

Admiral Group plc results for the six months ended 30 June 2017
16 August 2017

2017 Interim Results Highlights

	30 June 2017	30 June 2016	% change
Group's share of profit before tax ^{*1}	£195 million	£193 million	+1%
Group statutory profit before tax	£193 million	£190 million	+2%
Earnings per share	57.3 pence	55.9 pence	+3%
Interim dividend	56.0 p/share	51.0 p/share (62.9 p/share including additional capital return)	+10%
Return on equity ^{*1}	55%	50%	+10%
Group turnover ^{*1}	£1.45 billion	£1.26 billion	+15%
Group net revenue	£0.55 billion	£0.51 billion	+8%
Group customers ^{*1}	5.46 million	4.82 million	+13%
UK insurance customers ^{*1}	4.34 million	3.90 million	+11%
International car insurance customers ^{*1}	961,200	757,900	+27%
Group's share of price comparison result ^{*1}	£3.1 million profit	£1.1 million loss	
Statutory price comparison result	£2.4 million profit	£4.8 million loss	
Solvency ratio (post dividend) ^{*1,2}	214%	180%	+19%

Over 9,000 staff each receive free shares worth a total of £1,800 under the employee share scheme based on the interim 2017 results

^{*1}Alternative Performance Measures – refer to the end of the report for definition and explanation.

^{*2}Refer to capital structure and financial position section later in the report for further information.

Comment from David Stevens, Group Chief Executive Officer

“The first half of 2017 saw Admiral ambitious in pursuit of both immediate and longer-term growth opportunities.

“We've grown turnover and customer numbers in our existing businesses by over 13% while also delivering a first half of important "firsts" - the first loans originated on our new dedicated lending system, the first cars sold on Confused.com, the first vans directly underwritten in the UK and Spain.

“Most of the adverse impact from the increase in the costs of large injury claims, resulting from the change in the Ogden discount rate, was captured in our 2016 second half result. However, some extra costs carry into 2017. In these circumstances, we are happy to report a marginal increase in profitability and to deliver a more material increase in the underlying dividend.”

Dividend

The Directors have declared an interim dividend of 56.0 pence per share, representing a normal dividend of 37.9 pence per share and a special dividend of 18.1 pence per share. The dividend will be paid on 6 October 2017. The ex-dividend date is 7 September 2017 and the record date is 8 September 2017.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00 BST on Wednesday 16 August 2017 by dialling + 44 (0)20 3059 8125. A copy of the presentation slides will be available at www.admiralgroup.co.uk

H1 2017 Group overview

Summary of the H1 2017 result

The Group has continued to grow strongly in the first six months of 2017 with turnover up 15% to £1.45 billion (H1 2016: £1.26 billion) and net revenue 8% higher at £0.55 billion (H1 2016: £0.51 billion).

Customer numbers increased 13% to 5.46 million (30 June 2016: 4.82 million).

The Group's share of pre-tax profit increased to £194.5 million from £193.3 million whilst statutory profit before tax increased to £193.4 million (H1 2016: £189.5 million). Slightly higher UK Insurance profit, a lower loss in the International Insurance segment and an improved Price Comparison result were partially offset by higher other Group charges and business development costs.

The Group's UK Insurance business (private car, household and van) grew turnover by 11% to £1.14 billion (H1 2016: £1.03 billion) and customer numbers increased by 11% to 4.3 million from 3.9 million.

UK Insurance profit before tax was slightly higher at £226.2 million (H1 2016: £224.0 million) reflecting the adverse impact of the lower Ogden discount rate on current period claims costs and profit commission, as well as a number of other offsetting impacts. The UK results are discussed in further detail below.

Outside the UK, Admiral's International Insurance businesses grew combined turnover by 39% to £221.9 million (H1 2016: £159.2 million). Customer numbers also grew strongly by 27% to 961,200 (30 June 2016: 757,900). In aggregate the businesses reduced losses to £10.1 million from £12.9 million mainly due to reduced losses in the Group's US operation, Elephant Auto.

Finally, Admiral's Price Comparison businesses made a combined profit (excluding minority interests' shares) of £3.1 million (H1 2016: £1.1 million loss), mainly reflecting a reduced loss in the Group's US Price Comparison business, Compare.com. Confused.com in the UK continued to invest in its new focus on motor-related products and services, with increased marketing costs leading to a reduced profit of £4.5 million (H1 2016: £8.3 million). The international price comparison businesses reported a reduced aggregate loss of £1.4 million (H1 2016: loss £9.4 million) with growing profit in the European operations (£2.0 million, up from £0.7 million) offset by the loss in Compare.com of £3.4 million (H1 2016: loss £10.1 million).

Earnings per share

Earnings per share increased by 3% to 57.3 pence (H1 2016: 55.9 pence), the increase being broadly in line with the post-tax profit movements.

Dividends

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

The Board has declared a total interim dividend of 56.0 pence per share (£157 million), as follows:

- 37.9 pence per share normal dividend based on the policy of distributing 65% of post-tax profits; and
- A special dividend of 18.1 pence per share.

The total 2017 interim dividend is 10% ahead of 2016's interim (51.0 pence per share, excluding the return of surplus capital of 11.9 pence per share that was paid with the 2016 interim). The payout ratio is 98% (Interim 2016 excluding the return of surplus capital: 91%).

The Group's solvency position remains strong at 214% after accounting for the interim dividend.

The payment date is 6 October 2017, ex-dividend date 7 September 2017 and record date 8 September 2017.

Investments and cash

Admiral's investment strategy was unchanged in 2017 and the Group continued to invest in the same asset classes as previous years.

The Group's key objective in relation to investments is capital preservation, with additional priorities including low volatility of returns and high levels of liquidity. All objectives continue to be met. The Group's Investment Committee performs regular reviews of its investment strategy to ensure it continues to deliver the objectives.

Cash and investments analysis

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Fixed income and debt securities	1,324.3	1,483.3	1,496.4	1,469.2
Money market funds and other fair value instruments	671.0	693.4	968.8	781.0
Cash deposits	247.5	178.7	130.0	170.0
Cash	216.0	295.4	348.6	326.6
Total	2,458.8	2,650.8	2,943.8	2,746.8

The credit quality of the underlying securities has not changed significantly.

Investment and interest income in the first half of 2017 was £23.3 million, a decrease of £10.1 million on 2016 (£33.4 million). The decrease is mainly due to the first half of 2016 benefiting from £9 million relating to movements in accruals relating to quota share reinsurance arrangements. Excluding that impact, underlying income was broadly flat in the period.

The underlying rate of return (excluding the reinsurance accrual) on the Group's cash and investments was 1.2% (H1 2016: 1.4%).

Capital structure and financial position

Return on equity for the first half was 55%, up from 50% for the first half of 2016. The increase is due to a combination of an increase in post-tax profits and lower average equity.

A key feature of the business model is the extensive use of co- and reinsurance across the Group. The Group's co-insurance and quota share reinsurance arrangements for the UK Car insurance business are in place until at least the end of 2018. In 2017 and 2018, the Group's net share is 22%.

Similar long term arrangements are in place in the Group's International Insurance operations and other UK Insurance businesses.

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 is based on the Solvency II Standard Formula, with a capital add-on 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 Group continues to develop its partial internal model to form the basis of future capital requirements. Due to an extension in model scope the regulatory application for approval is now expected in late 2018.

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 was as follows:

Group capital position

Group	£bn
Eligible Own Funds (pre 2017 interim dividend)	1.19
2017 interim dividend	0.16
Eligible Own Funds (post 2017 interim dividend)	1.03
Solvency II capital requirement	0.48
Surplus over regulatory capital requirement	0.55
Solvency ratio (post dividend)^{*1}	214%

*1 Solvency ratio calculated on a volatility adjusted basis.

The Group's capital includes £200 million 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.

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

Solvency ratio sensitivities

UK Car – incurred loss ratio +5%	-26%
UK Car – 1 in 200 catastrophe event	-2%
UK Household – 1 in 200 catastrophe event	-3%
Interest rate – yield curve down 50 bps	-10%
Credit spreads widen 100 bps	-4%
Currency – 25% movement in euro and US dollar	-3%
ASHE – long term inflation assumption up 0.5%	-4%

Taxation

The tax charge reported in the Consolidated Income Statement is £31.5 million (H1 2016: £36.2 million), which equates to 16.3% (H1 2016: 19.1%) of profit before tax. The lower effective rate of taxation compared to the prior period results from lower losses in the Group’s US businesses leading to a lower level of unrecognised deferred tax asset.

The Group’s results are presented in the following sections as UK Insurance, International Car Insurance and Price Comparison.

UK Insurance

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Turnover ^{*1}	881.8	1,028.5	1,144.1	2,063.1
Total premiums written ^{*1}	802.3	933.6	1,022.6	1,862.6
Net insurance premium revenue	193.6	218.2	241.0	454.4
Underwriting profit^{*1}	99.5	95.4	105.7	109.2
Profit commission and other income	120.4	128.6	120.5	229.3
UK Insurance profit before tax	219.9	224.0	226.2	338.5

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

Split of UK Insurance profit before tax

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Car	219.2	222.8	224.2	335.8
Household	0.7	1.2	1.6	2.7
Van	-	-	0.4	-
UK Insurance profit	219.9	224.0	226.2	338.5

Key performance indicators

	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Cars insured at period end	3.18m	3.52m	3.77m	3.65m
Households insured at period end	0.24m	0.38m	0.55m	0.47m
Vans insured at period end	-	-	0.02m	-
Total UK Insurance customers	3.42m	3.90m	4.34m	4.12m

The key highlights for the UK Insurance business for H1 2017 were:

- Generally favourable conditions in motor and household markets with rates increasing (notably in Q2 in motor)
- Improved competitiveness at new business and strong customer retention helped turnover increase by 11% to £1.14 billion (H1 2016: £1.03 billion) and customer numbers move 11% higher to 4.34 million (30 June 2016: 3.90 million)
- UK Insurance profitability was slightly ahead of H1 2016 at £226.2 million (H1 2016: £224.0 million) with modest improvements in the Car and Household results and the first small profit from Van insurance
- Significant releases from booked Car Insurance reserves, though less substantial on Admiral's original net share than H1 2016 (partly resulting from a cautious approach to loss ratio projections at 30 June 2017)
- A reduced (though still significant and prudent) level of relative reserve margin strength in car insurance reserves (partly due to increased confidence over the impact of the change in Ogden rate to -0.75%)
- A further increase in Household Insurance profit, though the total remains small in the context of the overall result, reflecting the continued substantial growth of the business and also a cautious approach to setting and releasing claims reserves and hence profit recognition

UK Car Insurance

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Turnover ^{*1}	857.9	993.2	1,082.9	1,987.0
Total premiums written ^{*1}	779.0	899.7	966.7	1,789.3
Net insurance premium revenue	188.9	210.7	229.7	437.4
Investment income	6.3	24.5	15.8	39.3
Net insurance claims	(69.3)	(108.9)	(108.4)	(304.7)
Net insurance expenses	(26.2)	(30.1)	(30.6)	(61.0)
Underwriting profit^{*1}	99.7	96.2	106.5	111.0
Profit commission	44.2	41.7	28.8	52.7
Underwriting profit plus profit commission	143.9	137.9	135.3	163.7
Net other income	63.3	69.6	66.5	138.6
Instalment income	12.0	15.3	22.4	33.5
UK Car Insurance profit before tax	219.2	222.8	224.2	335.8

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

Split of underwriting profit

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Car insurance	91.5	85.5	99.7	93.6
Additional products	8.2	10.7	6.8	17.4
Underwriting profit	99.7	96.2	106.5	111.0

Key performance indicators

	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Reported Car loss ratio ^{*1,*2}	58.2%	56.9%	66.5%	73.3%
Reported Car expense ratio ^{*1,*3}	17.4%	18.1%	16.4%	17.5%
Reported Car combined ratio ^{*1}	75.6%	75.0%	82.9%	90.8%
Written basis Car expense ratio	16.2%	17.0%	15.8%	16.5%
Reported total combined ratio ^{*1,*4}	73.1%	72.0%	81.3%	87.5%
Claims reserve releases – original net share ^{*1,*5}	£50.0m	£55.9m	£44.9m	£58.3m
Claims reserve releases – commuted reinsurance ^{*1,*6}	£42.6m	£12.8m	£47.4m	£17.1m
Total claims reserve releases	£92.6m	£68.7m	£92.3m	£75.4m
Other Revenue per vehicle	£64	£64	£61	£62

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

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

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

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

*5 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.

*6 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 UK Car Insurance business benefited from continued success in attracting and retaining customers in the competitive UK market and this, together with higher average premiums, contributed to an increase in turnover of 9% to £1.08 billion (30 June 2016: £0.99 billion). The number of vehicles insured also grew by 7% to 3.77 million (30 June 2016: 3.52 million) with volumes improving in the second quarter.

The UK market saw sustained rate increases during 2016 which have continued into the first six months of 2017, particularly in the second quarter following the change in Ogden discount rate referred to below. Admiral increased its rates in December 2016 in advance of the Ogden change and has continued to do so throughout the first half.

Whilst the business continued to grow in top line terms, UK Car Insurance profit was broadly flat at £224.2 million compared to £222.8 million for H1 2016, although the combined ratio was higher at 82.9% (H1 2016: 75.0%). Despite a number of offsetting items impacting the results, the main driver of the small increase in profitability is stable projected ultimate loss ratios during the first half of 2017 and resulting lower reserve releases than would have been the case had the projections improved materially as discussed further below. The main items affecting the results were:

- The higher premium revenue was offset by a slightly higher current year loss ratio (shown in the table below) and therefore higher net claims costs;
- Lower reserve releases on Admiral's original net share (approximately £15 million adverse impact) impacted by Ogden and discussed below;
- Higher reserve releases on the portion of reserves originally reinsured but since commuted (approximately £35 million positive impact) also discussed below, leading to higher aggregate net reserve releases across original net and commuted shares.
- Lower profit commission income (£12 million adverse impact) resulting from lower reserve releases (again Ogden impacted);
- Lower investment return (£9 million adverse impact) as explained in the Investments and Cash section above.

Combined ratio and underwriting results

UK Car combined ratio	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Current year loss ratio, excluding releases	86.8%	85.9%	87.5%	87.7%
Reserve releases – original net share	28.5%	29.0%	21.0%	14.4%
Loss ratio net of releases – original net share^{*1}	58.3%	56.9%	66.5%	73.3%
Expense ratio	17.4%	18.1%	16.4%	17.5%
Combined ratio – original net share^{*1}	75.7%	75.0%	82.9%	90.8%

*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.

Change in UK discount rate ('Ogden')

On 27 February 2017, the UK Government announced the outcome of the review of the discount rate (referred to as the Ogden discount rate) used for calculating the value of lump sum personal injury compensation. The new rate is minus 0.75% and applies to all unsettled and new claims from 20 March 2017.

The estimated cost to Admiral, net of tax and reinsurance is approximately £150 million and is unchanged compared to six months earlier. The majority of impact, in respect of premiums earned up to the date of change (£105 million pre-tax, £87 million post-tax), was recognised in the form of reduced 2016 profits (resulting from a higher booked 2016 year loss ratio and a significantly reduced level of reserve release in the second half of 2016). The balance, along with the impact on business written but unearned at the date of change, will be recognised in the form of lower reserve releases and profit commission in the current period and subsequent two to four financial years as the affected claims settle.

The UK Car Insurance actuarial best estimates reflect the new rate whilst the booked reserves in the financial statements continue to include a prudent and significant margin above the best estimates in line with the Group's reserving approach.

A consultation on the discount rate is due to conclude imminently and the Group looks forward to reviewing its conclusions when they are reported.

The reported UK Car combined ratio increased to 82.9% from 75.0% (both figures exclude the impact of reserve releases from commuted reinsurance contracts). The main reason for the increase is a lower reserve release in the current period. The levels of releases in the first halves of 2015 and 2016 were above the long-term average for Admiral and were boosted by significant improvements in projected ultimate claims costs during those periods.

In the first half of 2017, projected ultimate claims costs on 2016 and prior accident years have remained stable and therefore not led to such high releases in 2017 to date. The stable projected ultimate loss ratios are based on the new Ogden discount rate of -0.75% and are cautiously calculated for the most recent accident years. The projections assume no improvement or further deterioration in discount rate that might result from the ongoing consultation.

Note 5c (ii) to the financial statements analyses reserve releases in the period.

The slight increase in the current period loss ratio (87.5% v 85.9%) is partly due to Ogden and also the cautious booked position for the current year.

Although its relative size has decreased since the end of 2016 (when the impact of the Ogden change had yet to be reflected in the case reserves and hence a higher margin was appropriate), the financial statements continue to include a significant and prudent margin above the projected ultimate claims outcomes.

The reported expense ratio improved to 16.4% from 18.1% mainly reflecting the change in net retained share in the current period. The written basis expense ratio also decreased to 15.8% from 17.0%, reflecting the growth in written premium in the period.

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.

For H1 2017 profit commission revenue totals £28.8 million, down from £41.7 million in H1 2016. The decrease results from less substantial improvements in booked loss ratios on prior years than was the case in H1 2016 which in turn was largely due to the Ogden impact referred to above.

If reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted, are added to profit commission, the total for the first six months of 2017 would be £76.2 million compared to £54.5 million in H1 2016. This increase is a result of the comparative figure being adversely affected by the impact (£31 million) of the 2014 underwriting year commutation which was completed in the first half of 2016. No quota share contracts were commuted in the first half of 2017 as a result of the change in discount rate, although the ultimate projections of all years continue to show profitable outcomes.

Note 5b to the financial statements analyses profit commission income by underwriting year.

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
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration fees and referral income
- Interest charged to customers paying for cover in instalments

Contribution from Other Revenue (net of costs) increased by 5% to £88.9 million (H1 2016: £84.9 million). Whilst there were a number of smaller offsetting changes within the total, the main reason for the increase is the growth in the portfolio in the year.

Other revenue was equivalent to £61 per vehicle (gross of costs; H1 2016: £64). The decrease reflects a change in allocation of reinsurer vehicle commission (the change effectively reallocates revenue to profit commission) offset by an increase in optional legal cover. Net Other Revenue (after deducting costs) per vehicle was £52 (H1 2016: £56).

UK Car Insurance Other Revenue – analysis of contribution:

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Contribution from additional products and fees	84.6	90.7	94.3	185.7
Contribution from additional products underwritten by Admiral ^{*1}	8.2	10.7	6.8	17.4
Instalment income	12.0	15.3	22.4	33.5
Other revenue	104.8	116.7	123.5	236.6
Internal costs	(21.3)	(21.1)	(27.8)	(47.1)
Net other revenue	83.5	95.6	95.7	189.5
Other revenue per vehicle^{*2}	£64	£64	£61	£62
Other revenue per vehicle net of internal costs	£55	£56	£52	£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 reflects amounts charged to customers paying for cover in instalments. During the first half of 2017 Admiral earned £22.4 million from instalment income, up 46% on the prior period (H1 2016: £15.3 million). The main reason for this increase is a change to the co-insurance arrangements resulting in all instalment income from 2017 underwriting year onwards being retained by Admiral. Other factors affecting the increase are increases in average premium and customer numbers.

Additional products underwritten by Admiral

Alongside the main motor insurance policy, there are a number of other products underwritten by Admiral that are provided to customers such as personal injury insurance, breakdown cover and car hire cover. Contribution from these products underwritten by Admiral during the first half of 2017 was £6.8 million (H1 2016: £10.7 million). This is included in underwriting profit in the income statement, but reallocated to Other Revenue for the purpose of management key performance indicators.

UK Household Insurance

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Turnover ^{*1}	23.9	35.3	48.3	76.1
Total premiums written ^{*1}	23.3	33.9	43.7	73.3
Underwriting loss^{*1}	(0.2)	(0.9)	(0.6)	(1.8)
Profit commission and other income	0.9	2.1	2.2	4.5
UK Household insurance profit before tax	0.7	1.2	1.6	2.7

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

Key performance indicators

	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Reported household loss ratio	68.1%	74.7%	68.7%	76.5%
Reported household expense ratio	36.2%	37.3%	36.8%	34.1%
Reported household combined ratio	104.3%	112.0%	105.5%	110.6%
Households insured at period end	239,000	381,800	548,200	468,700

The UK Household Insurance business continued its record of strong growth with the number of properties insured increasing by 44% to 548,200 (30 June 2016: 381,800). Turnover increased by 37% to £48.3 million (H1 2016: £35.3 million) and profit increased to £1.6 million (H1 2016: £1.2 million).

Both loss and expense ratios improved in the first half with the expense ratio continuing to significantly outperform the market.

During May 2017, the Group ceased operating its commercial vehicle insurance broker and started underwriting van insurance direct through two brands, Gladiator and Admiral Van. Admiral offers van insurance and associated products, typically to small businesses, via telephone and the internet, including price comparison websites.

International Car Insurance

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Turnover ^{*1}	110.3	159.2	221.9	365.9
Total premiums written ^{*1}	101.0	142.9	197.2	331.3
Net insurance premium revenue	29.7	39.4	58.2	91.3
Investment income	–	0.2	0.2	0.4
Net insurance claims	(25.4)	(32.7)	(47.3)	(75.5)
Net insurance expenses	(18.9)	(24.6)	(28.1)	(46.2)
Underwriting result ^{*1}	(14.6)	(17.7)	(17.0)	(30.0)
Net other income	3.4	4.8	6.9	10.6
International Car Insurance result	(11.2)	(12.9)	(10.1)	(19.4)

Key performance indicators

	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Loss ratio ^{*2}	82%	80%	78%	76%
Expense ratio ^{*2}	55%	51%	45%	49%
Combined ratio ^{*3}	137%	131%	123%	125%
Combined ratio, net of Other revenue ^{*4}	126%	118%	112%	113%
Vehicles insured at period end	631,700	757,900	961,200	864,200

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

*2 Loss ratios and expense ratios have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.

*3 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 H1 2017: 130%; H1 2016: 145%; H1 2015: 149%.

*4 Combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of Other Revenue would be H1 2017: 118%; H1 2016: 133%; H1 2015: 138%.

Geographical analysis ^{*1}

30 June 2017	Spain	Italy	France	US	Total
Vehicles insured at period end	208,100	462,500	112,500	178,100	961,200
Turnover (£m)	31.2	76.3	28.7	85.7	221.9

31 Dec 2016	Spain	Italy	France	US	Total
Vehicles insured at period end	189,200	415,500	91,500	168,000	864,200
Turnover (£m)	49.8	118.2	38.3	159.6	365.9

30 June 2016	Spain	Italy	France	US	Total
Vehicles insured at period end	169,850	362,250	75,400	150,400	757,900
Turnover (£m)	22.9	54.7	17.1	64.5	159.2

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

Admiral's international insurance businesses continued to grow materially, adding over 200,000 customers over the year since 30 June 2016, growth of 27%. Turnover grew by nearly 40% to £221.9 million (H1 2016: £159.2 million). Turnover and customers in these businesses represent 16% (H1 2016: 16%) and 18% (30 June 2016: 13%) of the Group totals respectively.

A significant improvement in the Elephant Auto results contributed to the combined ratio net of other revenue improving to 112% from 118%. ConTe also saw continued positive development of back year reserves. The combined loss for the international insurance businesses improved to £10.1 million for the first six months of 2017 (H1 2016: £12.9 million). The improved result at Elephant and further profit from ConTe were partly offset by losses in Spain and France due to the strong growth in those businesses.

The expense ratio has improved to 45% (H1 2016: 51%) though remains high in comparison to Admiral's UK business due to the acquisition costs associated with the strong growth and also the continued need to build scale.

The European insurance operations in Spain, Italy and France insured 783,100 vehicles at 30 June 2017 – 29% higher than a year earlier (30 June 2016: 607,500). Turnover was up 44% at £136.2 million (H1 2016: £94.7 million). The consolidated result of the European operations was a loss of £5.0 million (H1 2016: £2.1 million) with a small profit in Italy offset by investment in growth in Spain and France. The growth in Spain and France also impacted on the combined ratio net of other revenue (excluding the impact of reinsurer caps) which increased to 105% from 99%.

Admiral Seguros (Spain) which launched in 2006 operates under two main brands, Balumba and Qualitas Auto. Admiral Seguros focused on growth during the first six months of 2017 and at 30 June 2017 the business insured over 200,000 customers, 23% higher than at 30 June 2016.

The Group's largest international operation is ConTe in Italy, which insured 462,500 vehicles at 30 June 2017, 28% higher than a year earlier. ConTe was launched in 2008 and in the first six months of 2017 continued to experience positive development in the projected ultimate outcomes of most underwriting years allowing further reserve releases in H1 2017 and another reported profit.

Admiral's youngest and smallest international insurance business is L'olivier assurance auto, which launched in 2010 in France. L'olivier insured 112,500 vehicles at 30 June 2017, up almost 50% on the prior year and has focused on growth and accelerating brand development during the year.

In the USA, Admiral underwrites motor insurance in six states (Virginia, Maryland, Illinois, Texas, Indiana and Tennessee) through its Elephant Auto business, which launched at the end of 2009. At 30 June 2017 Elephant Auto insured over 178,000 vehicles, up 18% year-on-year. Turnover for the first half was £85.7 million, up 33% on the prior period (H1 2016: £64.5 million).

Elephant's loss in the period was £5.1 million, a significant reduction on the H1 2016 loss of £10.8 million. Elephant improved both key operating ratios (the loss ratio showing significant improvement) despite the continued strong growth, whilst the current period result was also less impacted by severe weather experience compared to the first half of 2016. The combined ratio net of other revenue improved to 119% from 143%.

Price Comparison

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Revenue				
Car insurance price comparison	42.6	48.6	55.2	97.7
Other	12.6	15.4	17.3	31.5
Total Revenue	55.2	64.0	72.5	129.2
Expenses	(63.8)	(68.8)	(70.1)	(132.1)
(Loss)/profit before tax	(8.6)	(4.8)	2.4	(2.9)
Confused.com profit	4.8	8.3	4.5	16.1
International price comparison result	(13.4)	(13.1)	(2.1)	(19.0)
	(8.6)	(4.8)	2.4	(2.9)
Group's share of (loss)/profit before tax ^{*1}				
Confused.com profit	4.8	8.3	4.5	16.1
International price comparison result	(8.8)	(9.4)	(1.4)	(13.4)
	(4.0)	(1.1)	3.1	2.7

*1 Alternative Performance Measure – refer to the end of this report for definition and explanation

UK Price Comparison – Confused.com

In 2016 Confused.com started to differentiate itself by focussing on saving drivers time and money. A new marketing campaign and range of new products have contributed to an improvement in brand awareness and increase in income from motor-related products. However, this was, as expected, offset by a fall in income from non-motor products such as home and life insurance.

Confused.com turnover remained broadly stable at £44.9 million (H1 2016: £44.0 million). The high level of competition in the price comparison market, new marketing campaign and product development required a higher level of investment and contributed to lower profits in the period of £4.5 million (H1 2016: £8.3 million).

International Price Comparison

Admiral operates three price comparison businesses outside the UK: in Spain (Rastreator), France (LeLynx) and the US (Compare.com). Admiral Group owns 75% of Rastreator and 71% of Compare.com.

The combined revenue from the European operations increased by almost a third to £22.0 million (H1 2016: £16.7 million), reflecting continued growth in traffic and quotes provided to customers and improved conversion rates. Both Rastreator and LeLynx continue to enjoy strong brand recognition in their respective markets.

The Group's share of the combined result for Rastreator and LeLynx was a profit of £2.0 million (H1 2016: £0.7 million), the increase reflecting ongoing strong performance from Rastreator which continues to build on its multi-product strategy covering insurance, telephony and utilities amongst other product lines, and an improved result from LeLynx. Statutory profit before tax increased to £2.7 million (H1 2016: £1.2 million).

In the US, Compare.com had a successful first half, exceeding its target of 'marketing break-even' (revenue minus marketing expenses) in selected states by achieving that nationally. The business delivered substantial improvements in its main key performance indicators, including reduced cost per quote and sale metrics while at the same time growing quote and sales volumes.

As a result, Admiral's share of Compare.com's loss reduced significantly to £3.4 million before tax (H1 2016: £10.1 million) whilst statutory loss before tax decreased to £4.8 million (H1 2016: £14.2 million).

Compare.com's plans for the remainder of 2017 and beyond include continuing to scale marketing activity while further enhancing conversion. Guidance for the full year 2017 loss for Compare.com (Admiral Group's share) is reduced to be in the range of \$10-15 million.

The combined result for International Price Comparison was therefore a loss of £1.4 million (H1 2016: loss £9.4 million) – the profit from the European operations offset by investment in Compare.com. Statutory loss before tax was £2.1 million (H1 2016: loss £13.1 million).

Premieren, the Group's newest price comparison venture continues to explore the potential of price comparison in new markets overseas, in partnership with Mapfre.

Other Group items

£m	30 June 2015	30 June 2016	30 June 2017	31 Dec 2016
Other interest and investment income	3.3	8.7	7.3	13.4
UK Commercial van broking	1.0	0.8	0.7	2.0
Share scheme charges	(11.9)	(14.7)	(16.9)	(31.9)
Business development costs	(0.5)	(2.2)	(5.9)	(5.8)
Other central overheads	(4.7)	(3.8)	(3.9)	(4.1)
Finance charges	(5.5)	(5.6)	(5.6)	(11.4)

Other interest and investment income of £7.3 million (30 June 2016: £8.7 million) includes £5.4 million (H1 2016: £Nil) of realised gains on investments held by the Group parent company and unrealised losses of £1.1million (H1 2016: £5.5 million unrealised gains) in respect of forward foreign exchange contracts.

Share scheme charges relate to the Group's two employee share schemes (refer to note 8 to the financial statements). The increase in the charge is due to an increase in the number of awards reflecting the increasing Group headcount.

Business development costs include costs associated with potential new ventures, including investment in Admiral Loans (see below) and Preminen.

Finance charges of £5.6 million (30 June 2016: £5.6 million) mainly represent interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

Admiral Loans

During the first half of 2017, the Group successfully rolled out the first release of its new technology platform for Admiral Loans. The business currently distributes unsecured personal loans through the price comparison channel and also direct to consumers via the Admiral website.

Initial trials have returned encouraging results and consistent with other new business launches, the Group will employ a test and learn approach and expects advances to customers to remain insignificant in the context of the Group balance sheet during 2017. The Group expects the business to make small losses in its early phase mostly as a result of high fixed costs relative to the current scale of the business.

Principal Risks and Uncertainties

Admiral has performed a robust assessment of the principal risks facing the Group, including those which would threaten its business model, future performance, liquidity and solvency. The result of this assessment is that the principal risks and uncertainties are consistent with those reported in the Group's 2016 Annual Report and Accounts, pages 40-43.

UK Exit from the European Union ('Brexit')

The precise timetable for and details of the implementation of the Brexit referendum decision continue to remain unclear at the date of this report.

Brexit brings risks to the Group including:

- The potential for market volatility, particularly in interest and exchange rates
- the potential for the uncertainty or the emerging terms of exit to trigger or exacerbate less favourable economic conditions in the UK and other countries in which Admiral operates (though it is worth noting that car insurance has tended to be resilient to economic downturns)
- potential changes to or withdrawal of the right of UK financial services firms to trade in Europe without the need for locally regulated entities ('passporting')
- potential changes to the rules relating to the free movement of people between the UK and the remaining EU member states

The Group continues to develop its plans to be able to deal with the withdrawal of passporting, should this transpire and, recognising that other issues may emerge over time, will continue to closely monitor developments over the coming months and years.

At present, the Group does not foresee a material adverse impact on day to day operations (including customers or staff), nor does it expect the costs associated with any Group restructure to be material in the context of the Group.

Regulatory update

Admiral's businesses operate in numerous regulated markets across the world. Rules and legislation continue to develop and Admiral works closely with all of its regulators on these matters.

In particular during 2017 Admiral has worked closely with the FCA on renewal transparency, governance and information security and with the PRA on internal model development and the impact of the new Ogden discount rate.

Ongoing legislative and regulatory matters include:

Issue	Notes
Change in the Ogden discount rate and ongoing consultation over its future (new rate effective March 2017, consultation ongoing)	<ul style="list-style-type: none"> • Significant impact on costs of lump sum claims with future loss element and the impact on PPO propensity rates • Continued uncertainty over outcome of consultation process • Refer to UK Insurance commentary above
Government measures to reduce whiplash claims costs (expected 2018)	<ul style="list-style-type: none"> • The Civil Liability bill aims to reduce the frequency and cost of small injury claims in the motor market
General Data Protection Regulation ('GDPR') and the UK Data Protection Bill (effective May 2018)	<ul style="list-style-type: none"> • Widespread changes to data and privacy laws
FCA rules on enhanced transparency in insurance renewals (effective April 2017)	<ul style="list-style-type: none"> • New rules from the FCA requiring disclosure of prior year price on renewal documentation
Insurance Intermediation Directive ('IDD') (to be implemented in the UK in 2018)	<ul style="list-style-type: none"> • Updated rules governing distribution of insurance products by insurers and intermediaries
FCA Senior Management and Certification Regime (SM&CR) (expected to come into effect during 2018)	<ul style="list-style-type: none"> • New rules on how individuals working in financial services are regulated • Will replace the current FCA Approved Persons regime

Disclaimer on forward-looking statements

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of known and unknown risks and uncertainties that may cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements.

Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Condensed consolidated income statement (unaudited)

	Note:	6 months ended:		Year ended:
		30 June 2017	30 June 2016	31 December 2016
		£m	£m	£m
Insurance premium revenue		796.6	635.8	1,353.6
Insurance premium ceded to reinsurers		(495.3)	(376.1)	(804.8)
Net insurance premium revenue	5	301.3	259.7	548.8
Other revenue	7	196.0	176.2	360.6
Profit commission	5	30.0	42.2	54.3
Investment and interest income	6	23.3	33.4	53.1
Net revenue		550.6	511.5	1016.8
Insurance claims and claims handling expenses		(612.7)	(400.0)	(1,103.8)
Insurance claims and claims handling expenses recoverable from reinsurers		447.8	251.6	709.2
Net insurance claims		(164.9)	(148.4)	(394.6)
Operating expenses and share scheme charges	8	(359.5)	(316.9)	(648.8)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	172.8	148.9	316.4
Net operating expenses and share scheme charges		(186.7)	(168.0)	(332.4)
Total expenses		(351.6)	(316.4)	(727.0)
Operating profit		199.0	195.1	289.8
Finance costs	6	(5.6)	(5.6)	(11.4)
Profit before tax		193.4	189.5	278.4
Taxation expense	9	(31.5)	(36.2)	(64.3)
Profit after tax		161.9	153.3	214.1
Profit after tax attributable to:				
Equity holders of the parent		163.2	157.4	222.2
Non-controlling interests		(1.3)	(4.1)	(8.1)
		161.9	153.3	214.1
Earnings per share:				
Basic	11	57.3p	55.9p	78.7p
Diluted	11	57.2p	55.8p	78.5p
Dividends declared and paid (total)	11	143.7	175.4	349.8
Dividends declared and paid (per share)	11	50.5p	63.4p	126.3p

Condensed consolidated statement of comprehensive income (unaudited)

	6 months ended:		Year ended:
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Profit for the period	161.9	153.3	214.1
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	17.5	20.9	30.3
Deferred tax charge in relation to movement in fair value reserve	(4.1)	—	(0.5)
Exchange differences on translation of foreign operations	(4.0)	12.1	21.2
	9.4	33.0	51.0
Other comprehensive income for the period, net of income tax			
	9.4	33.0	51.0
Total comprehensive income for the period	171.3	186.3	265.1
Total comprehensive income for the period attributable to:			
Equity holders of the parent	172.8	189.2	271.3
Non-controlling interests	(1.5)	(2.9)	(6.2)
	171.3	186.3	265.1

Condensed consolidated statement of financial position (unaudited)

		30 June 2017	As at: 30 June 2016	31 December 2016
	Note:	£m	£m	£m
ASSETS				
Property and equipment	10	31.4	33.9	32.0
Intangible assets	10	158.3	156.2	162.3
Deferred income tax	9	6.3	25.4	8.4
Reinsurance assets	5	1,460.9	914.1	1,126.4
Insurance and other receivables	6, 10	965.0	697.4	784.9
Financial investments	6	2,595.2	2,355.4	2,420.2
Cash and cash equivalents	6	348.6	295.4	326.6
Total assets		5,565.7	4,477.8	4,860.8
EQUITY				
Share capital	11	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Fair value reserve		41.5	19.2	28.1
Foreign exchange reserve		19.9	15.3	23.7
Retained profit and loss		545.7	600.6	505.7
Total equity attributable to equity holders of the parent		620.5	648.5	570.9
Non-controlling interests		9.3	14.1	10.8
Total equity		629.8	662.6	581.7
LIABILITIES				
Insurance contracts	5	3,054.1	2,484.2	2,749.5
Subordinated and other financial liabilities	6	223.9	223.9	224.0
Trade and other payables	6, 10	1,635.9	1,070.8	1,292.2
Current tax liabilities		22.0	36.3	13.4
Total liabilities		4,935.9	3,815.2	4,279.1
Total equity and total liabilities		5,565.7	4,477.8	4,860.8

Condensed consolidated cash flow statement (unaudited)

		6 months ended:		Year ended:
		30 June 2017	30 June 2016	31 December 2016
	Note:	£m	£m	£m
Profit after tax		161.9	153.3	214.1
Adjustments for non-cash items:				
- Depreciation	10	5.0	5.2	10.5
- Amortisation of software	10	7.3	5.5	12.6
- Other gains and losses		—	1.2	—
- Share scheme charges		18.7	14.2	33.2
- Investment and interest income	6	(23.3)	(33.4)	(53.1)
- Finance costs	6	5.6	5.6	11.4
- Taxation expense	9	31.5	36.2	64.3
Change in gross insurance contract liabilities		304.6	189.2	454.5
Change in reinsurance assets		(334.5)	(35.4)	(247.7)
Change in insurance and other receivables		(177.8)	(164.7)	(254.6)
Change in trade and other payables, including tax and social security		343.7	56.8	279.9
Cash flows from operating activities, before movements in investments		342.7	233.7	525.1
Purchases of financial instruments		(347.8)	(142.7)	(646.6)
Proceeds on disposal/ maturity of financial instruments		206.1	157.0	616.9
Interest and investment income received		4.6	5.6	11.6
Cash flows from operating activities, net of movements in investments		205.6	253.6	507.0
Taxation payments		(21.9)	(36.6)	(76.4)
Taxation receipts		—	1.1	1.8
Net cash flow from operating activities		183.7	218.1	432.4
Cash flows from investing activities:				
Purchases of property, equipment and software		(9.7)	(17.3)	(31.6)
Net cash used in investing activities		(9.7)	(17.3)	(31.6)
Cash flows from financing activities:				
Non-controlling interest capital contribution		—	(0.2)	(0.2)
Proceeds on issue of financial liabilities		—	—	—
Finance costs paid		(5.6)	(5.5)	(11.3)
Repayment of finance lease liabilities		0.1	(1.7)	(3.4)
Equity dividends paid	11	(143.7)	(175.4)	(349.8)
Net cash used in financing activities		(149.2)	(182.8)	(364.7)
Net increase in cash and cash equivalents		24.8	18.0	36.1
Cash and cash equivalents at 1 January		326.6	265.3	265.3
Effects of changes in foreign exchange rates		(2.8)	12.1	25.2
Cash and cash equivalents at end of period	6	348.6	295.4	326.6

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to the owners of the company					Total £m	NCI* ¹ £m	Total equity £m
	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m			
At 1 January 2016	0.3	13.1	(1.7)	4.4	599.6	615.7	17.2	632.9
Profit for the period	—	—	—	—	157.4	157.4	(4.1)	153.3
Other comprehensive income								
Movements in fair value reserve	—	—	20.9	—	—	20.9	—	20.9
Currency translation differences	—	—	—	10.9	—	10.9	1.2	12.1
Total comprehensive income for the period	—	—	20.9	10.9	157.4	189.2	(2.9)	186.3
Transactions with equity-holders								
Dividends	—	—	—	—	(175.4)	(175.4)	—	(175.4)
Share scheme credit	—	—	—	—	14.2	14.2	—	14.2
Deferred tax credit on share scheme credit	—	—	—	—	4.8	4.8	—	4.8
Contributions by NCI	—	—	—	—	—	—	(0.2)	(0.2)
Total transactions with equity-holders	—	—	—	—	(156.4)	(156.4)	(0.2)	(156.6)
As at 30 June 2016	0.3	13.1	19.2	15.3	600.6	648.5	14.1	662.6
At 1 January 2016	0.3	13.1	(1.7)	4.4	599.6	615.7	17.2	632.9
Profit for the period	—	—	—	—	222.2	222.2	(8.1)	214.1
Other comprehensive income								
Movements in fair value reserve	—	—	30.3	—	—	30.3	—	30.3
Deferred tax charge in relation to movement in fair value reserve	—	—	(0.5)	—	—	(0.5)	—	(0.5)
Currency translation differences	—	—	—	19.3	—	19.3	1.9	21.2
Total comprehensive income for the period	—	—	29.8	19.3	222.2	271.3	(6.2)	265.1
Transactions with equity-holders								
Dividends	—	—	—	—	(349.8)	(349.8)	—	(349.8)
Share scheme credit	—	—	—	—	33.2	33.2	—	33.2
Deferred tax credit on share scheme credit	—	—	—	—	0.5	0.5	—	0.5
Contributions by NCI	—	—	—	—	—	—	(0.2)	(0.2)
Changes in ownership interests without a change in control	—	—	—	—	—	—	—	—
Total transactions with equity-holders	—	—	—	—	(316.1)	(316.1)	(0.2)	(316.3)
As at 31 December 2016	0.3	13.1	28.1	23.7	505.7	570.9	10.8	581.7

	Attributable to the owners of the company					Total £m	NCI* ¹ £m	Total equity £m
	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m			
At 1 January 2017	0.3	13.1	28.1	23.7	505.7	570.9	10.8	581.7
Profit for the period	—	—	—	—	163.2	163.2	(1.3)	161.9
Other comprehensive income								
Movements in fair value reserve	—	—	17.5	—	—	17.5	—	17.5
Deferred tax charge in relation to movement in fair value reserve	—	—	(4.1)	—	—	(4.1)	—	(4.1)
Currency translation differences	—	—	—	(3.8)	—	(3.8)	(0.2)	(4.0)
Total comprehensive income for the period	—	—	13.4	(3.8)	163.2	172.8	(1.5)	171.3
Transactions with equity-holders								
Dividends	—	—	—	—	(143.7)	(143.7)	—	(143.7)
Share scheme credit	—	—	—	—	18.7	18.7	—	18.7
Deferred tax credit on share scheme credit	—	—	—	—	1.8	1.8	—	1.8
Total transactions with equity- holders	—	—	—	—	(123.2)	(123.2)	—	(123.2)
As at 30 June 2017	0.3	13.1	41.5	19.9	545.7	620.5	9.3	629.8

[*1] Non-controlling interests

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc is a Company incorporated in the United Kingdom and registered 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 condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2017 and the comparative periods for the six-months ended 30 June 2016 and the year ended 31 December 2016. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the FCA's Disclosure and Transparency Rules, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2016.

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

The comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was:

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

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond. Further information is given in the Basis of preparation below.

2. Basis of preparation

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2016. A number of other IFRS and interpretations have been endorsed by the EU in the period to 30 June 2017 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

The Group's assessment of the impact of standards that have yet to be adopted remains consistent with that reported on page 93 of the Group's 2016 Annual Report.

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 in the 2016 Annual Report. An update to the Group's principal risks and uncertainties since the 2016 year end is included in the review preceding these financial statements. In addition, the Governance report in the 2016 Annual 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.

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 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 period in which the estimate is reviewed if this revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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

The Group's 2016 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no additional critical judgements or estimates applied in the period. Note 5 below provides further information as to the changes in the estimates with respect to the calculation of insurance reserves.

4. Operating segments

The Group has four reportable segments; UK Insurance, International Car Insurance, Price Comparison and Other, as set out on page 96 of the Group's 2016 Annual Report. During the period, the Group launched a UK Van Insurance product that is included within the UK Insurance segment. The results from the Group's commercial van broker Gladiator continue to be presented within the 'Other' segment.

Segment revenues and results for the 6 months ended 30 June 2016 have been represented to include UK Household Insurance within the UK insurance segment in order to align with the reportable segments noted above.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2017, by reportable segment, are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2016 Group financial statements.

	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations ^{*2} £m	30 June 2017 Segment total £m
Turnover ^{*1}	1,144.1	221.9	72.5	7.2	(10.5)	1,435.2
Net insurance premium revenue	241.0	60.3	—	0.0	—	301.3
Other revenue and profit commission	148.7	8.1	72.5	7.2	(10.5)	226.0
Investment and interest income	15.8	0.2	—	—	—	16.0
Net revenue	405.5	68.6	72.5	7.2	(10.5)	543.3
Net insurance claims	(116.5)	(48.4)	—	—	—	(164.9)
Expenses	(62.8)	(30.3)	(70.1)	(6.5)	10.5	(159.2)
Segment profit / (loss) before tax	226.2	(10.1)	2.4	0.7	—	219.2
Other central revenue and expenses, including share scheme charges						(27.5)
Interest and investment income						7.3
Finance costs						(5.6)
Consolidated profit before tax						193.4
Taxation expense						(31.5)
Consolidated profit after tax						161.9

[*1] Turnover is an Alternative Performance 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.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2016 are shown below.

	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations* ² £m	Represented 30 June 2016 Segment total £m
Turnover* ¹	1,028.5	159.2	64.0	9.0	(9.8)	1,250.9
Net insurance premium revenue	218.2	41.3	—	0.2	—	259.7
Other revenue and profit commission	150.1	5.6	64.0	8.5	(9.8)	218.4
Investment and interest income	24.5	0.2	—	—	—	24.7
Net revenue	392.8	47.1	64.0	8.7	(9.8)	502.8
Net insurance claims	(114.5)	(33.7)	—	(0.2)	—	(148.4)
Expenses	(54.3)	(26.3)	(68.8)	(7.7)	9.8	(147.3)
Segment profit / (loss) before tax	224.0	(12.9)	(4.8)	0.8	—	207.1
Other central revenue and expenses, including share scheme charges						(20.7)
Interest and investment income						8.7
Finance costs						(5.6)
Consolidated profit before tax						189.5
Taxation expense						(36.2)
Consolidated profit after tax						153.3

Revenue and results for the corresponding reportable segments for the year ended 31 December 2016 are shown below.

	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	31 December 2016 Eliminations ^{*2} £m	Segment total £m
Turnover ^{*1}	2,063.1	365.9	129.2	17.6	(20.8)	2,555.0
Net insurance premium revenue	454.4	94.3	—	0.1	—	548.8
Other revenue and profit commission	277.2	12.6	129.2	16.7	(20.8)	414.9
Investment and interest income	39.3	0.4	—	—	—	39.7
Net revenue	770.9	107.3	129.2	16.8	(20.8)	1,003.4
Net insurance claims	(317.9)	(76.5)	—	(0.2)	—	(394.6)
Expenses	(114.5)	(50.2)	(132.1)	(14.7)	20.8	(290.7)
Segment profit / (loss) before tax	338.5	(19.4)	(2.9)	1.9	—	318.1
Other central revenue and expenses, including share scheme charges						(41.7)
Interest and investment income						13.4
Finance costs						(11.4)
Consolidated profit before tax						278.4
Taxation expense						(64.3)
Consolidated profit after tax						214.1

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 £10.5 million (H1 2016: £9.8 million, FY 2016: £20.8 million) which has been eliminated on consolidation. There are no other transactions between reportable segments.

Revenues from external customers for products and services is consistent with the split of reportable segment revenues as shown above.

Information about geographical locations

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

Segment assets and liabilities

The segment assets and liabilities at 30 June 2017, 30 June 2016 and 31 December 2016 are as follows:

	As at 30 June 2017						Total £m
	UK Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m		
Property and equipment	25.6	4.4	1.4	—	—	31.4	
Intangible assets	69.8	23.3	1.6	63.6	—	158.3	
Reinsurance assets	1,192.6	268.1	—	0.2	—	1,460.9	
Insurance and other receivables	897.5	142.1	23.1	(31.0)	(66.7)	965.0	
Financial investments	2,323.6	49.7	7.7	—	—	2,381.0	
Cash and cash equivalents	196.9	98.6	30.1	6.1	—	331.7	
Reportable segment assets	4,706.0	586.2	63.9	38.9	(66.7)	5,328.3	
Insurance contract liabilities	2,632.2	421.5	—	0.4	—	3,054.1	
Trade and other payables	1,492.5	124.5	13.1	5.8	—	1,635.9	
Reportable segment liabilities	4,124.7	546.0	13.1	6.2	—	4,690.0	
Reportable segment net assets	581.3	40.2	50.8	32.7	(66.7)	638.3	
Unallocated assets and liabilities						(8.5)	
Consolidated net assets						629.8	

As at 30 June 2016

	International					Total £m
	UK Insurance £m	Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	
Property and equipment	29.2	3.4	1.3	—	—	33.9
Intangible assets	72.8	17.7	2.0	63.7	—	156.2
Reinsurance assets	710.9	202.9	—	0.3	—	914.1
Insurance and other receivables	651.9	58.5	36.9	(50.0)	0.1	697.4
Financial investments	2,075.9	58.1	—	—	—	2,134.0
Cash and cash equivalents	131.7	102.3	43.1	9.2	—	286.3
Reportable segment assets	3,672.4	442.9	83.3	23.2	0.1	4,221.9
Insurance contract liabilities	2,154.3	324.9	—	5.0	—	2,484.2
Trade and other payables	961.9	78.0	15.0	15.9	—	1,070.8
Reportable segment liabilities	3,116.2	402.9	15.0	20.9	—	3,555.0
Reportable segment net assets	556.2	40.0	68.3	2.3	0.1	666.9
Unallocated assets and liabilities						(4.3)
Consolidated net assets						662.6

As at 31 December 2016

	International					Total £m
	UK Insurance £m	Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	
Property and equipment	26.8	4.0	1.2	—	—	32.0
Intangible assets	73.8	23.0	1.8	63.7	—	162.3
Reinsurance assets	881.4	244.7	—	0.3	—	1,126.4
Insurance and other receivables	890.3	132.8	14.8	(185.6)	(67.4)	784.9
Financial investments	2,145.0	45.6	12.2	—	—	2,202.8
Cash and cash equivalents	178.0	100.6	33.0	8.0	—	319.6
Reportable segment assets	4,195.3	550.7	63.0	(113.6)	(67.4)	4,628.0
Insurance contract liabilities	2,359.9	385.4	—	4.2	—	2,749.5
Trade and other payables	1,147.7	122.1	11.3	11.1	—	1,292.2
Reportable segment liabilities	3,507.6	507.5	11.3	15.3	—	4,041.7
Reportable segment net assets	687.7	43.2	51.7	(128.9)	(67.4)	586.3
Unallocated assets and liabilities						(4.6)
Consolidated net assets						581.7

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 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.

5. Premium, Claims and Profit Commissions

5a. Net insurance premium revenue

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Total insurance premiums including co-insurance	1,219.8	1,076.5	2,193.9
Group gross written premiums	928.7	717.8	1,482.0
Outwards reinsurance premiums	(627.0)	(425.2)	(883.6)
Net insurance premiums written	301.7	292.6	598.4
Change in gross unearned premium provision	(132.1)	(82.3)	(128.4)
Change in reinsurers' share of unearned premium provision	131.7	49.4	78.8
Net insurance premium revenue	301.3	259.7	548.8

The Group's share of its 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 12 months or less.

5b. Profit commission

UK Car Insurance:	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Underwriting year:			
2011 & prior	10.7	5.1	16.7
2012	10.9	14.8	9.6
2013	7.2	21.8	26.4
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	—	—	—
Total profit commission (UK Car)	28.8	41.7	52.7

UK Household Insurance:	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Underwriting year:			
2015	0.6	0.5	0.7
2016	0.6	—	0.9
Total profit commission (UK Household)	1.2	0.5	1.6

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Gross:			
Claims outstanding ^{*1}	2,202.3	1,819.9	2,030.8
Unearned premium provision	851.8	664.3	718.7
Total gross insurance liabilities	3,054.1	2,484.2	2,749.5
Recoverable from reinsurers:			
Claims outstanding	905.2	523.9	701.6
Unearned premium provision	555.7	390.2	424.8
Total reinsurers' share of insurance liabilities	1,460.9	914.1	1,126.4
Net:			
Claims outstanding ^{*2}	1,297.1	1,296.0	1,329.2
Unearned premium provision	296.1	274.1	293.9
Total insurance liabilities – net	1,593.2	1,570.1	1,623.1

[*1] Gross claims outstanding at 30 June 2017 is presented before the deduction of salvage and subrogation recoveries totalling £43.5 million (H1 2016: £30.4 million, FY 2016: £37.7 million).

[*2] Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24-36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to Note (iii) below.

(ii) Analysis of gross and net claims reserve releases:

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. This data is presented on an underwriting year basis.

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Gross			
Underwriting year:			
2012 & prior	47.7	34.8	41.7
2013	20.4	42.4	49.3
2014	17.0	47.0	42.8
2015	9.8	9.2	1.9
2016	7.4	—	—
Total gross release (UK Insurance)	102.3	133.4	135.7
Total gross release (International Car Insurance)	11.7	9.2	21.0
Total gross release	114.0	142.6	156.7
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Net			
Underwriting year:			
2012 & prior	47.7	34.8	41.7
2013	20.4	42.4	49.3
2014	17.0	(12.3)	(16.4)
2015	4.1	3.8	0.8
2016	3.1	—	—
Total net release (UK Insurance)	92.3	68.7	75.4
Total net release (International Car Insurance)	5.2	4.4	9.9
Total net release	97.5	73.1	85.3
Releases on Admiral's original net share	44.9	55.9	58.3
Releases on commuted quota share reinsurance contracts	47.4	12.8	17.1
Total net release (UK Insurance) as above	92.3	68.7	75.4

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

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Underwriting year:			
2011 & prior	11.9	3.9	11.3
2012	13.7	16.0	11.3
2013	11.9	24.7	28.8
2014	9.9	(31.8)	(34.3)
Total releases on commuted quota share reinsurance contracts	47.4	12.8	17.1

	31 December:					30 June
UK Car Insurance loss ratio development	2012	2013	2014	2015	2016	2017
Underwriting year (UK car only)						
2012	84%	78%	73%	66%	64%	62%
2013	—	85%	82%	76%	70%	68%
2014	—	—	92%	89%	84%	82%
2015	—	—	—	87%	87%	86%
2016	—	—	—	—	88%	87%

(iii) Reconciliation of movement in claims provision:

	Gross £m	Reinsurance £m	30 June 2017 Net £m
Claims provision at 1 January 2017	2,030.8	(701.6)	1,329.2
Claims incurred (excluding releases)	709.3	(452.3)	257.0
Reserve releases	(114.0)	16.5	(97.5)
Movement in claims provision due to commutation	—	—	—
Claims paid and other movements	(423.8)	232.2	(191.6)
Claims provision at 30 June 2017	2,202.3	(905.2)	1,297.1

	Gross £m	Reinsurance £m	30 June 2016 Net £m
Claims provision at 1 January 2016	1,725.0	(544.8)	1,180.2
Claims incurred (excluding releases)	603.2	(387.3)	215.9
Reserve releases	(142.6)	69.5	(73.1)
Movement in claims provision due to commutation	—	186.2	186.2
Claims paid and other movements	(365.7)	152.5	(213.2)
Claims provision at 30 June 2016	1,819.9	(523.9)	1,296.0

		31 December 2016	
	Gross £m	Reinsurance £m	Net £m
Claims provision at 1 January 2016	1,725.0	(544.8)	1,180.2
Claims incurred (excluding releases)	1,233.4	(764.8)	468.6
Reserve releases	(156.7)	71.4	(85.3)
Movement in claims provision due to commutation	—	186.2	186.2
Claims paid and other movements	(770.9)	350.4	(420.5)
Claims provision at 31 December 2016	2,030.8	(701.6)	1,329.2

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

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision 1 January 2017	718.7	(424.8)	293.9
Written in the period	928.7	(627.0)	301.7
Earned in the period	(795.6)	496.1	(299.5)
Unearned premium provision at 30 June 2017	851.8	(555.7)	296.1

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at 1 January 2016	570.0	(333.9)	236.1
Written in the period	717.8	(425.2)	292.6
Earned in the period	(623.5)	368.9	(254.6)
Unearned premium provision at 30 June 2016	664.3	(390.2)	274.1

	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at 1 January 2016	570.0	(333.9)	236.1
Written in the period	1,482.0	(883.6)	598.4
Earned in the period	(1,333.3)	792.7	(540.6)
Unearned premium provision at 31 December 2016	718.7	(424.8)	293.9

6. Investments

6a. Investment and interest income

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Investment income:			
Investment return on assets classified as FVTPL	0.9	1.6	2.9
Interest income on available for sale debt securities	13.4	11.5	23.4
Interest income on term deposits with credit institutions	1.9	2.5	4.7
Interest income on government gilt assets	2.6	2.6	5.4
Net realised gains:			
Realised gains on sale of gilt assets	5.4	—	—
Net unrealised gains/ (losses):			
Unrealised (losses)/ gains on forward contracts	(1.1)	5.5	6.5
Net investment return	23.1	23.7	42.9
Release of accrual for reinsurers' share of investment returns	—	9.2	9.2
	23.1	32.9	52.1
Interest receivable on cash and cash equivalents	0.2	0.5	1.0
Total investment and interest income	23.3	33.4	53.1

6b. Finance costs

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Interest payable	5.6	5.6	11.4
Total finance costs	5.6	5.6	11.4

6c. Financial assets and liabilities

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

	30 June 2017 £m	Restated*1 30 June 2016 £m	Restated*1 31 December 2016 £m
Investments held at fair value through profit and loss:			
Money market funds	965.2	693.4	776.3
Derivative financial instruments	3.6	—	4.7
Investments classified as available for sale:			
Available for sale debt securities	1,321.8	1,285.5	1,271.8
Available for sale government gilts	174.6	—	—
Investments classified as held to maturity:			
Government gilts	—	197.8	197.4
Loans and receivables			
Deposits with credit institutions	130.0	178.7	170.0
Total financial investments	2,595.2	2,355.4	2,420.2
Insurance and other receivables:			
Insurance receivables	740.7	551.6	606.6
Trade and other receivables	224.3	145.8	178.3
Cash and cash equivalents	348.6	295.4	326.6
Total financial assets	3,908.8	3,348.2	3,531.7
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Financial liabilities:			
Subordinated notes	203.9	203.9	204.0
Other borrowings	20.0	20.0	20.0
Trade and other payables	1,635.9	1,070.8	1,292.2
Total financial liabilities	1,859.8	1,294.7	1,516.2

[*1] 2016 comparatives have been restated to present term deposits held with credit institutions as loans and receivables, as this is considered to be a more appropriate classification of these assets.

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 one).

Available for sale assets include holdings in fixed income and other debt securities, and government gilts. These are held at fair value with interest income recognised in the income statement and unrealised movements in fair value taken through other comprehensive income.

Government gilts have been reclassified during the period from 'Held to Maturity' to 'Available for Sale' in line with IAS 39 following the disposal of a portion of the holding.

The fair value of the holding of UK government gilts at 30 June 2017 is £174.6 million (H1 2016: £233.2 million, FY 2016: £225.4 million). The fair value of subordinated notes (level one valuation) at 30 June 2017 is £223.4 million (H1 2016: £199.0 million, FY 2016: £212.9 million).

Term deposits are held with well rated institutions and as such the fair value of these investments is considered to approximate to the carrying value as impairment of the capital is not expected. The carrying value of term deposits is £130.0 million (H1 2016: £178.7 million, FY 2016: £170.0 million).

Insurance and other receivables are also valued at amortised cost in the Condensed consolidated statement of financial position. This carrying value is a reasonable approximation of fair value.

6d. Cash and cash equivalents

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Cash at bank and in hand	348.6	295.4	326.4
Short-term deposits	—	—	0.2
Total cash and cash equivalents	348.6	295.4	326.6

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

7. Other Revenue

7a. Contribution from additional products and fees and other revenue

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Contribution from additional products and fees	103.0	96.8	199.0
Price Comparison revenue ^{*1}	62.0	54.2	108.4
Other revenue	31.0	25.2	53.2
Total other revenue	196.0	176.2	360.6

[*1] Price comparison revenue excludes £10.5 million (H1 2016: £9.8 million, FY 2016: £20.8 million) of income from other Group companies.

8. Expenses

8a. Operating expenses and share scheme charges

	Gross	Recoverable from co- and reinsurers	30 June 2017 Net
	£m	£m	£m
Acquisition of insurance contracts* ¹	72.5	(58.6)	13.9
Administration and other marketing costs (insurance contracts)	143.2	(103.9)	39.3
Insurance contract expenses	215.7	(162.5)	53.2
Administration and other marketing costs (Other)	116.4	—	116.4
Share scheme charges	27.4	(10.3)	17.1
Total expenses and share scheme charges	359.5	(172.8)	186.7

	Gross	Recoverable from co- and reinsurers	30 June 2016 Net
	£m	£m	£m
Acquisition of insurance contracts	44.1	(34.2)	9.9
Administration and other marketing costs (insurance contracts)	144.3	(105.6)	38.7
Insurance contract expenses	188.4	(139.8)	48.6
Administration and other marketing costs (Other)	104.7	—	104.7
Share scheme charges	23.8	(9.1)	14.7
Total expenses and share scheme charges	316.9	(148.9)	168.0

	Gross	31 December 2016 Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts ^{*1}	98.0	(75.4)	22.6
Administration and other marketing costs (insurance contracts)	293.9	(222.6)	71.3
Insurance contract expenses	391.9	(298.0)	93.9
Administration and other marketing costs (Other)	206.6	—	206.6
Share scheme charges	50.3	(18.4)	31.9
Total expenses and share scheme charges	648.8	(316.4)	332.4

[*1] Acquisition of insurance contracts expense excludes £10.5 million (H1 2016: £9.8 million, FY 2016: £20.8 million) of price comparison fees from other Group companies.

The £39.3 million (H1 2016: £38.7 million, FY 2016: £71.3 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Expenses relating to additional products and fees	29.4	22.3	49.9
Price Comparison operating expenses	70.1	68.8	132.1
Other expenses	16.9	13.6	24.6
Total	116.4	104.7	206.6

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

8b. Staff share schemes

Analysis of share scheme costs (per income statement):

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Share Incentive Plan (SIP) charge	5.6	5.1	9.9
Discretionary Free Share Scheme (DFSS) charge	11.5	9.6	22.0
Total share scheme charges	17.1	14.7	31.9

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in the gross credit to reserves reported in the consolidated statement of changes in equity (H1 2017: £18.7 million, H1 2016: £14.2 million, FY 2016: £33.2 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.

9. Taxation

9a. Taxation

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
UK Corporation tax			
Current charge at 19.25% (2016: 20.0%)	31.6	36.5	53.2
(Over) provision relating to prior periods – corporation tax	—	—	(1.0)
Current tax charge	31.6	36.5	52.2
Deferred tax			
Current period deferred taxation movement	(0.1)	(0.3)	7.2
Under provision relating to prior periods – deferred tax	—	—	4.9
Total tax charge per income statement	31.5	36.2	64.3

Factors affecting the total tax charge are:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Profit before taxation	193.4	189.5	278.4
Corporation tax thereon at 19.25% (2016: 20.0%)	37.2	37.9	55.7
Expenses and provisions not deductible for tax purposes	0.5	—	0.8
Non-taxable income	(2.8)	(4.5)	(7.2)
Impact of change in UK tax rate on deferred tax balances	—	—	—
Adjustments relating to prior periods	—	—	3.2
Impact of different overseas tax rates	(5.9)	(5.5)	(7.0)
Unrecognised deferred tax	3.5	8.8	18.9
Other differences	(1.0)	(0.5)	(0.1)
Tax charge for the period as above	31.5	36.2	64.3

9b. 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 2016	7.1	2.7	9.9	0.9	20.6
Tax treatment of share scheme charges through income or expense	0.5	—	—	—	0.5
Tax treatment of share scheme charges through reserves	4.8	—	—	—	4.8
Capital allowances	—	(0.5)	—	—	(0.5)
Carried forward losses	—	—	—	—	—
Other difference	—	—	—	—	—
Balance carried forward 30 June 2016	12.4	2.2	9.9	0.9	25.4
Balance brought forward at 1 January 2016	7.1	2.7	9.9	0.9	20.6
Tax treatment of share scheme charges through income or expense	(1.9)	—	—	—	(1.9)
Tax treatment of share scheme charges through reserves	0.5	—	—	—	0.5
Capital allowances	—	(5.1)	—	—	(5.1)
Carried forward losses	—	—	(5.0)	—	(5.0)
Other difference	—	—	—	(0.7)	(0.7)
Balance carried forward 31 December 2016	5.7	(2.4)	4.9	0.2	8.4
Tax treatment of share scheme charges through income or expense	1.5	—	—	—	1.5
Tax treatment of share scheme charges through reserves	1.9	—	—	—	1.9
Capital allowances	—	(1.7)	—	—	(1.7)
Carried forward losses	—	—	—	—	—
Other difference	—	—	—	(3.8)	(3.8)
Balance carried forward 30 June 2017	9.1	(4.1)	4.9	(3.6)	6.3

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The average effective rate of tax for 2017 is 19.25% (2016: 20.0%). A further reduction to the main rate of corporation tax to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2017 has been calculated based on the rate at which each timing difference is most likely to reverse.

The deferred tax asset relating to carried forward losses of £4.9 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%). 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.

At 30 June 2017 the Group had unused tax losses amounting to £152.6 million (H1 2016: £114.6 million, FY 2016: £142.7 million), relating to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognised.

10. Other assets and other liabilities

10a. Property and equipment

	Leasehold improvements £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2016	25.7	47.8	15.2	8.2	96.9
Additions	0.5	2.6	0.3	0.4	3.8
Disposals	—	—	(0.2)	—	(0.2)
Foreign exchange movement	0.4	0.5	0.6	0.2	1.7
At 30 June 2016	26.6	50.9	15.9	8.8	102.2
Depreciation					
At 1 January 2016	10.0	33.4	12.6	6.0	62.0
Charge for the year	0.8	3.6	0.5	0.3	5.2
Disposals	—	—	(0.1)	—	(0.1)
Foreign exchange movement	0.2	0.4	0.5	0.1	1.2
At 30 June 2016	11.0	37.4	13.5	6.4	68.3
Net book amount					
At 30 June 2016	15.6	13.5	2.4	2.4	33.9
Cost					
At 1 January 2016	25.7	47.8	15.2	8.2	96.9
Additions	1.3	3.4	1.1	0.8	6.6
Disposals	—	—	(0.2)	—	(0.2)
Foreign exchange movement	0.6	0.9	0.9	0.4	2.8
At 31 December 2016	27.6	52.1	17.0	9.4	106.1
Depreciation					
At 1 January 2016	10.0	33.4	12.6	6.0	62.0
Charge for the year	2.0	6.5	1.0	1.0	10.5
Disposals	—	—	(0.1)	—	(0.1)
Foreign exchange movement	0.4	0.6	0.6	0.1	1.7
At 31 December 2016	12.4	40.5	14.1	7.1	74.1
Net book amount					
At 31 December 2016	15.2	11.6	2.9	2.3	32.0
Cost					
At 1 January 2017	27.6	52.1	17.0	9.4	106.1
Additions	1.0	2.0	1.5	0.2	4.7
Disposals	(0.2)	—	—	—	(0.2)
Foreign exchange movement	—	(0.1)	0.1	—	—
At 30 June 2017	28.4	54.0	18.6	9.6	110.6
Depreciation					
At 1 January 2017	12.4	40.5	14.1	7.1	74.1
Charge for the year	1.3	2.5	0.5	0.7	5.0
Disposals	—	—	—	—	—
Foreign exchange movement	—	—	0.1	—	0.1
At 30 June 2017	13.7	43.0	14.7	7.8	79.2
Net book amount					
At 30 June 2017	14.7	11.0	3.9	1.8	31.4

10b. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£m	£m	£m	£m
Carrying amount:				
At 1 January 2016	62.3	16.6	63.4	142.3
Additions	—	23.2	14.1	37.3
Amortisation charge	—	(19.7)	(5.5)	(25.2)
Disposals	—	—	(0.1)	(0.1)
Foreign exchange movement	—	0.9	1.0	1.9
At 30 June 2016	62.3	21.0	72.9	156.2
At 1 January 2016	62.3	16.6	63.4	142.3
Additions	—	48.5	24.6	73.1
Amortisation charge	—	(43.2)	(12.6)	(55.8)
Disposals	—	—	(0.3)	(0.3)
Foreign exchange movement	—	1.5	1.5	3.0
At 31 December 2016	62.3	23.4	76.6	162.3
Additions	—	22.4	5.0	27.4
Amortisation charge	—	(24.5)	(7.3)	(31.8)
Disposals	—	—	—	—
Foreign exchange movement	—	(0.2)	0.6	0.4
At 30 June 2017	62.3	21.1	74.9	158.3

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. The amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill in the 2016 financial statements for further information.

10c. Insurance and other receivables

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Insurance receivables ^{*1}	740.7	551.6	606.6
Trade receivables	212.7	141.4	172.4
Prepayments and accrued income	11.6	4.4	5.9
Total insurance and other receivables	965.0	697.4	784.9

[*1] Insurance receivables at 30 June 2017 includes £43.5 million in respect of salvage and subrogation recoveries (H1 2016: £30.4 million, FY 2016: £37.7 million).

10d. Trade and other payables

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Trade payables	24.4	23.9	35.6
Amounts owed to co-insurers	225.2	208.8	247.5
Amounts owed to reinsurers	958.6	537.2	690.5
Finance leases due within 12 months	—	1.8	0.1
Other taxation and social security liabilities	67.1	43.1	40.1
Other payables	176.6	130.5	112.4
Accruals and deferred income	184.0	125.5	166.0
Total trade and other payables	1,635.9	1,070.8	1,292.2

Of amounts owed to reinsurers, £860.1 million (H1 2016: £500.2 million, FY 2016: £610.1 million) is held under funds withheld arrangements.

11. Share capital

11a. Dividends

Dividends were declared and paid as follows.

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
March 2016 (63.4 pence per share, paid June 2016)	—	175.4	175.4
August 2016 (62.9 pence per share, paid October 2016)	—	—	174.4
March 2017 (50.5 pence per share, paid June 2017)	143.7	—	—
Total dividends	143.7	175.4	349.8

The dividend declared in March 2016 represented the final dividend paid in respect of the 2015 financial year (August 2016 - interim dividend for 2016). The dividend declared in March 2017 was the final dividend paid in respect of the 2016 financial year.

An interim dividend of 56.0 pence per share (£157 million) has been declared in respect of the 2017 financial year.

11b. Earnings per share

	30 June 2017	30 June 2016	31 December 2016
Profit for the period after taxation attributable to equity share-holders (£m)	163.2	157.4	222.2
Weighted average number of shares – basic	284,587,560	281,806,787	282,419,324
Unadjusted earnings per share – basic	57.3p	55.9p	78.7p
Weighted average number of shares – diluted	285,144,904	282,194,592	283,033,681
Unadjusted earnings per share – diluted	57.2p	55.8p	78.5p

The difference between the basic and diluted number of shares at the end the period (being 557,344; H1 2016: 387,805, FY 2016: 614,357) relates to awards committed, but not yet issued under the Group's share schemes.

11c. Share capital

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Authorised:			
500,000,000 ordinary shares of 0.1p	0.5	0.5	0.5
Issued, called up and fully paid:			
281,967,266 ordinary shares of 0.1p	—	0.3	—
284,352,270 ordinary shares of 0.1p	—	—	0.3
284,782,447 ordinary shares of 0.1p	0.3	—	—
	0.3	0.3	0.3

During the first half of 2017 430,177 (H1 2016: 379,313) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

430,177 (H1 2016: 379,313) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at H1 2017 of 9,375,099 (H1 2016: 8,559,918). These shares are entitled to receive dividends.

No shares (H1 2016: nil) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at H1 2017 of 16,811,948 (H1 2016: 14,811,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

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

11d. Objectives, policies and procedures for managing capital

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

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

Refer to the financial review for further information about the Group's capital structure and financial position.

11e. Related party transactions

Details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report within the Group's 2016 Annual Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

The Board considers that Executive and Non-Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive and Non-Executive Directors is disclosed in the Directors' Remuneration Report in the 2016 Annual Report.

12. Reconciliations

The following tables reconcile significant KPIs and alternative performance measures included in the financial review above to items included in the financial statements.

12a. Reconciliation of turnover to reported total premiums written and Other revenue as per the financial statements

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Total Premiums Written before co-insurance arrangements per note 5a of financial statements	1,219.8	1,076.5	2,193.9
Other revenue per note 7a of financial statements	196.0	176.2	360.6
	<hr/> 1,415.8	<hr/> 1,252.7	<hr/> 2,554.5
UK vehicle commission ^{*1}	(0.6)	(12.5)	(20.9)
Other ^{*2}	20.0	10.7	21.4
	<hr/> 1,435.2	<hr/> 1,250.9	<hr/> 2,555.0
Turnover as per note 4 of financial statements	1,435.2	1,250.9	2,555.0
Intra-group income elimination ^{*3}	10.5	9.8	20.8
	<hr/> 1,445.7	<hr/> 1,260.7	<hr/> 2,575.8
Total turnover	1,445.7	1,260.7	2,575.8

[*1] During 2012 Admiral ceased earning other revenue from the sale of legal protection policies. At the same point, the Group began charging its panel of co- and reinsurers a vehicle commission. The substance of these changes meant that the total premiums written increased by the amount of revenue that was previously earned from the sale of legal protection policies. The vehicle commission included within Other revenue is therefore eliminated from the Turnover measure to avoid double-counting.

[*2] Other reconciling items represent co-insurer and reinsurer shares of Other revenue in the Group's International Car Insurance businesses.

[*3] Intra-group income elimination relates to price comparison income earned in the Group from other Group companies.

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

	30 June 2017		30 June 2016		31 December 2016	
	UK Car £m	Group £m	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance claims	100.5	164.9	102.4	148.4	290.1	394.5
Net claims handling expenses	(5.2)	(5.4)	(5.5)	(5.6)	(11.0)	(11.2)
Reinsurer cap impact	—	(2.0)	—	(1.3)	—	(6.4)
Reserve releases on commuted reinsurance	47.4	47.4	12.8	12.8	17.1	17.1
Other adjustment ^{*1}	—	(1.2)	—	(1.0)	—	(1.0)
Adjusted net claims	142.7	203.7	109.7	153.3	296.2	393.0
Net insurance premium revenue	214.4	301.3	192.9	259.7	404.3	548.8
Other adjustment ^{*1}	—	(2.1)	—	(1.9)	—	(3.0)
Adjusted net insurance premium revenue	214.4	299.2	192.9	257.8	404.3	545.8
Reported loss ratio	66.5%	68.1%	56.9%	59.5%	73.3%	72.0%

[*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.

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

	30 June 2017		30 June 2016		31 December 2016	
	UK Car £m	Group £m	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance expenses	23.4	53.2	22.6	48.6	46.2	94.0
Net claims handling expenses	5.2	5.4	5.5	5.6	11.0	11.2
Reinsurer cap impacts	—	(1.7)	—	(4.5)	—	(1.5)
Intra-group expenses elimination ^{*1}	6.6	10.5	6.9	9.8	13.7	20.8
Other adjustment ^{*2}	—	(1.0)	—	(0.9)	—	(2.0)
Adjusted net expenses	35.2	66.4	35.0	58.6	70.9	122.5
Net insurance premium revenue	214.4	301.3	192.9	259.7	404.3	548.8
Other adjustment ^{*2}	—	(2.1)	—	(1.9)	—	(3.0)
Adjusted net insurance premium revenue	214.4	299.2	192.9	257.8	404.3	545.8
Reported expense ratio	16.4%	22.2%	18.1%	22.7%	17.5%	22.4%

[*1] The intra-group expenses elimination amount relates to aggregator fees charged by the Group's price comparison entities to other Group companies.

[*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.

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

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Reported profit before tax per the condensed consolidated income statement	193.4	189.5	274.8
Non-controlling interest share of profit before tax	1.1	3.8	5.9
Group's share of profit before tax	194.5	193.3	284.3

13. Statutory information

The financial information set out above does not constitute the company's statutory accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Group's financial statements to better understand the Group's performance in the period in comparison to previous periods and the Group's competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover

Turnover is defined as total premiums written (as below) and other revenue. It is reconciled to financial statement line items in note 12a to the financial statements.

This measure has been presented by the Group in every financial report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the growth in this revenue.

The measure was developed as a result of the Group's business model. The core UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third party insurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's international insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's income statement and therefore presentation of this metric enables users of the financial reports to see the scale of the Group's insurance operations in a way not possible from taking the income statement in isolation.

Total Premiums Written Total premiums written are the premiums written within the Group, including co-insurance. It is reconciled to financial statement line items in note 12a to the financial statements.

This measure has been presented by the Group in every financial report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time.

The reasons for presenting this measure are consistent with that for the Turnover APM noted above.

Group's share of Profit before Tax Group's share of profit before tax represents profit before tax, excluding the impact of Non-controlling Interests. It is reconciled to statutory profit before tax in note 12d to the financial statements.

This measure is useful in presenting the limit of the Group's exposure to the expenditure incurred in starting up new businesses and demonstrates the 'test-and-learn' strategy employed by the Group to expansion into new territories.

In 2016, Group's share of Profit before Tax is presented on a 'Pre Ogden' and a 'Post Ogden' basis. 'Pre Ogden' represents the Group's share of profit before tax before the impact of the reduction in the UK Ogden discount rate confirmed by the Lord Chancellor in February 2017.

Underwriting result (profit or loss) For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income less claims incurred and insurance expenses.

Loss Ratio

Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.

There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 12b to the accounts and explanation is as follows.

UK reported car insurance loss ratio: Within the UK insurance segment we separately present motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the income statement.

International insurance loss ratio: As for the UK motor loss ratio, the international insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business.

Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the income statement and iii) exclude the claims element of the impact of international reinsurer caps.

Expense Ratio

Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.

There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 12c to the accounts and explanation is as follows.

UK reported car expense ratio: Within the UK insurance segment we separately present motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the income statement and ii) include intra-group aggregator fees charged by the UK price comparison business to the UK insurance business.

International insurance expense ratio: As for the UK car loss ratio, the international insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The car ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas price comparison businesses to the international insurance businesses.

Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the Group's price comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of international reinsurer caps.

Combined Ratio

Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 12b and 12c.

Return on Equity

Return on equity is calculated as profit after tax for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year. This average is determined by dividing the opening and closing positions for the year by two.

The relevant figures for this calculation can be found within the Consolidated Statement of Changes in Equity.

Group Customers

Group customer numbers are the total number of car, household and van policyholders within the Group.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the different lines of business and geographic regions.

Effective Tax Rate

Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

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.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
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.
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.
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").
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.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate of minus 0.75% being announced on 27 February 2017.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
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 clause found in some reinsurance and coinsurance 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).
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 latest policy term was inceptioned.
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 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 inceptioning in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Geraint Jones
Chief Financial Officer
15 August 2017

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is

not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

15 August 2017