to make non-significant changes to the Remuneration Policy without reverting to shareholders.

Notes to the Remuneration Policy table

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy. This includes all outstanding awards under the DFSS, made prior to the approval of the 2015 DFSS, and awards of DFSS shares that vest 50% on performance and 50% on continued employment made to the CFO prior to his appointment to the Board.

Remuneration arrangements for founding Directors

Two of the three Executive Directors (Henry Engelhardt and David Stevens) are founding Directors. They and the Committee continue to hold the view that the significant shareholdings held by them provide a sufficient alignment of their interest in the performance of the Group with the interests of other shareholders. In light of this, their remuneration packages consist only of a below market rate salary and benefits such as private medical cover, permanent health insurance and death in service cover. During 2014 David Stevens joined the Group's Personal Pension Plan and from October 2014 the Group matched his contributions under the Plan. The Group does not contribute to any pension arrangements on behalf of Henry Engelhardt. Henry Engelhardt and David Stevens have not participated, nor is it intended that they participate, in any Group share schemes.

Non-Executive Directors

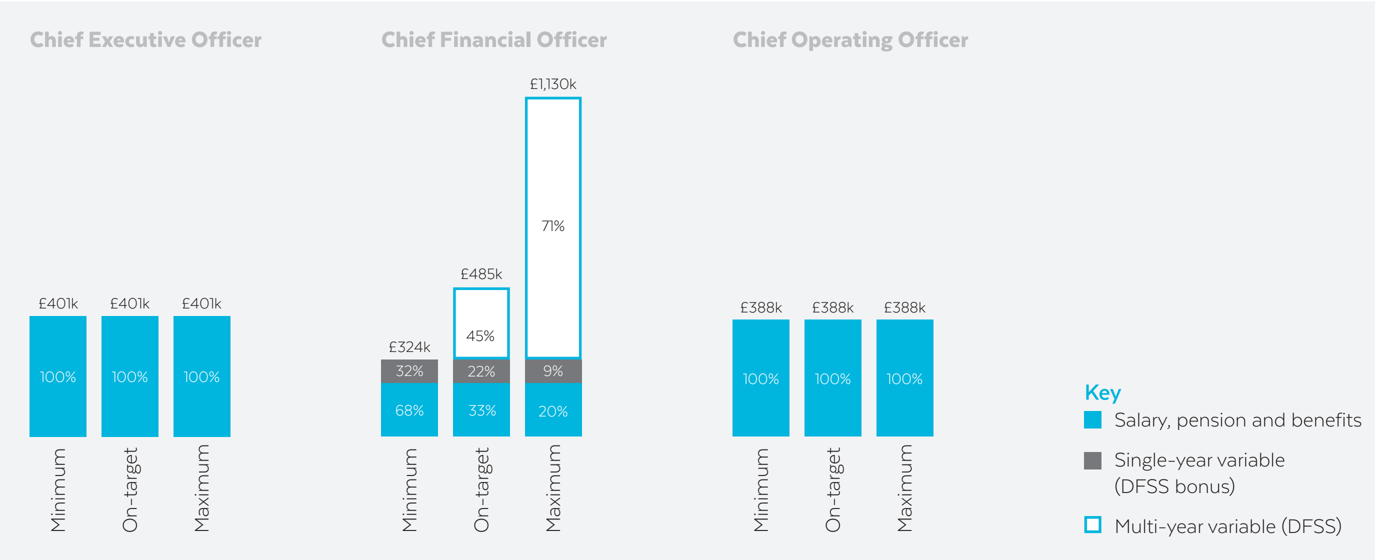
The Company has entered into letters of appointment with its Non-Executive Directors (NEDs). Summary details of terms and notice periods are included below.

Non-Executive Director	Term	Commencement date	Notice period
Alastair Lyons	3 years	1 July 2013	Three months
Owen Clarke	3 years	19 August 2015	One month
Annette Court	3 years	21 March 2015	One month
Colin Holmes	3 years	3 December 2013	One month
Penny James	3 years	1 January 2015	One month
Margaret Johnson	7 months	4 September 2015	One month
Lucy Kellaway	7 months	4 September 2015	One month
Jean Park	3 years	17 January 2014	One month
Manning Rountree	3 years	16 June 2015	One month

The NEDs are not eligible to participate in the DFSS or DFSS bonus scheme and do not receive any pension contributions.

Pay-for-performance: scenario analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. As described above, Admiral's DFSS bonus is directly aligned with dividends received by our shareholders. As such, there is no 'threshold' or 'target' performance defined for this element of pay. The figures shown in the chart below for the CFO's DFSS bonus include the value of the actual DFSS bonus paid in 2015. Under all scenarios, potential reward opportunities are based on expected awards for 2016 (in accordance with Admiral's Remuneration Policy), applied to salaries as at 31 December 2015. The 'On-target' column includes a 20% vesting for DFSS awards which would occur for achieving threshold performance targets.



*1 The value of DFSS awards vesting is calculated based on the average share price in the last three months of 2015 (£16.13) and the number of DFSS shares awarded in 2015.

Pay-for-performance: scenario analysis continued

The charts on page 61 exclude the effect of any Company share price movement. For this reason, were the CFO's DFSS shares to vest in full, his actual total remuneration may exceed the £ value shown.

Component	Minimum	On-target	Maximum
Base salary		Annual base salary for 2016	
Pension		£9,000 annual contribution for CFO and COO; no contribution for CEO	
Benefits		Taxable value of annual benefits provided	
DFSS	0% vesting	20% average vesting	100% vesting
DFSS bonus		Based on DFSS bonus paid in 2015	

Approach to remuneration relating to new appointments

External appointments

In the case of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salary will be determined by the Committee with reference to the scope and responsibility of the position as well as internal relativities and their current remuneration.	
Pension	New appointees will be eligible to participate in the Personal Pension Plan with Group contributions in line with the existing policy.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) death in service scheme, private medical cover, and permanent health insurance.	
SIP	New appointees will be eligible to participate in the SIP.	
DFSS	New appointees will be granted awards under the DFSS on the same terms as other Executives, as described in the policy table.	£2,000,000. Awards over £1,000,000 are subject to a maximum of 600% of base salary.
DFSS bonus	New appointees will be granted awards under the DFSS bonus scheme on the same terms as other Executives, as described in the policy table.	Linked to Admiral dividend.

The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met to ensure that the value of the buy-outs are no greater than the fair value of the awards they replace. The Committee may also avail itself of Listing Rule 9.4.2 R if appropriate in respect of buy-out incentive arrangements.

This section of the report provides details of how Admiral's Remuneration Policy was implemented in 2015 and the remuneration arrangements proposed for 2016.

Remuneration Committee membership in 2015

The Board sets the Group's Remuneration Policy and, through the authority delegated to it by the Board, the Committee is responsible for making recommendations to the Board on the structure and implementation of the Remuneration Policy across the Group with consideration to the prevailing economic climate within the economies in which the Group operates. Its remit includes recommending the remuneration of the Group Board Chairman, the Executive Directors and the Company Secretary; reviewing the remuneration of senior management; and reviewing the composition of and awards made under the performance-related incentive schemes.

At the end of 2015 the Committee consisted of Margaret Johnson and Jean Park under the Chairmanship of Annette Court. The Committee met six times during the year.

The Group Chairman, CEO and Chief Risk Officer are invited to meetings where the Committee considers it appropriate to obtain their advice on Group strategy and performance and Senior Executive pay strategy. The members of the Committee do not have any personal financial interests (other than shareholdings), or any conflicts, that relate to the business of the Committee. The Committee members do not have any day-to-day involvement in the running of the Group.

Advisor to the Committee

During the year, in order to enable the Committee to reach informed decisions on Executive remuneration, advice on market data and trends was obtained from independent consultants, Kepler Associates, a brand of Mercer (which is part of the MMC group of companies). Kepler reports directly to the Committee Chair, and is a signatory to and abides by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Other than advice on remuneration, no other services were provided by Kepler (or any other part of the MMC group of companies) to the Company. The fees paid to Kepler in respect of work carried out in 2015 (based on time and materials) totalled £9,400, excluding expenses and VAT.

The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Kepler is independent.

In addition, PricewaterhouseCoopers LLP (PwC) provided the Committee with advice on the structure of the Group's share schemes. The fees paid to PwC for work during 2015 totalled £52,500, excluding expenses and VAT. The Company Secretary also circulates market survey results as appropriate.

Summary of shareholder voting at the 2015 AGM

The table below shows the results of the binding and advisory votes on the Directors' Remuneration Policy and Annual Report on Remuneration of the 2014 Directors' Remuneration Report, respectively, at the 2015 AGM.

		For	Against	Total votes cast	Abstentions
Directors' Remuneration Policy	Total number of votes	208,927,097	9,798,777	218,725,874	2,305,207
	% of votes cast	95.5%	4.5%		1.0%
Annual Report on Remuneration	Total number of votes	214,100,688	5,758,227	219,858,915	1,172,167
	% of votes cast	97.4%	2.6%		0.5%

In addition, the 2015 DFSS was approved by shareholders at the AGM with a 96.9% vote in favour.

Total single figure of remuneration for Executive Directors (audited)

The table below sets out the total single figure remuneration received by each Executive Director for the year ended 31 December 2015 and the prior year.

Executive Director		1. Base salary	2. Benefits	3. Pension	4. SIP	5. DFSS	6. DFSS bonus	Total remuneration
Henry Engelhardt	**2015**	**£397,345**	**£343**	**n/a**	**n/a**	**n/a**	**n/a**	**£397,688**
	2014	£392,870	£390	n/a	n/a	n/a	n/a	£393,260
Geraint Jones[7]	**2015**	**£200,000**	**£343**	**£9,000**	**£3,300**	**£178,075**	**£104,340**	**£495,058**
	2014	£159,000	£390	£8,982	£3,000	£209,418	£87,250	£468,040
David Stevens	**2015**	**£373,816**	**£343**	**£3,622**	**n/a**	**n/a**	**n/a**	**£377,781**
	2014	£371,340	£390	£900	n/a	n/a	n/a	£372,630

The figures have been calculated as follows:

1. Base salary/fee: amount earned for the year.
2. Benefits: the taxable value of annual benefits received in the year.
3. Pension: the value of the Company's contribution during the year.
4. SIP: the face value at grant.
5. DFSS: the value at vesting of shares vesting on performance over the three-year periods ending 31 December 2015 and 31 December 2014. For the 2015 calculations, given that vesting occurs in October 2016, after the Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2015 (£16.13). The 2014 calculations have been trued up based on the actual share price on vest (£15.43). Henry Engelhardt and David Stevens have declined to participate given their significant shareholdings.
6. DFSS bonus: the bonus equivalent to dividends that were paid during the year on all outstanding DFSS shares awarded but not yet vested.
7. Geraint Jones was appointed to the Board as CFO on 13 August 2014. For the purpose of this table, his 2014 remuneration includes salary, pension and benefits in respect of the whole of 2014 in order to provide a comparison with his 2015 remuneration as CFO.

Total single figure of remuneration for Non-Executive Directors (audited)

The table below sets out the total single figure remuneration received by each NED for the year ended 31 December 2015 and the prior year.

Director	Total fees 2015	Total fees 2014
Alastair Lyons	**£232,793**	£228,228
Owen Clarke*1	**£20,237**	–
Annette Court	**£89,000**	£86,383
Colin Holmes	**£85,000**	£80,295
Penny James*2	**£67,000**	–
Margaret Johnson	**£67,000**	£67,000
Lucy Kellaway	**£67,000**	£63,809
Jean Park	**£75,000**	£82,103
Manning Rountree*3	**£36,335**	–
Roger Abravanel*4	**£18,333**	£55,000
Manfred Aldag*4	**£6,000**	£6,000

*1 Owen Clarke was appointed to the Board on 19 August 2015.

*2 Penny James was appointed to the Board on 1 January 2015.

*3 Manning Rountree was appointed to the Board on 16 June 2015.

*4 Roger Abravanel retired from the Board with effect from 29 April 2015 and Manfred Aldag retired from the Board with effect from 31 August 2015.

Incentive outcomes for financial year to 31 December 2015

DFSS awards vesting on performance to 31 December 2015

Awards were made under the DFSS to Geraint Jones on 10 October 2013. For 50% of the award, vesting is dependent on the Company's EPS performance in excess of a risk-free return, defined as average three-month LIBOR, over a three-year period commencing on 1 January 2013. 10% of shares vest for matching LIBOR, full vesting occurs for outperforming LIBOR by 10% p.a., with straight-line vesting in between. No vesting occurs for EPS growth below LIBOR. For the remaining 50% of the award, vesting is subject to continued employment only, as the award was made prior to Geraint Jones' appointment to the Board. The table below details the Company's EPS performance against targets and vesting outcome over the performance period ending on 31 December 2015.

Performance period	Executive Director	Interest held	Admiral EPS index	LIBOR index	Out-performance*1	% vesting*2	Interest vesting	Vesting date	Estimated value*3
1 January 2013–31 December 2015	Geraint Jones	8,000	113 points	102 points	11 points	38%	3,040	10 October 2016	£178,075
		8,000	n/a*4			100%	8,000		

*1 36 points are required for 100% vesting of the EPS-based DFSS award.

*2 Overall percentage vesting of Geraint Jones' 2013 DFSS is 69%.

*3 Calculated based on the average share price in the last three months of 2015 (£16.13).

*4 50% of the award vests on continued employment only.

69% of Geraint Jones' 2013 DFSS award will vest in October 2016, subject to his continued employment on the vesting date.

DFSS bonus in respect of 2015

The Group paid a bonus to all holders of DFSS shares in 2015, which was equivalent to the dividend payable on all outstanding DFSS shares awarded but not yet vested. The Committee continues to feel that having a Group-wide bonus equivalent to the dividend flow received by investors further aligns the incentive structure with shareholders.

In 2015, Geraint Jones received a DFSS bonus of £104,340 (2014: £87,250). Neither Henry Engelhardt nor David Stevens received a DFSS bonus.

From 2015, DFSS bonus payments will be subject to clawback in exceptional circumstances, such as material misstatement or gross misconduct.

Scheme interests awarded in 2015

DFSS

As mentioned in the 2014 report, the Company held a comprehensive review of the DFSS in 2014, and as a result, a number of changes were made to the scheme.

The key changes that have been made to the DFSS include:

- Increased maximum DFSS opportunity of £2 million. Awards above £1 million are subject to a 600% of salary limit;
- Inclusion of 100% performance-related awards for the Group's most senior managers;
- Two additional performance measures, relative TSR and ROE; and
- Introduction of malus and clawback provisions.

Following the comprehensive review of the DFSS that was carried out in 2014 and early 2015, there are no further amendments proposed to the DFSS, except for the introduction of a sub-plan for French participants in order to take advantage of changes to the tax regime in France brought by the Macron Law. A resolution approving the sub-plan will be put to shareholders for approval at the Group's AGM in April 2016.

In September 2015, Geraint Jones was granted an award under the DFSS of 50,000 shares with a value at the date of award of £743,500 (based on share price of £14.87), equivalent to 372% of salary. The three-year period over which performance will be measured will be 1 January 2015 to 31 December 2017. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. September 2018), subject to performance and to continued employment. Henry Engelhardt and David Stevens again declined to be included given their significant shareholdings.

Scheme interests awarded in 2015 continued

DFSS continued

As disclosed in the 2014 report, awards made in 2015 vest on three-year EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally. The performance conditions are summarised in the table below.

	Performance range		
Performance measure	Threshold	Maximum	Vesting
EPS growth vs. LIBOR	Growth in line with LIBOR	Growth of 10% p.a. in excess of LIBOR	10% for achieving threshold with straight line relationship to 100% for maximum performance
TSR vs. FTSE 350 (excluding investment companies)	Median	Upper quartile	25% for median, with straight line relationship to 100% for upper quartile
Return on Equity (ROE)	25%	55%	25% for reaching threshold with straight line relationship to 100% at maximum performance

DFSS awards made in 2015 and future years will be subject to clawback and malus, i.e. forfeiture or reduction of unvested awards and recovery of vested awards in exceptional circumstances (such as material misstatement or gross misconduct).

SIP

In March and August 2015, Geraint Jones was granted awards under the SIP of 101 shares in March 2015, with a face value of £1,503, and 118 shares in August 2015, with a face value of £1,795. The shares will vest on 13 March 2018 and 24 August 2018 respectively subject to continued employment only. Henry Engelhardt and David Stevens again declined to be included given their significant shareholdings.

Exit payments and payments to past Directors

Kevin Chidwick left the Board on 13 August 2014 to focus on his role as CEO of Elephant Auto, and was not an Executive Director during 2015.

Awards were made under the DFSS to Kevin Chidwick on 10 October 2013. Vesting is 100% dependent on the Company's EPS performance in excess of a risk-free return over a three-year period commencing on 1 January 2013, and the standard performance targets for the 2013 DFSS awards apply.

The table below details the Company's EPS performance against targets over the performance period ending on 31 December 2015 and the vesting outcome for Kevin Chidwick's 2013 DFSS award.

Performance period	Executive Director	Interest held	Admiral EPS index	LIBOR index	Out-performance*1	% vesting	Interest vesting	Vesting date	Estimated value*2
1 January 2013– 31 December 2015	Kevin Chidwick	52,250	113 points	102 points	11 points	38%	19,855	10 October 2016	£320,261

*1 36 points are required for 100% vesting.

*2 Calculated based on the average share price in the last three months of 2015 (£16.13).

Based on performance to 31 December 2015, 38% of Kevin Chidwick's 2013 DFSS award will vest in October 2016, subject to his continued employment on the vesting date. Based on performance to 31 December 2014, 36,402 DFSS shares vested to Kevin Chidwick in October 2015. The total value at vest was £561,646, based on a share price of £15.43. Kevin Chidwick's unvested 2014 DFSS shares, awarded to him when he was CFO, remain 100% subject to performance.

No exit payments were made to an Executive Director during the year.

Implementation of Remuneration Policy for 2015

Executive Directors

Salary, pension and benefits

Remuneration for the Executive Directors in 2016 will be determined in line with the latest policy. The Committee approved the following base salaries for the Executive Directors in 2015:

Director	**Latest salary**	2015 salary	% change	Effective date
Henry Engelhardt	**£400,727**	£392,870	2%	1 July 2015
Geraint Jones	**£210,000**	£200,000	5%	1 January 2016
David Stevens	**£378,767**	£371,340	2%	1 September 2015

As stated in the 2014 report, Geraint Jones was appointed to the Board on a relatively low salary and the Committee expects to make salary increases that are above general inflation in the next few years to reflect his demonstrated development in the CFO role and the performance of the business. The Committee will determine the levels of future increases taking into account both his individual and Company performance, and with reference to market pay levels. Geraint's current salary of £210,000 continues to be significantly below the median level for companies of a similar size.

Geraint Jones will continue to participate in the Group Personal Pension Plan, where employee contributions are matched up to a maximum 6% of base salary with maximum employer contribution of £9,000. David Stevens will also continue to participate in the plan, on the same basis as in 2015. As in previous years, Henry Engelhardt has declined to be included in the plan for 2016. All Executive Directors will continue to receive benefits in line with the policy.

Implementation of remuneration policy for 2015 continued

Executive Directors continued

DFSS

In advance of each DFSS cycle, the Committee reviews the appropriateness of the performance measures and corresponding targets. Vesting of the 2016 award will be linked to the same three performance measures set for the 2015 awards, i.e. three-year EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally. The Committee intends to make DFSS awards in September 2016 and it is anticipated that targets will be the same as those for awards in 2015, as summarised in the table below. The Committee will determine the precise targets closer to the time of making the awards, later in the year, and will disclose them in the 2016 Annual Report on Remuneration.

	Performance range		
Performance measure	Threshold	Maximum	Vesting
EPS growth vs. LIBOR	Growth in line with LIBOR	Growth of 10% p.a. in excess of LIBOR	10% for achieving threshold with straight line relationship to 100% for maximum performance
TSR vs. FTSE 350 (excluding investment companies)	Median	Upper quartile	25% for median, with straight line relationship to 100% for upper quartile
Return on Equity (ROE)	25%	55%	25% for achieving threshold with straight line relationship to 100% for maximum performance

Chairman and Non-Executive Directors

Fees for the Board Chairman and other Non-Executive Directors were reviewed in January 2016, and increases effective from 1 January 2016 are as follows:

	2016 fee (p.a.)	Previous fee (p.a.)
Chairman	£238,612	£232,793
NED base fee	£57,750	£55,000
Additional fee for chairing:		
Audit Committee	£21,000	£20,000
Group Risk Committee	£21,000	£20,000
Remuneration Committee	£10,500	£10,000
Nomination Committee	£5,250	£5,000
Additional fee for membership of:		
Audit Committee	£12,600	£12,000
Group Risk Committee	£12,600	£12,000
Additional fee for being Senior Independent Director	£10,500	£10,000

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from 2014 compared to the average percentage change in remuneration for all other employees. The analysis is based on a consistent set of employees, i.e. the same individuals appear in the 2014 and 2015 populations. As the CEO does not participate in the DFSS bonus scheme, to provide a meaningful comparison we have also included data for the CFO.

	CEO			CFO			Other employees
	2015	2014	% change	**2015**	2014	% change	% change
Salary	**£397,345**	£392,870	+1%	**£200,000**	£159,000	+26%	2%
Taxable benefits	**£343**	£390	-12%	**£343**	£390	-12%	-10%
DFSS bonus*1	**–**	–	–	**£104,340**	£87,250	+20%	16%
Total	**£397,688**	£393,260	+1%	**£304,683**	£246,640	+24%	

*1 DFSS bonus change represents the change in dividends paid, which is the driver of the level of bonus payable to holders of unvested DFSS shares.

Relative importance of spend on pay

The table below shows the percentage change in dividends and total employee remuneration spend from the financial year ended 31 December 2014 to the financial year ended 31 December 2015.

	2015 £m	2014 £m	% change
Distribution to shareholders	**316**	272	+16%
Employee remuneration	**245**	209	+17%

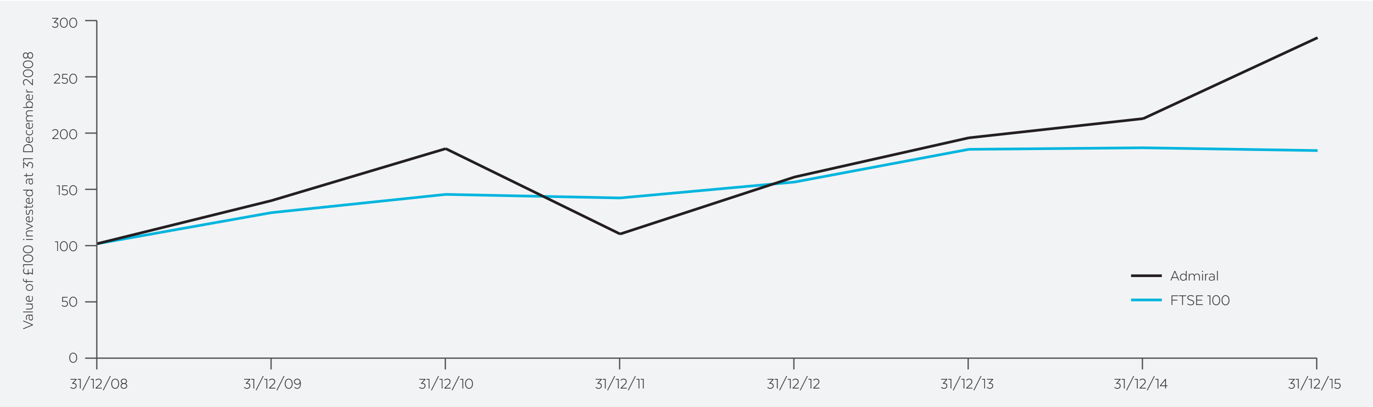
The Directors are proposing a final dividend for the year ended 31 December 2015 of 63.4 pence per share bringing the total dividend for 2015 to 114.4 pence per share (2014: 98.4 pence per share).

Pay for performance

The following graph sets out a comparison of Total Shareholder Return (TSR) for Admiral Group plc shares with that of the FTSE 100 Index, of which the Company is a constituent, over the seven-year period to 31 December 2015. The Directors consider this to be the most appropriate index against which the Company should be compared. TSR is defined as the percentage change over the period, assuming reinvestment of income.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the seven years to 31 December 2015



CEO	2009	2010	2011	2012	2013	2014	**2015**
CEO single figure of remuneration	£328,027	£343,106	£358,199	£373,759	£387,546	£393,260	**£397,688**
DFSS vesting outcome (% of maximum)	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

CFO	2009	2010	2011	2012	2013	2014	2014	**2015**
Incumbent	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick*1	Geraint Jones*2	**Geraint Jones**
CFO single figure of remuneration	£632,312	£1,269,535	£1,048,130	£1,431,218	£1,444,443*3	£1,204,164*3,4	£363,551*4	**£495,058**
DFSS vesting outcome (% of maximum)	98%	100%	100%	100%	100%	70%	85%	**69%**

*1 Kevin Chidwick left the Board on 13 August 2014 to focus on his new role as CEO of Elephant Auto. His 2014 remuneration includes salary, pension and benefits in respect of his service as CFO, his full year DFSS and his full year DFSS bonus.

*2 Geraint Jones was appointed to the Board as CFO on 13 August 2014. His 2014 remuneration includes salary, pension and benefits in respect of his service as CFO, his full year DFSS and his full year DFSS bonus.

*3 These figures include reimbursement of £177,104 and £165,000 in 2014 and 2013, respectively, for expenses incurred in respect of the previous CFO's relocation.

*4 These figures have been trued up for the value of the LTIP based on the actual share price on vest (£15.43).

There are no annual bonus outcomes to report in the table as Admiral does not operate any performance-based annual bonus schemes.

Dilution

The Company has controls in place to ensure that shares awarded under the schemes operated by the Company within any rolling ten-year period do not exceed 10% of the number of ordinary shares in the capital of the Company in issue at the time of each award. As at the end of 2015, the ten year rolling dilution level was 7.7%.

Interests held by of Directors (audited)

Executive Directors have agreed to (acquire and) retain a beneficial shareholding equal to at least 200% of base salary, which can be built up over a period of five years from the date of appointment.

Interests held by of Directors (audited) continued

As at 31 December 2015, the Directors held the following interests:

Director	Shares held: Beneficially owned outright	Shares held: Subject to continued employment only	Shares held: Subject to performance conditions	Shareholding requirement (% of salary)	Current shareholding (% of salary/fee)	Requirement met?
Henry Engelhardt	32,705,472	n/a	n/a	200%	>200%	Yes
Geraint Jones[*1]	50,260[*2]	21,040[*3]	95,000	200%	>200%	Yes
David Stevens	9,697,950	n/a	n/a	200%	>200%	Yes
Alastair Lyons	297,152					
Owen Clarke[*4]	142,852					
Annette Court	–					
Colin Holmes	40,000					
Penny James[*4]	–					
Margaret Johnson	–					
Lucy Kellaway	–					
Jean Park	2,000					
Manning Rountree[*4]	–					

[*1] Geraint Jones was appointed to the Board on 13 August 2014.

[*2] Total includes SIP shares both matured and awarded.

[*3] Total includes 11,040 shares from the 2013 DFSS award (for which performance has been tested, and due to vest in October 2016 subject to continued employment) and 10,000 shares from the April 2014 DFSS (awarded to Geraint Jones before he was appointed CFO, and due to vest in April 2017 subject to continued employment only).

[*4] Owen Clarke, Penny James and Manning Rountree were appointed to the Board on 19 August 2015, 1 January 2015 and 16 June 2015 respectively.

There have been no changes to Directors' shareholdings since 31 December 2015.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Current Chief Financial Officer Geraint Jones' interests in shares under the DFSS and SIP (audited)

Type	At start of year	Awarded during year	Vested/matured during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31/12/15 or maturity (£)	Date of award	Final vesting/ maturity date
DFSS	16,000	–	13,573	–	£10.73	£171,680	£209,418[*1,*2]	11/10/2012	11/10/2015
DFSS	16,000	–	–	16,000	£12.09	£193,440	£265,440	10/10/2013	10/10/2016
DFSS	20,000	–	–	20,000	£13.74	£274,800	£331,800	15/04/2014	15/04/2017
DFSS	35,000	–	–	35,000	£12.27	£429,520	£580,650	22/09/2014	22/09/2017
DFSS	–	50,000	–	50,000	£14.87	£743,500	£829,500	29/09/2015	29/09/2018
SIP	128	–	128	–	£11.80	£1,510	£2,123[*1]	16/03/2012	16/03/2015
SIP	126	–	126	–	£11.82	£1,489	£2,090[*1]	03/09/2012	03/09/2015
SIP	112	–	–	112	£13.48	£1,510	£1,858	15/03/2013	15/03/2016
SIP	116	–	–	116	£12.83	£1,488	£1,924	02/09/2013	02/09/2016
SIP	100	–	–	100	£15.06	£1,506	£1,659	14/03/2014	14/03/2017
SIP	114	–	–	114	£13.06	£1,489	£1,891	05/09/2014	05/09/2017
SIP	–	101	–	101	£14.88	£1,503	£1,676	13/03/2015	13/03/2018
SIP	–	118	–	118	£15.21	£1,795	£1,957	24/08/2015	24/08/2018

[*1] Value at maturity.

[*2] The vesting percentage for performance related awards made in 2012 and vesting in 2015 was 69.67%. As awards made to Geraint Jones in 2012 were 50% performance related and 50% non performance related the blended vesting percentage was 84.83%. This resulted in the lapsing of 2,427 shares from the 16,000 shares awarded in October 2012.

Details of former Chief Financial Officer Kevin Chidwick's interests in shares under the DFSS and SIP can be found in the 2014 report.

The closing price of Admiral shares on 31 December 2015 was £16.59 per share. Performance conditions for DFSS awards made in 2014 are disclosed in the 2014 report.

By order of the Board,

Annette Court
Chairman of the Remuneration Committee
2 March 2016

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2015.

Statutory disclosures

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £291.8 million (2014: £281.6 million).

The Directors declared and paid dividends of £274.6 million during 2015 (2014: £273.5 million) – refer to note 11b for further details.

The Directors have proposed a final dividend of £175 million (63.4 pence per share) payable on 3 June 2016.

Employee policies

Detailed information on the Group's employment practices is set out in the Strategic Report and on the corporate website. The Group purchases appropriate liability insurance for all staff and Directors.

Diversity, ethics and human rights

Admiral Group respects and values the individuality and diversity of every employee. The Group's Equality, Diversity and Dignity at Work policy ensures that every employee is treated equally and fairly and that all employees are aware of their obligations. The Group is fully committed to the health and safety and the human rights of its employees regardless of their background. In addition, the Group maintains a number of employee codes of conduct regarding appropriate ethical standards in the workplace.

The Group's principles of respect for human rights, diversity, health and safety and workplace ethical standards not only apply to staff directly employed by Admiral, but also to staff employed by the Group's outsourced partner in Bangalore, India. To meet this commitment, Admiral Group maintains regular contact with its outsourcer's management team and the Group's senior managers visit the outsourcer on a regular basis, whilst the Group also provides training and development to ensure that the team uphold these principles. In addition, Admiral Group has appointed a manager based permanently at the outsourced operation, who is responsible for ensuring that the Group's principles are adhered to by the outsourced partner, and that the wellbeing of outsourced staff is monitored.

Gender diversity

The table below provides a breakdown of the gender of Company Directors and employees at the end of the financial year:

	Male	Female
Company Directors*[1]	7	5
Other senior managers*[2]	23	12
All employees	3,981	4,185

*[1] Company Directors consists of the Board of Directors, as detailed on pages 42 to 43.

*[2] Other senior managers is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) and includes persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors. Any other Directors of undertakings included in the consolidated accounts that are not considered strategically significant have not been included.

Contractual arrangements

The Group considers its co-insurance and reinsurance contracts, as described in the Strategic Report section on page 23, to be essential to the running of the Group's business. No other contractual arrangements are considered to be essential.

Financial instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in note 6 to the financial statements.

Directors and their interests

The present Directors of the Company are shown on pages 42 to 43 of this Report, whilst Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 67 to 68.

Greenhouse gas emissions

The annual level of greenhouse gas emissions, resulting from activities for which the Group is responsible, in 2015 was 8,358 CO_2e (2014: 6,836 CO_2e), equivalent to 1.24 tonnes (2014: 1.19 tonnes) per employee*[1].

The increase in greenhouse gas emissions is due to a higher number of UK buildings during 2015 as the Group transitioned to its new UK headquarters in Cardiff and the implementation of a new system that has enabled more accurate tracking of business travel. In addition, the data includes information in respect of our US and India operations not previously available.

The data has been prepared with reference to the WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) and in accordance with the guidance for corporate reporting issued by the Department for Environment, Food and Rural Affairs (DEFRA).

There are no material exclusions from this data. Exclusions included figures for air conditioning from all sites because the information was not available from the managing agents of the Group's multiple office locations. In addition, emissions data from Elephant Auto in the US, both French offices and one of the Indian offices has been excluded due to difficulties in collecting complete and accurate data. These locations together total 9% (2014: 8%) of Group headcount.

› Detailed information on the Group's environmental performance and the methodology for the measurement of greenhouse gas emissions is available on the corporate website, www.admiralgroup.co.uk.

*[1] Average employee number excludes employees from three offices for which data could not be collected.

Going concern

Under Provision C.1.3 of the 2014 UK Corporate Governance Code, the Board is required to report on whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group's projections for the next 12 months and beyond, in particular the profit forecasts, regulatory capital surpluses and levels and sources of liquidity.
- The risks included on the Group's risk register that could impact on the Group's financial position and performance, levels of liquidity and solvency over the next 12 months.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also includes the Group's principal risks and uncertainties on pages 34 to 37. In addition, the governance report includes the Directors' statement on the viability of the Group over a three year period.

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Share capital, AGM and related matters

Major shareholders

Other than as stated below, as far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company. Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

At 31 January 2016, the Company had received notifications in accordance with the FCA's DTRs of the following notifiable interests in the voting rights in the Company's issued share capital:

	Number of shares	%
Munich Re	28,645,485	10.17%
Mackenzie Financial Corporation	10,949,168	3.89%
BlackRock Inc	9,273,808	3.29%

The interests of Directors and Officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report.

Additional information for shareholders

Where not provided previously in this Directors' Report, the following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

At 31 December 2015, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital and shares issued during the year can be found in note 11d.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws).
- Pursuant to the Listing Rules of the FCA whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

The Company has not purchased any of its own shares during the period.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

There are a number of agreements that alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts. None are considered to be significant in terms of their impact on the business of the Group as a whole except for the long term co-insurance agreement in place with Great Lakes Reinsurance (UK) plc. Details relating to this agreement are contained in the Strategic Report.

Power to issue shares

At the last Annual General Meeting, held on 29 April 2015, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum of £92,106, equivalent to one third of the issued share capital as at 23 March 2015. This authority expires on the date of the Annual General Meeting to be held on 28 April 2016 and the Directors will seek to renew this authority for the following year.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company (up to a maximum of 5% of the issued share capital of the Company) for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the Annual General Meeting to be held on 28 April 2016 and the Directors will seek to renew this authority for the following year.

In line with the new principles published by the Pre Emption Group in March 2015 allowing a company the ability to seek authority over a further 5% of the issued ordinary share capital on a non-pre-emptive basis subject to certain conditions, it is the intention of the Company, at the AGM on 28 April 2016, to seek this additional authority by special resolution and will confirm in the Notice of AGM that such additional shares are only issued in connection with a specified acquisition or capital investment.

Appointments of Directors

The Company's Articles of Association (the Articles) give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The Articles also require Directors to retire and submit themselves for election at the first Annual General Meeting following appointment and all Directors who held office at the time of the two preceding Annual General Meetings to submit themselves for re-election.

However, in accordance with the requirement under the UK Corporate Governance Code (the Code) for annual election of Directors, all Directors will submit themselves for re-election at the Group's Annual General Meeting on 28 April 2016.

Articles of Association

The Articles may only be amended by special resolution of the shareholders.

Power of the Directors

The Directors are responsible for managing the business of the Company and may exercise all powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of new shares are also included in the Articles and such authorities are renewed by shareholders at the Annual General Meeting each year.

Directors' indemnities and insurance

Directors and Officers insurance cover is in place for all Directors to provide cover against certain acts or omissions on behalf of the Company. A Deed Poll of Indemnity was executed in October 2015, indemnifying each of the Directors, and Company Secretary, in relation to certain losses and liabilities that they might incur in the course of acting as Directors of the Company. The Deed Poll of Indemnity is categorised as qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 and remains in force for all past and present Directors of the Company.

The Board is of the view that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of such indemnities. Neither the Deed Poll of Indemnity nor insurance cover would provide any coverage in the event that a Director is proved to have acted fraudulently or dishonestly.

Annual General Meeting (AGM)

It is proposed that the next AGM be held at City Hall, Cardiff on Thursday 28 April 2016 at 2.00pm, notice of which will be sent to shareholders with the Annual Report.

Reporting, accountability and audit

UK Corporate Governance Code

Admiral is subject to the UK Corporate Governance Code (the Code), published by the Financial Reporting Council (FRC) in September 2014 and available on their website, www.frc.org.uk. The Company's Annual Report and Accounts, taken as a whole, addresses the requirements of the 2014 Code.

During the year to 31 December 2015, the Company has in all respects complied with the provisions of the 2014 Code.

The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- For the Parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101 Reduced Disclosure Framework, have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Change of auditor

In March 2015, the Audit Committee initiated a tender process in respect of audit services.

The tender process involved inviting appropriately qualified audit firms to tender for the audit services for Admiral, including all statutory and regulatory audit work and the audits of Admiral's international businesses, from the 2016 financial year. A short-list of potential audit firms were invited to meet key members of management and the Audit Committee, before submitting a detailed proposal document and presenting to the Audit Committee.

The Audit Committee set specific selection criteria against which each audit firm was measured with the aim of appointing an external auditor to provide efficient and effective support, and independent advice to the Committee to ensure shareholders can be confident that the information provided to them is accurate, true and fair, and balanced and understandable.

In August 2015, the Audit Committee recommended to the Group Board, and the Board approved, the proposed appointment of Deloitte LLP as auditor to the Company and its subsidiaries. Deloitte LLP will replace KPMG LLP with effect from the 2016 financial year. The appointment is subject to approval by shareholders at the next Annual General Meeting in April 2016.

By order of the Board,

Mark Waters
Company Secretary
2 March 2016

Geraint Jones
Chief Financial Officer
2 March 2016

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Admiral Group plc for the year ended 31 December 2015 set out on pages 74 to 113. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows.

Insurance liabilities (£1,725.0 million (2014: £1,596.0 million))

Refer to page 50 (Report of the Audit Committee), note 5d (accounting policy and financial disclosures).

The risk – The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the inherent uncertainty of estimating claims not yet reported, future costs of settling claims, discount rates and whether customers will be awarded a lump sum claim or a periodic payment. The amounts involved are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective. One of the most significant uncertainties relates to the reserve held for large bodily injury claims and actual and potential Periodic Payment Order settlements (PPOs). The UK motor portfolio presents the biggest risk of material misstatement.

Our response – Our audit procedures included testing the controls over the underwriting and claims process and performing analysis over the trends in claims frequency and size. Using our actuarial specialists to support us, we assessed the level of reserves held for incurred claims through evaluating the competence, capability and objectivity of the Group's external actuary, assessing the actuarial methodologies employed, including the use of paid and incurred chain ladders and the average cost per claim method, challenging key judgements, for example the extent to which improvements in claims trends are taken into account in reserve projections, and benchmarking key assumptions against KPMG sourced market data. In respect of the amounts related to large bodily injury claims and actual and potential PPOs, we observed the process, and tested the controls in place, for identifying and assessing the required reserve for large claims and for updating this reserve as more information becomes available; observed the process for assessing cases that have the potential to be settled as PPOs and testing the output for a selection of cases; and benchmarked the key assumptions made in calculating large bodily injury claims reserves, including mortality (in the case of PPO cases) and discount rates applied. The focus of our work is the UK Motor portfolio.

In respect of the margin held above the actuarial best estimate, we assessed the rationale for this margin including consideration of the level of prudence within the margin, the consistency with which the underlying judgements have been applied in relation to the current year and prior periods and the existence of any bias.

We have also considered the adequacy of the group's disclosures about the margin held above the actuarial best estimate, and the degree of estimation and sensitivity of the claims provision to key assumptions.

Profit commission (£85.4 million (2014: £71.8 million))

Refer to page 50 (Report of the Audit Committee), note 5d (accounting policy and financial disclosures).

The risk – The recognition of profit commission income from co-insurers and quota share reinsurers is initially in line with the loss ratios booked in the financial statements and will vary with movements in the loss ratios. The recognition of this income is therefore subject to the same level of estimation as the claims liability noted above until, in the case of quota share reinsurance, the relevant contracts are commuted, at which point no further profit commission is recognised. In addition, different contractual arrangements are in place with the group's co-insurance and quota share reinsurance partners and there is a risk that the differences in arrangements are not appropriately accounted for, resulting in significant misstatement.

Our response – Our audit procedures included, in addition to our procedures over insurance liabilities noted above, forming an expectation of the profit commission income based on loss ratios applied and contractual terms of each arrangement, comparing this to actual profit commission income recognised and corroborating any changes to the profit commission arrangements during the year. We have also considered the adequacy of the group's disclosures about the arrangements in place.

We continue to perform audit procedures over co-insurance and reinsurance arrangements. However, given that there are no significant changes to the underlying contracts and estimation of co-insurance and reinsurance arrangements this year, we have not assessed this as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £16.0 million, determined with reference to a benchmark of group profit before taxation (of which it represents 4%). We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.8 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 12 reporting components, we subjected five to audits for Group reporting purposes, and three to specified risk-focused audit procedures. The components for which we performed specified risk-focussed procedures were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for 94% of group net revenue, 98% of Group profit before tax and 97% of total group assets.

The remaining 6% of total Group net revenue, 2% of group profit before tax and 3% of total group assets is represented by four reporting components, none of which individually represented more than 2% of any of total group net revenue, group profit before tax or total group assets.

For these remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed two component auditors as to the significant risk focused audit procedures to be performed. The procedures on the remaining components were performed by the Group audit team. The Group audit team approved the component materialities, which ranged from £480,000 to £14,000,000, having regard to the mix of size and risk profile of the Group across the components.

Opinions and conclusions arising from our audit continued

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 54 to 55 in the Internal Control and Risk Management Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of the longer-term viability statement on page 55, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2018; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Statement does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 55 and 69, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 44 to 57 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.
This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
2 March 2016

Consolidated income statement

For the year ended 31 December 2015

		Year ended	
	Note	**31 December 2015 £m**	31 December 2014 £m
Insurance premium revenue		**1,130.2**	1,099.7
Insurance premium ceded to reinsurers		**(663.2)**	(634.8)
Net insurance premium revenue	5	**467.0**	464.9
Other Revenue	7	**319.8**	332.5
Profit commission	5	**85.4**	71.8
Investment and interest income	6	**32.6**	15.4
Net revenue		**904.8**	884.6
Insurance claims and claims handling expenses		**(769.1)**	(794.5)
Insurance claims and claims handling expenses recoverable from reinsurers		**542.6**	535.4
Net insurance claims		**(226.5)**	(259.1)
Operating expenses and share scheme charges	8	**(548.0)**	(501.8)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	**249.5**	231.6
Net operating expenses and share scheme charges		**(298.5)**	(270.2)
Total expenses		**(525.0)**	(529.3)
Operating profit		**379.8**	355.3
Finance costs	6	**(11.1)**	(4.6)
Profit before tax		**368.7**	350.7
Taxation expense	9	**(76.9)**	(69.1)
Profit after tax		**291.8**	281.6
Profit after tax attributable to:			
Equity holders of the parent		**300.0**	285.2
Non-controlling interests (NCI)		**(8.2)**	(3.6)
		291.8	281.6
Earnings per share			
Basic	11	**107.3p**	103.0p
Diluted	11	**107.1p**	102.8p

Dividends declared and paid (total)	11	**274.6**	273.5
Dividends declared and paid (per share)	11	**100.0p**	100.0p

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit for the period	**291.8**	281.6
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	**(12.6)**	10.9
Exchange differences on translation of foreign operations	**2.6**	3.0
Other comprehensive income for the period, net of income tax	**(10.0)**	13.9
Total comprehensive income for the period	**281.8**	295.5
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**289.5**	298.6
Non-controlling interests	**(7.7)**	(3.1)
	281.8	295.5

Consolidated statement of financial position

As at 31 December 2015

	Note	As at 31 December 2015 £m	31 December 2014 £m
ASSETS			
Property and equipment	10	**34.9**	32.3
Intangible assets	10	**142.3**	107.2
Deferred income tax	9	**20.6**	22.9
Reinsurance assets	5	**878.7**	829.8
Insurance and other receivables	6, 10	**537.1**	435.3
Financial investments	6	**2,323.5**	2,194.1
Cash and cash equivalents	6	**265.3**	255.9
Total assets		**4,202.4**	3,877.5
EQUITY			
Share capital	11	**0.3**	0.3
Share premium account		**13.1**	13.1
Other reserves		**2.7**	13.2
Retained earnings		**599.6**	540.6
Total equity attributable to equity holders of the parent		**615.7**	567.2
Non-controlling interests		**17.2**	13.7
Total equity		**632.9**	580.9
LIABILITIES			
Insurance contracts	5	**2,295.0**	2,097.4
Subordinated and other financial liabilities	6	**223.9**	203.8
Trade and other payables	6, 10	**1,015.0**	965.8
Current tax liabilities		**35.6**	29.6
Total liabilities		**3,569.5**	3,296.6
Total equity and total liabilities		**4,202.4**	3,877.5

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 March 2016 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Consolidated cash flow statement
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit after tax		**291.8**	281.6
Adjustments for non-cash items:			
– Depreciation		**8.2**	7.1
– Amortisation of software		**6.1**	4.6
– Other gains and losses		**0.1**	(0.2)
– Share scheme charges	8	**29.5**	23.2
– Investment income on gilts		**(7.4)**	(2.6)
– Finance costs		**11.1**	4.6
Change in gross insurance contract liabilities		**197.6**	196.1
Change in reinsurance assets		**(48.9)**	(8.6)
Change in insurance and other receivables		**(103.5)**	14.7
Change in trade and other payables, including tax and social security		**47.8**	(49.4)
Taxation expense		**76.9**	69.1
Cash flows from operating activities, before movements in investments		**509.3**	540.2
Net cash flow into investments		**(142.0)**	(286.3)
Cash flows from operating activities, net of movements in investments		**367.3**	253.9
Taxation payments		**(63.8)**	(77.0)
Net cash flow from operating activities		**303.5**	176.9
Cash flows from investing activities			
Purchases of property, equipment and software		**(50.7)**	(50.6)
Interest and investment income received		**7.4**	3.1
Net cash used in investing activities		**(43.3)**	(47.5)
Cash flows from financing activities			
Non-controlling interest capital contribution		**10.7**	8.5
Proceeds on issue of financial liabilities		**20.0**	200.0
Transaction costs on issue of financial liabilities		**–**	(0.8)
Finance costs paid		**(11.0)**	–
Capital element of new finance lease liabilities		**2.9**	1.4
Repayment of finance lease liabilities		**(1.4)**	–
Equity dividends paid	11	**(274.6)**	(273.5)
Net cash used in financing activities		**(253.4)**	(64.4)
Net increase in cash and cash equivalents		**6.8**	65.0
Cash and cash equivalents at 1 January		**255.9**	187.9
Effects of changes in foreign exchange rates		**2.6**	3.0
Cash and cash equivalents at end of period	6	**265.3**	255.9

Consolidated statement of changes in equity

For the year ended 31 December 2015

	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 2014	0.3	13.1	–	(0.2)	502.6	515.8	8.3	524.1
Profit/(loss) 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
At 1 January 2015	0.3	13.1	10.9	2.3	540.6	567.2	13.7	580.9
Profit/(loss) for the period	–	–	–	–	300.0	300.0	(8.2)	291.8
Other comprehensive income								
Movements in fair value reserve	–	–	(12.6)	–	–	(12.6)	–	(12.6)
Currency translation differences	–	–	–	2.1	–	2.1	0.5	2.6
Total comprehensive income for the period	**–**	**–**	**(12.6)**	**2.1**	**300.0**	**289.5**	**(7.7)**	**281.8**
Transactions with equity holders								
Dividends	–	–	–	–	(274.6)	(274.6)	–	(274.6)
Share scheme credit	–	–	–	–	29.5	29.5	–	29.5
Deferred tax credit on share scheme credit	–	–	–	–	4.7	4.7	–	4.7
Contributions by NCIs	–	–	–	–	(0.1)	(0.1)	10.7	10.6
Changes in ownership interests without a change in control	–	–	–	–	(0.5)	(0.5)	0.5	–
Total transactions with equity holders	**–**	**–**	**–**	**–**	**(241.0)**	**(241.0)**	**11.2**	**(229.8)**
As at 31 December 2015	**0.3**	**13.1**	**(1.7)**	**4.4**	**599.6**	**615.7**	**17.2**	**632.9**

1. General information

Admiral Group plc is a company incorporated in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH 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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Adoption of new and revised standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2015, including all amendments to extant standards that are not effective until later accounting periods. This is inclusive of:

- Amendments to IAS 16 and IAS 41 (Bearer Plants).
- Amendments to IFRS 11 (Acquisition of interests in joint operations).
- Amendments to IAS 16 and IAS 38 (Clarification of acceptable methods of depreciation and amortisation).
- Annual improvements to IFRSs (2012-2014 cycle).
- Amendments to IAS 1 (Disclosure initiative).
- Amendments to IAS 27 (Equity method in separate financial statements).

The application of these standards and amendments has not had a material impact on the Group's results, financial position and cash flows.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2015 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.
- IFRS 16 Leases.
- 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 and 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.

IFRS 16 Leases was issued in early 2016. The standard specifies how firms will recognise, measure, present and disclose leases. It presents a single lessee accounting model and requires that assets and liabilities relating to leases of greater than 12 months are recognised in the Consolidated Statement of Financial Position. The standard will apply to reporting periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of IFRS 9, IFRS 15 and IFRS 16 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 this requirement, the Directors have taken into account the following:

- The Group's projections for the next 12 months and beyond, in particular the profit forecasts, regulatory capital surpluses and levels and sources of liquidity.
- The risks included on the Group's risk register that could impact on the Group's financial performance, levels of liquidity and solvency over the next 12 months.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also includes the Group's principal risks and uncertainties. In addition, the Governance report includes the Directors' statement on the viability of the Group over a three year period.

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

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 Strategic Report on pages 6 to 39. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 17 to 19. In addition, notes 6 and 11 to the financial statements 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 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 three areas:

- Calculation of insurance claims reserves:

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

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

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

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

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

Estimation techniques used in calculation of claims provisions and profit commission

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

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

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

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

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

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

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

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 2015 and comparative figures for the year ended 31 December 2014. 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 Admiral Law Limited, BDE Law Limited, Inspop USA LLC, the indirect holding in comparenow.com Insurance Agency LLC, Rastreator.com Limited, the indirect holding in Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal and Preminen Price Comparison Holdings Limited.

The Parent Company financial statements present information about the Company as a separate entity and not about its Group. In accordance with 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 pounds sterling, rounded to the nearest £0.1 million, 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.

4. Group consolidation and operating segments continued

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 – assurance auto 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 2015, by reportable segment, is 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 2015					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations*2 £m	Total £m
Turnover*1	1,708.2	232.4	108.1	70.1	(14.2)	2,104.6
Net insurance premium revenue	386.5	64.5	–	16.0	–	467.0
Other Revenue and profit commission	285.6	7.7	108.1	18.0	(14.2)	405.2
Investment and interest income	26.1	–	–	–	–	26.1
Net revenue	698.2	72.2	108.1	34.0	(14.2)	898.3
Net insurance claims	(161.3)	(51.6)	–	(13.6)	–	(226.5)
Expenses	(93.9)	(42.8)	(123.6)	(17.7)	14.2	(263.8)
Segment profit/(loss) before tax	443.0	(22.2)	(15.5)	2.7	–	408.0
Other central revenue and expenses, including share scheme charges						(34.7)
Investment and interest income						6.5
Finance costs						(11.1)
Consolidated profit before tax						368.7
Taxation expense						(76.9)
Consolidated profit after tax						291.8
Other segment items:						
– Capital expenditure	62.3	29.6	1.4	4.1	–	97.4
– Depreciation and amortisation	26.9	27.0	1.5	3.8	–	59.2

*1 Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to note 12 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's price comparison and UK and International car insurance entities. No elimination was made in prior periods on the grounds of materiality.

4. Group consolidation and operating segments continued

4b. Segment reporting continued

Revenue and results for the corresponding reportable segments for the year ended 31 December 2014 are shown below.

	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.

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 £14.2 million which has been eliminated on consolidation. In 2014 the total of price comparison revenues from transactions with other reportable segments was £9.5 million and was not eliminated on the grounds of materiality. In 2015, the intra-group trading amount has grown to £14.2 million. The Directors have therefore decided to amend the accounting policy such that this has been eliminated for the year ended 31 December 2015, and this policy will be adopted for future periods. There are no other transactions between reportable segments.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues as shown on page 81.

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 pages. 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.

4. Group consolidation and operating segments continued

4b. Segment reporting continued

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2015 are as follows:

	As at 31 December 2015					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Property and equipment	30.6	3.0	1.3	–	–	34.9
Intangible assets	60.5	14.2	2.3	65.3	–	142.3
Reinsurance assets	691.9	159.0	–	27.8	–	878.7
Insurance and other receivables	551.4	41.5	19.2	(0.2)	(74.8)	537.1
Financial investments	2,042.4	43.2	–	–	–	2,085.6
Cash and cash equivalents	93.8	94.3	59.5	11.8	–	259.4
Reportable segment assets	3,470.6	355.2	82.3	104.7	(74.8)	3,938.0
Insurance contract liabilities	1,992.3	257.3	–	45.4	–	2,295.0
Trade and other payables	924.7	55.5	9.1	25.7	–	1,015.0
Reportable segment liabilities	2,917.0	312.8	9.1	71.1	–	3,310.0
Reportable segment net assets	553.6	42.4	73.2	33.6	(74.8)	628.0
Unallocated assets and liabilities						4.9
Consolidated net assets						632.9

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 reporting to the Board of Directors.

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

The 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
Insurance and other receivables	532.2	21.7	11.7	3.7	(134.0)	435.3
Financial investments	1,892.3	98.6	–	(0.1)	–	1,990.8
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	–	2,097.4
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

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue – premiums

Premiums relating to insurance contracts are recognised as revenue, net of insurance premium tax, 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 2015 £m	31 December 2014 £m
Total motor insurance premiums written before co-insurance	**1,805.2**	1,675.6
Group gross premiums written after co-insurance	**1,199.9**	1,102.1
Outwards reinsurance premiums	**(709.8)**	(644.9)
Net insurance premiums written	**490.1**	457.2
Change in gross unearned premium provision	**(69.7)**	(2.4)
Change in reinsurers' share of unearned premium provision	**46.6**	10.1
Net insurance premium revenue	**467.0**	464.9

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.

5. Premium, claims and profit commissions continued

5c. Profit commission

	31 December 2015 £m	31 December 2014 £m
Underwriting year		
2010 and prior	**5.3**	19.1
2011	**26.1**	27.8
2012	**36.9**	24.9
2013	**16.9**	–
2014	**–**	–
2015	**0.2**	–
Total profit commission	**85.4**	71.8

5d. Reinsurance assets and insurance contract liabilities

(i) Objectives, policies and procedures for the management of insurance risk

The Group is involved in issuing motor insurance contracts that transfer risk from policyholders to the Group and its underwriting partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued.

Reserving risk is the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, whether reported or unreported. Other risks include inadequate pricing and reinsurance policies, and inappropriate claims management processes and controls.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Reserving Committee which comprises senior managers within the finance, claims, pricing and actuarial functions. The Reserving Committee primarily recommends the approach for UK Car Insurance reserving but also reviews the systems and controls in place to support accurate reserving and material reserving issues such as Periodic Payment Order (PPO) and claims inflation, which represent the key uncertainties in the amount or timing of claims settlements.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

Reserving policies and controls

Reserving risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements.
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant.
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques, including reviews of the potential ranges around best estimates.
- Use of a reserving policy which informs management's reserving decisions for the purposes of the Group's financial statements. As described in note 3, critical accounting judgements and estimates, the policy determines that reserves should be set within a range above projected best estimate outcomes to allow for unforeseen adverse claims development.

Co-insurance and reinsurance

As noted in the Strategic Report, the Group shares a significant amount of the motor insurance business generated with external underwriters. In 2015, 40% of the UK risk was shared under a co-insurance contract, under which the primary risk is borne by the co-insurer. A further 35% of the UK risk was ceded under quota share reinsurance contracts. Co-insurance and reinsurance contracts are also used in the International Car Insurance businesses. Further detail can be found in the Strategic Report on page 28.

As well as these proportional arrangements, an excess of loss reinsurance programme is also purchased to protect the Group against very large individual claims and catastrophe losses.

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The introduction of the international car insurance businesses in recent years and the launch of UK household business in 2012 will further contribute to the diversification of the Group's insurance risk as these businesses grow.

5. Premium, claims and profit commissions continued

5d. Reinsurance assets and insurance contract liabilities continued

(ii) Sensitivity of recognised amounts to changes in assumptions

The following table sets out the impact on equity and profit or loss at 31 December 2015 that would result from a 1% movement in the UK motor loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2012	2013	2014	**2015**
Booked loss ratio	66%	76%	89%	**87%**
Impact of 1% change (£m)	12.7	11.2	3.2	**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.

(iii) Analysis of recognised amounts

	31 December 2015 £m	31 December 2014 £m
Gross		
Claims outstanding*1	**1,725.0**	1,596.0
Unearned premium provision	**570.0**	501.4
Total gross insurance liabilities	**2,295.0**	2,097.4
Recoverable from reinsurers		
Claims outstanding	**544.8**	538.2
Unearned premium provision	**333.9**	291.6
Total reinsurers' share of insurance liabilities	**878.7**	829.8
Net		
Claims outstanding	**1,180.2**	1,057.8
Unearned premium provision	**236.1**	209.8
Total insurance liabilities – net	**1,416.3**	1,267.6

*1 Gross claims outstanding at 31 December 2015 is presented before the deduction of salvage and subrogation recoveries totalling £28.4 million.

The maturity profile of gross insurance liabilities at the end of 2015 is as follows:

	< 1 year £m	**1–3 years £m**	**> 3 years £m**
Claims outstanding	**503.5**	**492.0**	**729.5**
Unearned premium provision	**273.6**	**142.5**	**153.9**
Total gross insurance liabilities	**777.1**	**634.5**	**883.4**

The maturity profile of gross insurance liabilities at the end of 2014 was 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

5. Premium, claims and profit commissions continued

5d. Reinsurance assets and insurance contract liabilities continued

(iv) Analysis of UK car insurance claims incurred

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

	Financial year ended 31 December					
Analysis of claims incurred (gross amounts)	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**	Total £m
Underwriting year (UK car only)						
2011 and prior	(694.4)	(325.5)	85.1	79.5	**58.5**	
2012	–	(463.7)	(335.1)	50.2	**69.0**	(679.6)
2013	–	–	(421.2)	(321.4)	**53.3**	(689.3)
2014	–	–	–	(421.9)	**(334.2)**	(756.1)
2015	–	–	–	–	**(402.5)**	(402.5)
UK gross claims incurred (excluding claims handling costs)	(694.4)	(789.2)	(671.2)	(613.6)	**(555.9)**	
International and other gross claims incurred	(65.6)	(113.9)	(132.6)	(159.5)	**(190.6)**	
Claims handling costs	(25.9)	(26.0)	(22.9)	(21.4)	**(22.6)**	
Total gross claims incurred	(785.9)	(929.1)	(826.7)	(794.5)	**(769.1)**	

	Financial year ended 31 December					
Analysis of claims incurred (net amounts)	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**	Total £m
Underwriting year (UK car only)						
2011 and prior	(323.6)	(148.2)	81.4	79.5	**58.5**	
2012	–	(191.3)	(139.6)	50.2	**69.0**	(211.7)
2013	–	–	(175.4)	(133.9)	**38.5**	(270.8)
2014	–	–	–	(175.8)	**(139.3)**	(315.1)
2015	–	–	–	–	**(167.7)**	(167.7)
UK net claims incurred (excluding claims handling costs)	(323.6)	(339.5)	(233.6)	(180.0)	**(141.0)**	
International and other net claims incurred	(28.3)	(54.2)	(59.9)	(70.2)	**(76.1)**	
Claims handling costs	(11.9)	(10.8)	(9.5)	(8.9)	**(9.4)**	
Total net claims incurred	(363.8)	(404.5)	(303.0)	(259.1)	**(226.5)**	

	Financial year ended 31 December				
UK loss ratio development	2011	2012	2013	2014	**2015**
Underwriting year (UK only)					
2011	82%	76%	72%	67%	**62%**
2012	–	84%	78%	73%	**66%**
2013	–	–	85%	82%	**76%**
2014	–	–	–	92%	**89%**
2015	–	–	–	–	**87%**

5. Premium, claims and profit commissions continued

5d. Reinsurance assets and insurance contract liabilities continued

(v) 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 gross and net basis. Figures are presented on an underwriting year basis.

Gross	Financial year ended 31 December 2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Underwriting year					
2011 and prior	10.3	36.2	85.0	79.5	**59.3**
2012	–	–	30.8	50.2	**69.0**
2013	–	–	–	18.4	**53.4**
2014	–	–	–	–	**16.0**
Total gross release (UK Car Insurance)	10.3	36.2	115.8	148.1	**197.7**
Total gross release (International Car Insurance)	–	–	–	12.6	**14.0**
Total gross release	10.3	36.2	115.8	160.7	**211.7**

Net	Financial year ended 31 December 2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Underwriting year					
2011 and prior	10.3	17.6	81.4	79.5	**59.3**
2012	–	–	12.8	50.2	**69.0**
2013	–	–	–	7.7	**38.4**
2014	–	–	–	–	**6.7**
Total net release (UK Car Insurance)	10.3	17.6	94.2	137.4	**173.4**
Total net release (International Car Insurance)	–	–	–	6.3	**6.5**
Total net release	10.3	17.6	94.2	143.7	**179.9**
Analysis of net releases on UK Car Insurance:					
– Net releases on Admiral net share	7.8	16.3	53.3	66.8	**84.6**
– Releases on commuted quota share reinsurance contracts*1	2.5	1.3	40.9	70.6	**88.8**
Total net release as above	10.3	17.6	94.2	137.4	**173.4**

*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. £88.8 million of releases on commuted quota share contracts is split as follows: 2013: £16.3 million; 2012: £40.3 million; 2011 and prior: £32.2 million.

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in net claims provision

	31 December 2015 £m	31 December 2014 £m
Net claims reserve at start of period	**1,057.8**	863.0
Net claims incurred (excluding releases)	**397.1**	392.9
Net reserve releases	**(179.9)**	(143.7)
Movement in net claims reserve due to commutation	**233.8**	280.7
Net claims paid *1	**(328.6)**	(335.1)
Net claims reserve at end of period*2	**1,180.2**	1,057.8

*1 Net claims paid in the year to 31 December 2015 includes salvage and subrogation recoveries of £28.4 million which have been reclassified to insurance and other receivables.

*2 The increase in net claims reserve from £1,057.8 million at 31 December 2014 to £1,180.2 million at 31 December 2015 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.

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2015 £m	31 December 2014 £m
Net unearned premium provision at start of period	**209.8**	217.1
Written in the period	**490.1**	457.2
Earned in the period	**(463.8)**	(464.5)
Net unearned premium provision at end of period	**236.1**	209.8

6. Investments

6a. Accounting policies

(i) Investment income and finance costs

Investment income from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as 'fair value through profit or loss', interest income and net realised gains from assets classified as '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 liability (or group of financial assets or financial liabilities) and allocates the interest income or expense over the expected life of the asset or liability.

(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), Available for Sale (AFS) assets, 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 are designated as FVTPL at inception.

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

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.

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.

Transaction costs associated with the purchase of all financial assets are expensed within the income statement as incurred.

Subsequent measurement

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

AFS fixed income and asset backed securities are stated at fair value. Unrealised changes in the fair value of these assets are recognised in Other Comprehensive Income (OCI). Interest income on debt securities is recognised within profit or loss using the effective interest rate method.

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 fair value or 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.

Identified impairments of financial assets are recognised in the income statement, except in the case of assets classified as available for sale where unrealised gains have been recognised through OCI. In this instance, impairments of the asset are first set against the unrealised gain in OCI with any excess being recognised in the income statement.

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

Initial recognition

The Group's financial liabilities comprise subordinated notes and other financial liabilities initially recognised at fair value received, net of transaction costs incurred.

Subsequent measurement

Subsequent measurement is 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.

6. Investments continued

6b. Investment and interest income

	31 December 2015 £m	31 December 2014 £m
Investment income		
Investment return on assets classified as FVTPL	2.2	5.4
Interest income on available for sale debt securities	19.2	9.4
Interest income on term deposits with credit institutions	4.7	5.2
Interest income on held to maturity gilt assets*1	6.1	2.6
	32.2	22.6
Unwind of discount on gilts	(0.8)	(0.4)
Notional accrual for reinsurers' share of investment return	–	(8.3)
	31.4	13.9
Interest receivable on cash and cash equivalents*1	1.2	1.5
Total investment and interest income	32.6	15.4

*1 Interest received during the year was £7.4 million (2014: £1.5 million).

6c. Finance costs

	31 December 2015 £m	31 December 2014 £m
Interest payable*1	11.1	4.6
Total finance costs	11.1	4.6

*1 Interest paid during the year was £11.0 million (2014: £nil).

Finance costs represent interest payable on the £200 million subordinated notes and other financial liabilities.

6d. Financial assets and liabilities

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

	31 December 2015 £m	31 December 2014 £m
Investments held at fair value through profit or loss		
Money market funds	627.7	909.2
	627.7	909.2
Investments classified as available for sale		
Available for sale debt securities	1,230.0	822.7
	1,230.0	822.7
Investments classified as held to maturity		
Term deposits with credit institutions	267.6	263.1
Gilts	198.2	199.1
	465.8	462.2
Total financial investments	2,323.5	2,194.1
Insurance and other receivables		
Insurance receivables	437.0	353.3
Trade and other receivables	100.1	82.0
Cash and cash equivalents	265.3	255.9
Total financial assets	3,125.9	2,885.3
Financial liabilities		
Subordinated notes	203.9	203.8
Other borrowings	20.0	–
Trade and other payables	1,015.0	965.8
Total financial liabilities	1,238.9	1,169.6

Financial liabilities are inclusive of £200 million subordinated notes issued on 25 July 2014 at a fixed rate of 5.5% with 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 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 on page 91.

The Group holds a revolving credit facility of £100 million which expires in July 2018. As at 31 December 2015, £20 million was drawn under this agreement and is included as other borrowings in the table above.

6. Investments continued

6d. Financial assets and liabilities continued

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 one).

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

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 two valuation is used. The book value of term deposits is £267.6 million (2014: £263.1 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 one valuations) together with their carrying values shown in the Consolidated Statement of Financial Position are as follows:

	31 December 2015		31 December 2014	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Gilts	**198.2**	**211.7**	199.1	216.2
Financial liabilities				
Subordinated notes	**203.9**	**202.4**	203.8	211.2

The maturity profile of financial assets and liabilities at 31 December 2015 is as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Investments held at fair value	**627.7**	**–**	**–**	**–**
Term deposits with credit institutions	**107.6**	**40.0**	**50.0**	**70.0**
Available for sale debt securities	**437.2**	**117.1**	**201.1**	**474.6**
Gilts	**–**	**0.8**	**–**	**197.4**
Total financial investments	**1,172.5**	**157.9**	**251.1**	**742.0**
Insurance receivables	**–**	**437.0**	**–**	**–**
Trade and other receivables	**–**	**100.1**	**–**	**–**
Cash and cash equivalents	**265.3**	**–**	**–**	**–**
Total financial assets	**1,437.8**	**695.0**	**251.1**	**742.0**
Financial liabilities				
Subordinated notes	**–**	**4.7**	**–**	**199.2**
Other borrowings	**–**	**20.0**	**–**	**–**
Trade and other payables	**–**	**1,015.0**	**–**	**–**
Total financial liabilities	**–**	**1,039.7**	**–**	**199.2**

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

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Investments held at fair value	605.4	303.8	–	–
Term deposits with credit institutions	–	48.6	104.5	110.0
Available for sale debt securities	–	161.3	183.8	477.6
Gilts	–	0.9	–	198.2
Total financial investments	605.4	514.6	288.3	785.8
Insurance receivables	–	353.3	–	–
Trade and other receivables	–	82.0	–	–
Cash and cash equivalents	255.9	–	–	–
Total financial assets	861.3	949.9	288.3	785.8
Financial liabilities				
Subordinated notes	–	4.6	–	199.2
Trade and other payables	–	965.8	–	–
Total financial liabilities	–	970.4	–	199.2

6. Investments continued

6d. Financial assets and liabilities continued

Objectives, policies and procedures for managing financial assets and liabilities

The Group's activities expose it primarily to financial risks of credit risk, interest rate risk, liquidity risk and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Group Risk Committee. There is also an Investment Committee that makes recommendations to the Board on the Group's investment strategy.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance Statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Credit risk

The Group defines credit risk as the risk of loss if another party fails to perform its obligations. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits and policyholder receivables.

Economic and financial market conditions have led the Directors to consider counterparty exposure more frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite and, during 2015 and historically, no material credit losses have been experienced by the Group.

There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds and the parameters set for managing the Fixed Income Mandates. Both forms of investment hold a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. The detailed holdings are reviewed regularly by the Investment Committee.

To mitigate the risk arising from exposure to reinsurers (in the form of reinsurance recoveries and profit commissions), the Group only conducts business with companies of appropriate financial strength ratings. In addition, many reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group withholds the cash received as collateral.

The other principal form of credit risk is in respect of amounts due from policyholders, largely due to the potential for default by instalment payers. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high- and low-level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The Group's maximum exposure to credit risk at 31 December 2015 is £3,323.3 million (2014: £3,047.4 million), being the carrying value of financial investments and cash, and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements. The Group does not use credit derivatives or similar instruments to mitigate exposure. The amount of bad debt expense relating to policyholder debt charged to the income statement in 2015 and 2014 is insignificant.

There were no significant financial assets that were past due at the close of either 2015 or 2014.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	**31 December 2015 £m**	31 December 2014 £m
Financial institutions – Credit institutions	AAA	**247.8**	291.1
Financial institutions – Credit institutions	AA	**679.4**	625.8
Financial institutions – Credit institutions	A	**1,230.3**	1,216.0
Financial institutions – Credit institutions	BBB and below	**234.0**	119.6
UK Government gilts	AA	**198.2**	199.1
Reinsurers	AA	**266.8**	207.8
Reinsurers	A	**9.2**	16.3

Interest rate risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities.

As noted above, the Group invests the following asset types:

- Money market liquidity funds and cash plus liquidity funds, which in turn invest in a mixture of short dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.
- Term deposits with well rated institutions are short in duration (one to five years). These are classified as term and valued at amortised cost. Therefore neither the carrying value of the asset, nor the interest return will be impacted by fluctuations in interest rates.
- Available for sale debt securities. These securities are held within two segregated mandates. The guidelines of the investments retain a similar credit quality of the money market funds (all holdings are investment grade). The duration of the securities is relatively short and similar to the duration of the on book claims liabilities (the average duration is three years).
- UK Government gilts. These are classified as term and valued at amortised cost. Therefore neither the capital value of the gilts, nor the interest return, will be impacted by fluctuations in interest rates.

The Group also holds a financial liability in the form of £200 million of subordinated notes with a ten year maturity and fixed rate coupon of 5.5%. This liability is valued at amortised cost and therefore neither the carrying value of the deposits, nor the interest payable, will be impacted by fluctuations in interest rates.

No sensitivity analysis to interest rates has been presented on the grounds of materiality.

6. Investments continued

6d. Financial assets and liabilities continued

Objectives, policies and procedures for managing financial assets and liabilities continued

Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient, available financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group is strongly cash-generative due to the large proportion of revenue arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in money market liquidity funds with same day liquidity, meaning that a large proportion of the Group cash and investments is immediately available.

A breakdown of the Group's other financial liabilities, trade payables and other payables is shown in note 10.

The subordinated notes have a ten year maturity whereas all trade and other payables will mature within three to six months of the balance sheet date. (Refer to the maturity profile at the start of this note for further detail.)

In practice, the Group's Directors expect actual cash flows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £764.7 million (2014: £756.5 million), £554.3 million (2014: £585.7 million) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 5. The maturity profile for financial assets is included at the start of this note.

The Group's Directors believe that the cash flows arising from these assets will be consistent with this profile. Liquidity risk is not, therefore, considered to be significant.

Foreign exchange risks

Foreign exchange risks arise from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets and liabilities.

The Group is exposed to foreign exchange risk through its operations overseas. Although the relative size of the international operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities; however, surplus assets held as regulatory capital in foreign currencies remain exposed.

The Group's exposures to net assets held in euros and dollars at the balance sheet date were £9.0 million and £87.3 million respectively (2014: £2.2 million and £72.0 million).

Fair value

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity. For assets held at fair value through profit and loss, their value equates to level one (quoted prices in active markets) of the fair value hierarchy.

For gilts and subordinated notes, the fair value is calculated with reference to the quoted market valuation. This is compared to carrying value earlier in this note.

6e. Cash and cash equivalents

	31 December 2015 £m	31 December 2014 £m
Cash at bank and in hand	**265.3**	255.9
Total cash and cash equivalents	**265.3**	255.9

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 2015 £m	31 December 2014 £m
Contribution from additional products and fees	**182.4**	185.6
Price comparison revenue*1	**93.9**	107.5
Other Revenue	**43.5**	39.4
Total Other Revenue	**319.8**	332.5

*1 Price comparison revenue excludes £14.2 million (2014: £nil) of income from other Group companies.

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

*[1] Acquisition of insurance contracts expense excludes £14.2 million (2014: £nil) of aggregator fees from other Group companies.

	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

The £63.4 million (2014: £47.5 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 2015 £m	31 December 2014 £m
Expenses relating to additional products and fees	**43.0**	37.9
Price comparison operating expenses	**123.6**	110.3
Other expenses	**21.6**	18.1
Total	**188.2**	166.3

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

8. Expenses continued

8c. Staff costs and other expenses

	31 December 2015		31 December 2014	
	Total £m	Net £m	Total £m	Net £m
Salaries	179.6	67.6	155.3	57.9
Social security charges	16.2	6.9	14.6	6.1
Pension costs	5.6	2.0	5.4	1.9
Share scheme charges (see note 8f)	43.8	15.2	34.1	10.7
Total staff expenses	245.2	91.7	209.4	76.6
Depreciation charge:				
– Owned assets	7.9	2.1	6.8	2.7
– Leased assets	0.3	0.1	0.3	0.1
Amortisation charge:				
– Software	6.1	3.1	4.6	2.0
– Deferred acquisition costs	–	44.9	–	42.7
Operating lease rentals:				
– Buildings	14.0	4.5	11.2	3.7
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*1	0.4	0.3	0.3	0.2
– Fees payable for other services	0.4	0.1	0.3	0.1
Net foreign exchange (gains)/losses	(0.8)	(0.8)	(1.4)	(1.4)
Analysis of fees paid to the auditor for other services:				
– Tax compliance services	0.1	–	0.1	–
– Tax advisory services	0.1	–	0.2	0.1
– Other services	0.2	0.1	–	–
Total as above	0.4	0.1	0.3	0.1

*1 Fees payable for the audit of the Company's subsidiary accounts have increased c. £0.1 million as a result of additional work relating to the new Guidewire IT system in the UK.

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 2015 was 88% (2014: 109%).

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	
	2015 Number	2014 Number
Direct customer contact staff	5,868	5,179
Support staff	1,989	1,738
Total	7,857	6,917

8e. Directors' remuneration

(i) Directors' remuneration

	31 December 2015 £m	31 December 2014 £m
Directors' emoluments	1.7	2.0
Amounts receivable under long term incentive schemes	0.3	0.9
Company contributions to money purchase pension plans	–	–
Total	2.0	2.9

(ii) Number of Directors

	2015 Number	2014 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	2	2
– Defined benefit schemes	–	–

8. Expenses continued

8f. Staff share schemes

Analysis of share scheme costs (per the Consolidated Income Statement):

	31 December 2015 £m	31 December 2014 £m
SIP charge (i)	**8.7**	8.6
DFSS charge (ii)	**18.5**	12.6
Total share scheme charges	**27.2**	21.2

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in note 8c (2015: £43.8 million; 2014: £34.1 million) and the gross credit to reserves reported in the Consolidated Statement of Changes in Equity (2015: £29.5 million; 2014: £23.2 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 £3,600 per employee (2014: £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 2015 scheme is 3,017,900 (2014 scheme: 2,684,798).

The amount of 2014 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 scheme, 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.

For awards in 2015 and onwards there are now three performance conditions which the 50% not guaranteed to vest are subject to. These are three-year EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally.

	Performance range	
Performance measure	Threshold	Maximum
EPS growth vs. LIBOR	Growth in line with LIBOR	Growth of 10% p.a. in excess of LIBOR
TSR vs. FTSE 350 (excluding investment companies)	Median	Upper Quartile
ROE	25%	55%

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).

8. Expenses continued

8f. Staff share schemes continued

(ii) The Discretionary Free Share Scheme (the DFSS) continued

Number of free share awards committed at 31 December 2015

	Awards outstanding*1	Vesting date
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
SIP H214 scheme	536,512	March 2018
SIP H115 scheme	636,603	August 2018
DFSS 2013 scheme 1st award	173,348	March 2016
DFSS 2013 scheme 2nd award	2,175,317	October 2016
DFSS 2014 scheme 1st award	203,292	March 2017
DFSS 2014 scheme 2nd award	2,481,506	September 2017
DFSS 2015 scheme 1st award	190,275	March 2018
DFSS 2015 scheme 2nd award	2,827,625	September 2018
Total awards committed	**11,451,218**	

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

During the year ended 31 December 2015, awards under the SIP H211 and H112 schemes and the DFSS 2012 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 2015

	Original awards	Awards vested
SIP H211 scheme	598,400	460,032
SIP H112 scheme	617,778	469,098
DFSS 2012 scheme 1st award	181,668	111,295
DFSS 2012 scheme 2nd award	1,979,752	1,486,531

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.

9. Taxation continued

9b. Taxation

	31 December 2015 £m	31 December 2014 £m
Current tax		
Corporation tax on profits for the year	**70.9**	72.2
(Over) provision relating to prior periods	**(1.0)**	(0.4)
Current tax charge	**69.9**	71.8
Deferred tax		
Current period deferred taxation movement	**7.5**	(1.8)
(Over) provision relating to prior periods	**(0.5)**	(0.9)
Total tax charge per Consolidated Income Statement	**76.9**	69.1

Factors affecting the total tax charge are:

	31 December 2015 £m	31 December 2014 £m
Profit before tax	**368.7**	350.7
Corporation tax thereon at effective UK corporation tax rate of 20.25% (2014: 21.50%)	**74.7**	75.4
Expenses and provisions not deductible for tax purposes	**1.4**	1.3
Non-taxable income	**(4.8)**	(2.2)
Impact of change in UK tax rate on deferred tax balances	**0.3**	–
Adjustments relating to prior periods	**(1.5)**	(1.3)
Impact of different overseas tax rates	**(12.9)**	(11.2)
Unrecognised deferred tax	**19.7**	7.1
Other differences	**–**	–
Total tax charge for the period as above	**76.9**	69.1

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 2014	**(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)**
Tax treatment of share scheme charges through income or expense	2.4	–	–	–	2.4
Tax treatment of share scheme charges through reserves	(4.7)	–	–	–	(4.7)
Capital allowances	–	1.9	–	–	1.9
Carried forward losses	–	–	3.5	–	3.5
Other difference	–	–	–	(0.8)	(0.8)
Balance carried forward at 31 December 2015	**(7.1)**	**(2.7)**	**(9.9)**	**(0.9)**	**(20.6)**

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015. The average effective rate of tax for 2015 is 20.25% (2014: 21.50%). Further reductions to the main rate of corporation tax to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly.

The deferred tax asset at 31 December 2015 has been calculated based on the rate at which each timing difference is most likely to reverse.

9. Taxation continued

9c. Deferred income tax asset continued

Analysis of deferred tax asset continued

The deferred tax asset relating to carried forward losses of £9.9 million (2014: £13.4 million) relates to losses incurred in the Group's US price comparison business compare.com, and is calculated at the local US rate of tax (35%).

Elephant Auto (asset recognised: £nil; unprovided asset: £20.7 million) – the asset is not expected to be recovered over the next seven years. Whilst profits are expected to be available after 2022, 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: £9.9 million; unprovided asset: £10.6 million) – 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 this asset to be probable.

At 31 December 2015 the Group had unused tax losses amounting to £89.6 million (2014: £33.3 million) 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:

Improvements to short leasehold buildings	– four to ten years
Computer equipment	– two to four years
Office equipment	– four years
Furniture and fittings	– four years
Motor vehicles	– four 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.

10. Other assets and other liabilities continued

10a. Accounting policy continued

(iv) Intangible assets

Goodwill

All business combinations are accounted for using the acquisition 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 2015 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 5.9% (2014: 6.8%), 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.

(iv) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when a legal or constructive obligation arises as a result of an event that occurred before the balance sheet date, when a cash-outflow relating to this obligation is probable and when the amount can be estimated reliably.

Where an obligation exists, but the likelihood of a cash out flow or the amount is uncertain, or where there is a possible obligation arising from a past event that is contingent on a future event, a contingent liability is disclosed.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of future events. Where it is probable that a cash inflow will arise from a contingent asset, this is disclosed.

10. Other assets and other liabilities continued

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 2014	8.5	32.8	13.0	5.3	59.6
Additions	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 1 January 2014	2.2	6.7	2.6	0.9	12.4
Net book amount					
At 31 December 2014	17.3	9.8	2.4	2.8	32.3
Cost					
At 1 January 2015	24.9	39.5	14.0	7.8	86.2
Additions	0.8	8.8	1.2	0.4	11.2
Disposals	–	(0.5)	–	–	(0.5)
At 31 December 2015	25.7	47.8	15.2	8.2	96.9
Depreciation					
At 1 January 2015	7.6	29.7	11.6	5.0	53.9
Charge for the year	2.4	3.8	1.0	1.0	8.2
Disposals	–	(0.1)	–	–	(0.1)
At 31 December 2015	10.0	33.4	12.6	6.0	62.0
Net book amount					
At 31 December 2015	**15.7**	**14.4**	**2.6**	**2.2**	**34.9**

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

	31 December 2015 £m	31 December 2014 £m
Computer equipment	**3.6**	2.5

10. Other assets and other liabilities continued

10c. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
At 1 January 2014	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
Additions	–	46.7	39.5	86.2
Amortisation charge	–	(44.9)	(6.1)	(51.0)
Disposals	–	–	(0.1)	(0.1)
At 31 December 2015	**62.3**	**16.6**	**63.4**	**142.3**

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. Insurance and other receivables

	31 December 2015 £m	31 December 2014 £m
Insurance receivables*1	**437.0**	353.3
Trade receivables	**92.1**	78.4
Prepayments and accrued income	**8.0**	3.6
Total insurance and other receivables	**537.1**	435.3

*1 Insurance receivables at 31 December 2015 includes £28.4 million in respect of salvage and subrogation recoveries.

10e. Trade and other payables

	31 December 2015 £m	31 December 2014 £m
Trade payables	**35.1**	24.6
Amounts owed to co-insurers and reinsurers	**764.7**	756.5
Finance leases due within 12 months	**2.8**	1.4
Other taxation and social security liabilities	**28.3**	20.9
Other payables	**88.5**	82.2
Accruals and deferred income (see below)	**95.6**	80.2
Total trade and other payables	**1,015.0**	965.8

Of amounts owed to co-insurers and reinsurers, £554.3 million (2014: £585.7 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2015 £m	31 December 2014 £m
Premium receivable in advance of policy inception	**53.1**	50.9
Accrued expenses	**24.4**	11.1
Deferred income	**18.1**	18.2
Total accruals and deferred income as above	**95.6**	80.2

10. Other assets and other liabilities continued

10f. Obligations under finance leases

Analysis of finance lease liabilities:

	At 31 December 2015			At 31 December 2014		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	2.8	–	2.8	1.4	–	1.4
Between one and five years	–	–	–	–	–	–
More than five years	–	–	–	–	–	–
	2.8	–	2.8	1.4	–	1.4

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 2015 £m	31 December 2014 £m
Minimum payments due on operating leases		
Within one year	10.4	8.5
Within two to five years	37.0	36.9
Over five years	125.1	115.5
Total commitments	172.5	160.9

Operating lease payments represent rentals payable by the Group for its office properties.

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 2015 £m	31 December 2014 £m
March 2014 (50.6 pence per share, paid May 2014)	–	138.3
August 2014 (49.4 pence per share, paid October 2014)	–	135.2
March 2015 (49.0 pence per share, paid May 2015)	134.4	–
August 2015 (51.0 pence per share, paid October 2015)	140.2	–
Total dividends	274.6	273.5

The dividends declared in March represent the final dividends paid in respect of the 2013 and 2014 financial years. The dividends declared in August are interim distributions in respect of 2014 and 2015.

A final dividend of 63.4 pence per share (£175 million) has been proposed in respect of the 2015 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

11. Share capital continued

11c. Earnings per share

	31 December 2015 £m	31 December 2014 £m
Profit for the financial year after taxation attributable to equity shareholders	300.0	285.2
Weighted average number of shares – basic	279,627,738	276,885,828
Unadjusted earnings per share – basic	107.3p	103.0p
Weighted average number of shares – diluted	280,018,741	277,334,765
Unadjusted earnings per share – diluted	107.1p	102.8p

The difference between the basic and diluted number of shares at the end of 2015 (being 391,003; 2014: 448,937) 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 2015 £m	31 December 2014 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
281,587,953 ordinary shares of 0.1 pence	0.3	–
278,689,742 ordinary shares of 0.1 pence	–	0.3
	0.3	0.3

During 2015 2,898,211 (2014: 2,548,310) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

948,211 (2014: 748,310) 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 2015 of 8,180,605 (31 December 2014: 7,232,394). These shares are entitled to receive dividends.

1,950,000 (2014: 1,800,000) 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 2015 of 14,811,948 (31 December 2014: 12,861,948). 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.

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 within the Strategic Report.

11. Share capital continued

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	71.10 (indirect)	Insurance Intermediary
Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal	Spain	Ordinary	75 (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	71.10	Insurance Intermediary
Inspop.com (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop.com Limited	England and Wales	Ordinary	100	Insurance Intermediary
Preminen Price Comparison Holdings Limited	England and Wales	Ordinary	50	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 Strategic Report.

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 is disclosed in the Directors' Remuneration Report on pages 59 to 68.

12. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report 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 2015 £m	31 December 2014 £m
Total premiums written before co-insurance arrangements per note 5b of financial statements	1,805.2	1,675.6
Other Revenue per note 7b of financial statements	319.8	332.5
	2,125.0	2,008.1
UK vehicle commission*1	(31.8)	(50.8)
Other*2	11.4	13.7
Turnover as per note 4b of financial statements	2,104.6	1,971.0
Intra-group income elimination*3	14.2	–
Total turnover	2,118.8	1,971.0

*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.

*3 Intra-group income elimination relates to price comparison income earned in the Group from other Group companies. This income was not eliminated in 2014 on the grounds of materiality.

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

	31 December 2015		31 December 2014	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance claims	150.5	226.5	188.9	259.1
Net claims handling expenses	(9.4)	(9.4)	(8.9)	(8.9)
Reinsurer cap impact	–	(2.9)	–	(5.8)
Reserve releases on commuted reinsurance	88.8	88.8	70.6	70.6
Other adjustment*1	–	(0.6)	–	–
Adjusted net claims	229.9	302.4	250.6	315.0
Net insurance premium revenue	358.6	467.0	365.1	464.9
Other adjustment*1	–	(2.2)	–	–
Adjusted net insurance premium revenue	358.6	464.8	365.1	464.9
Reported loss ratio	64.1%	65.1%	68.6%	67.8%

*1 Other adjustments relate to additional products underwritten in the Group's international car insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculation of loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

12. Reconciliations continued

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

	31 December 2015		31 December 2014	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance expenses	41.5	83.1	43.5	82.7
Net claims handling expenses	9.4	9.4	8.9	8.9
Reinsurer cap impact	–	(9.8)	–	(4.7)
Intra-group expenses elimination*1	9.5	14.2	–	–
Other adjustment*2	–	(1.6)	–	–
Adjusted net expenses	60.4	95.3	52.4	86.9
Net insurance premium revenue	358.6	467.0	365.1	464.9
Other adjustment*1	–	(2.2)	–	–
Adjusted net insurance premium revenue	358.6	464.8	365.1	464.9
Reported expense ratio	16.9%	20.5%	14.4%	18.7%

*1 The intra-group expenses elimination amount relates to aggregator fees charged by the Group's price comparison entities to other Group companies. These expenses were not eliminated in 2014 on the grounds of materiality.

*2 Other adjustments relate to additional products underwritten in the Group's international car insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculation of loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

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

	31 December 2015 £m	31 December 2014 £m
Reported profit before tax per the Consolidated Income Statement	368.7	350.7
Minority interest share of profit before tax	8.1	5.8
Adjusted profit before tax	376.8	356.5

Parent Company income statement

	Year ended 31 December 2015 £m	31 December 2014 £m
Administrative expenses	**(4.8)**	(5.3)
Operating loss	**(4.8)**	(5.3)
Investment and interest income	**305.9**	290.6
Interest payable	**(11.1)**	(4.6)
Profit before tax	**290.0**	280.7
Taxation expense	**2.2**	2.0
Profit after tax	**292.2**	282.7

Parent Company Statement of Comprehensive Income

	Year ended 31 December 2015 £m	31 December 2014 £m
Profit for the period	**292.2**	282.7
Other comprehensive income		
Items that are or may be reclassified to profit or loss	**–**	–
Other comprehensive income for the period, net of income tax	**–**	–
Total comprehensive income for the period	**292.2**	282.7

	Note	As at 31 December 2015 £m	31 December 2014 £m
ASSETS			
Shares in Group undertakings	2	**293.5**	243.1
Intangible assets		**1.2**	0.7
Financial investments	3	**234.4**	203.2
Trade and other receivables	4	**2.0**	2.9
Cash and cash equivalents	3	**5.9**	50.0
Total assets		**537.0**	499.9
EQUITY			
Share capital	6	**0.3**	0.3
Share premium account		**13.1**	13.1
Retained earnings		**255.9**	209.1
Total equity		**269.3**	222.5
LIABILITIES			
Subordinated and other financial liabilities	3	**223.9**	203.8
Trade and other payables	5	**43.8**	73.6
Total liabilities		**267.7**	277.4
Total equity and total liabilities		**537.0**	499.9

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 March 2016 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Parent Company statement of changes in equity

	Share capital £m	Share premium account £m	Retained profit and loss £m	Total equity £m
At 1 January 2014	0.3	13.1	176.7	190.1
Profit for the period	–	–	282.7	282.7
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	282.7	282.7
Transactions with equity holders				
Dividends	–	–	(273.5)	(273.5)
Issues of share capital	–	–	–	–
Share scheme charges	–	–	23.2	23.2
Total transactions with equity holders	–	–	(250.3)	(250.3)
As at 31 December 2014	0.3	13.1	209.1	222.5
At 1 January 2015	0.3	13.1	209.1	222.5
Profit for the period	–	–	292.2	292.2
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**292.2**	**292.2**
Transactions with equity holders				
Dividends	–	–	(274.6)	(274.6)
Issues of share capital	–	–	–	–
Share scheme charges	–	–	29.2	29.2
Total transactions with equity holders	**–**	**–**	**(245.4)**	**(245.4)**
As at 31 December 2015	**0.3**	**13.1**	**255.9**	**269.3**

1. Accounting policies

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. The financial statements are prepared on the historical cost basis except for the revaluation of financial assets classified as fair value through the profit or loss.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

1.2 First time application of FRS 100 and FRS 101

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. No transition notes have been prepared for the opening statement of financial position at 31 December 2013 as there have been no effects of transition to FRS 101.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Company to take advantage of some of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- FRS 101.8 (d): the requirement of IFRS 7 Financial Instruments: Disclosure to make disclosures about financial instruments.
- FRS 101.8 (f): the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 118(3) of IAS 38 Intangible Assets.
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements to produce a cash flow statement, a third balance sheet and to make an explicit and unreserved statement of compliance with IFRSs.
- FRS 101.8 (h): the requirements of IAS 7 Statements of Cash Flows to produce a cash flow statement.
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to include a list of new IFRSs that have been issued but that have yet to be applied.
- FRS 101.8 (k): the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to transaction is wholly owned by such a member.

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

1.3 Going concern

The financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses.

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.

1.4 Shares in Group Undertakings

Shares in Group undertakings are valued at cost less any provision for impairment in value.

1.5 Employee share schemes

The Company operates a number of share schemes for its employees. For equity settled schemes commencing 1 January 2004 and after, the fair value of the employee services received in exchange for the grant of free shares under the schemes is recognised as an increase in equity in the Company.

1.6 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.7 Financial assets and liabilities

All investments held at fair value at the end of the period are invested in AAA-rated money market liquidity funds. The measurement of these investments is based on active quoted market values (level 1).

Investments classified as held to maturity are comprised of UK government gilts, and are held in the Statement of Financial Position at amortised cost.

Cash and cash equivalents include cash in hand and deposits held at call with banks. All cash and cash equivalents are measured at amortised cost.

The Company's financial liabilities comprise subordinated notes which are held at amortised cost using the effective interest method and a credit facility held at amortised cost.

2. Shares in Group undertakings

	£m
Investments in subsidiary undertakings:	
At 1 January 2014	212.6
Additions	30.5
At 31 December 2014	243.1
Additions	50.4
At 31 December 2015	**293.5**

A full list of the Company's subsidiaries is disclosed in note 11 of the consolidated financial statements.

3. Financial assets and liabilities

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

	31 December 2015 £m	31 December 2014 £m
Investments held at fair value through profit or loss		
Money market funds	16.1	4.1
	16.1	4.1
Investments classified as held to maturity		
Term deposits with credit institutions	20.1	–
Gilts	198.2	199.1
	218.3	199.1
Total financial investments	234.4	203.2
Trade and other receivables	2.0	2.9
Cash and cash equivalents	5.9	50.0
Total financial assets	242.3	256.1
Financial liabilities		
Subordinated notes	203.9	203.8
Other borrowings	20.0	–
Trade and other payables	43.8	73.6
Total financial liabilities	267.7	277.4

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

	31 December 2015		31 December 2014	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Gilts	198.2	211.7	199.1	216.2
Financial liabilities				
Subordinated notes	203.9	202.4	203.8	211.2

4. Trade and other receivables

	31 December 2015 £m	31 December 2014 £m
Trade and other receivables	–	0.1
Corporation tax recoverable	2.0	1.3
Amounts owed by subsidiary undertakings	–	1.5
Total trade and other receivables	2.0	2.9

5. Trade and other payables

	31 December 2015 £m	31 December 2014 £m
Trade and other payables	2.1	1.4
Amounts owed to subsidiary undertakings	41.7	72.2
Total trade and other payables	43.8	73.6

6. Share capital

	31 December 2015 £m	31 December 2014 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5
Issued, called up and fully paid		
281,587,953 ordinary shares of 0.1 pence	**0.3**	–
278,689,742 ordinary shares of 0.1 pence	**–**	0.3
	0.3	0.3

Dividends were declared and paid as follows:

	31 December 2015 £m	31 December 2014 £m
March 2014 (50.6 pence per share, paid May 2014)	**–**	138.3
August 2014 (49.4 pence per share, paid October 2014)	**–**	135.2
March 2015 (49.0 pence per share, paid May 2015)	**134.4**	–
August 2015 (51.0 pence per share, paid October 2015)	**140.2**	–
Total dividends	**274.6**	273.5

The dividends declared in March represent the final dividends paid in respect of the 2013 and 2014 financial years. The dividends declared in August are interim distributions in respect of 2014 and 2015.

A final dividend of 63.4 pence per share (£175 million) has been proposed in respect of the 2015 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

7. Continued application of Financial Reporting Standard (FRS) 101 – Reduced Disclosure Framework

Following the first time application of FRS 101 Reduced Disclosure Framework in 2015, the Board considers that it is in the best interests of the Group for Admiral Group plc to continue to apply the FRS 101 Reduced Disclosure Framework in future periods. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Admiral Group plc may serve objections to the use of the disclosure exemptions on Admiral Group plc, in writing, to its registered office (Tŷ Admiral, David Street, Cardiff, CF10 2EH) not later than 30 June 2016.

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

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Total premiums	**1,805.2**	1,675.6	1,737.6	1,897.2	1,841.3
Net insurance premium revenue	**467.0**	464.9	483.0	498.9	445.8
Other Revenue	**319.8**	332.5	327.8	361.1	349.0
Profit commission	**85.4**	71.8	99.3	108.4	61.8
Investment and interest income	**32.6**	15.4	14.3	15.9	13.7
Net revenue	**904.8**	884.6	924.4	984.3	870.3
Net insurance claims	**(226.5)**	(259.1)	(303.0)	(404.5)	(363.8)
Net expenses	**(298.5)**	(270.2)	(251.2)	(235.2)	(207.4)
Operating profit	**379.8**	355.3	370.2	344.6	299.1
Finance costs	**(11.1)**	(4.6)	–	–	–
Profit before tax	**368.7**	350.7	370.2	344.6	299.1

Balance sheet

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Property and equipment	**34.9**	32.3	12.4	16.5	17.6
Intangible assets	**142.3**	107.2	92.8	92.5	87.5
Deferred income tax	**20.6**	22.9	17.0	15.2	10.3
Reinsurance assets	**878.7**	829.8	821.2	803.0	639.8
Insurance and other receivables	**537.1**	435.3	445.6	458.8	476.0
Financial investments	**2,323.5**	2,194.1	1,896.9	1,601.6	1,159.1
Cash and cash equivalents	**265.3**	255.9	187.9	216.6	224.6
Total assets	**4,202.4**	3,877.5	3,473.8	3,204.2	2,614.9
Equity	**632.9**	580.9	524.1	460.7	394.4
Insurance contracts	**2,295.0**	2,097.4	1,901.3	1,696.9	1,333.7
Subordinated and other financial liabilities	**223.9**	203.8	–	–	–
Trade and other payables	**1,015.0**	965.8	1,013.7	1,006.5	856.6
Current tax liabilities	**35.6**	29.6	34.7	40.1	30.2
Total equity and total liabilities	**4,202.4**	3,877.5	3,473.8	3,204.2	2,614.9

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Combined ratio	The sum of the loss ratio and the expense ratio.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.
Expense ratio	The ratio can be calculated on an earned or written basis. Expressed as a percentage, of (i) net operating expenses, either divided by (ii) written or earned premiums, net of reinsurance.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the 'underwriting cycle').
Loss ratio	The loss ratio can be calculated on an accident year or underwriting year basis, and is expressed as a percentage of (i) claims incurred, divided by (ii) net premiums.
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A provision found in some reinsurance and co-insurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Total/Gross/Net premiums written	Total = total premiums written, including co-insurance. Gross = total premiums written, including reinsurance but excluding co-insurance. Net = total premiums written, excluding reinsurance and co-insurance.
Turnover	A non-GAAP measure, turnover is the sum of 'total premiums written' and 'Other Revenue'.
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results relate to the 2015 underwriting year, are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and Other Revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Directors

Alastair Lyons, CBE
Non-Executive Chairman

Henry Engelhardt, CBE
Chief Executive Officer

David Stevens, CBE
Chief Operating Officer

Geraint Jones
Chief Financial Officer

Owen Clarke
Non-Executive Director

Annette Court
Non-Executive Director

Colin Holmes
Non-Executive Director

Penny James
Non-Executive Director

Margaret Johnson, OBE
Non-Executive Director

Lucy Kellaway
Non-Executive Director

Jean Park
Non-Executive Director

Manning Rountree
Non-Executive Director

Company Secretary

Mark Waters
Tŷ Admiral
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Registrar

Capita Asset Services
The Registry
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London EC1A 1HQ

UBS Investment Bank
1 Finsbury Avenue
London EC2M 2PP

Solicitors

Clifford Chance LLP
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London E14 5JJ

Corporate website

The Group's corporate website is at www.admiralgroup.co.uk. A range of information about the Admiral Group is presented, including the Group's history, financial reports and press releases, corporate responsibility and governance.

The website also includes the contact details for investor relations.

Financial calendar

Final 2015 dividend

12 May 2016 – Ex dividend date
13 May 2016 – Record date
3 June 2016 – Payment date

Annual General Meeting

28 April 2016

Interim results

17 August 2016

The Group does not produce printed copies of interim results for shareholders unless requested.

The interim results will be available on the corporate website from 17 August 2016.

Registered office

Tŷ Admiral

David Street
Cardiff CF10 2EH

Admiral Group businesses

UK

Car Insurance:

Admiral www.admiral.com
elephant.co.uk www.elephant.co.uk
Diamond www.diamond.co.uk
Bell www.bell.co.uk

Price Comparison:

Confused.com www.confused.com
Carfused www.carfused.com

Household insurance:

Admiral household insurance www.admiral.com/home-insurance

Van Insurance:

Gladiator www.gladiator.co.uk

Spain

Car Insurance:

Balumba www.balumba.es
Qualitas Auto www.qualitasauto.com

Price Comparison:

Rastreator www.rastreator.com
Seguros.es www.seguros.es

Italy

Car Insurance:

ConTe www.conte.it

USA

Car Insurance:

Elephant Auto www.elephant.com

Price Comparison:

compare.com www.compare.com

France

Car Insurance:

L'olivier – assurance auto www.lolivier.fr

Price Comparison:

LeLynx www.lelynx.fr

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The Group's commitment to environmental issues is reflected in this Annual Report which has been printed on Amadeus 100 Silk which is made from 100% post-consumer fibres, FSC® certified and PCF (Process Chlorine Free). Printed in the UK by pureprint® using their environmental printing technology, and vegetable inks were used throughout. pureprint® is a CarbonNeutral® company. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

2015
was *another* award winning year!

Special Recognition Award
15 Years – Appeared in the top 100 list every year since its inception
Sunday Times Best Big Companies to Work For listings, 2015

5th place in the
Sunday Times Best Big Companies to Work For listings, 2015

4th Best
Large UK Workplace
Great Place to Work Institute, 2015

4th Best
Multinational Workplace in Europe,
Great Place to Work Institute, 2015

9th Best
Medium Workplace in Italy
ConTe
Great Place to Work Institute, 2015

4th and 5th Best
Workplace in Spain (between 250 and 499 employees)
4th Admiral Seguros, 5th Rastreator
Great Place to Work Institute, 2015

22nd Best
Workplace in France (fewer than 500 employees)
L'olivier – assurance auto
Great Place to Work Institute, 2015

National Champion – UK Employer of the Year
European Business Awards 2015