CORRECTION

07 Mar 2019

7 March 2019

Admiral notes corrections to pages 2 and 5 of the Preliminary Full Year Results announcement issued 7 March 2019 regarding the split of normal and special dividend.

The corrected figures have no impact on the total final 2018 dividend of 66 pence per share. The correct split is a normal dividend of 49.6 pence per share and special dividend of 16.4 pence per share.

Admiral Group plc announces a record Group profit before tax of £479.3 million for the year ended 31 December 2018

2018 Results Highlights

	2018	2017*3	% change*3
Group's share of profit before tax (Ogden 0%)*1	£479.3 million	£405.4 million	+18%
Group's share of profit before tax (Ogden -0.75%)*1	£413.3 million	£405.4 million	+2%
Group statutory profit before tax (Ogden 0%)	£476.2 million	£403.5 million	+18%
Group statutory profit before tax (Ogden -0.75%)*1	£410.2 million	£403.5 million	+2%
Earnings per share (Ogden 0%)	137.1 pence	117.2 pence	+17%
Earnings per share (Ogden -0.75%)	118.2 pence	117.2 pence	+1%
Full year dividend*4	126.0 pence	114.0 pence	+11%
Return on equity*1	56%	55%	+2%
Group turnover*1	£3.28 billion	£2.96 billion	+11%
Group net revenue	£1.26 billion	£1.13 billion	+12%
Group customers*1	6.51 million	5.73 million	+14%
UK insurance customers*1	5.24 million	4.62 million	+13%
International car insurance customers*1	1.22 million	1.03 million	+18%
Group's share of price comparison profit*1	£8.8 million	£7.1 million	+24%
Statutory price comparison profit	£6.6 million	£5.4 million	+22%
Solvency ratio (post dividend)*2	194%	205%	

Over 10,000 staff each receive free shares worth a total of £3,600 under the employee share scheme based on the full year 2018 results.

*1Alternative Performance Measures - refer to the end of the report for definition and explanation.

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

*3The Group's 2017 financial results were reported on an Ogden discount rate -0.75% basis. 2018 reported results reflect the impact of a change in assumption for the Ogden rate to 0%, with the equivalent results on a

-0.75% basis also included above. Refer to the Glossary for further information on the Ogden discount rate.

*4 2018 dividend includes an additional dividend of 11 pence per share relating to the increase in post-tax profits from the change in Ogden discount rate assumption

Comment from David Stevens, Group Chief Executive Officer
2018 was another pleasing result with rapid growth and record profit for the Group. It was, however, characterised by some "*yes, but's*". , as well as some unequivocal *YES's*!

Yes, we delivered record profits and dividends, *but* we were helped by the UK government's decision to unwind partially the change in the Ogden discount rate from a couple of years ago.

Yes, we grew rapidly pretty much across the board, *but* growth in the core UK Motor business slowed in the second half as we reduced our competitiveness in the face of rising claims costs.

Yes, our biggest price comparison site, *Confused.com*, grew both market share and profits, *but* *Compare.com*, our US site, struggled as other advertisers upped their spends.

There were, however, two unequivocal *yes*'s. The rapid growth and improved ratios from our international insurers and our first ever 'First' in the *Sunday Times* Best Company to Work For competition.

Mostly happy staff, mostly happy customers, and increased dividends. Something for everyone.

Dividend
The Directors have proposed a final dividend of 66.0 pence per share (2017: 58.0 pence per share) representing a normal dividend (65% of post-tax profits) of 49.6 pence per share and a special dividend of 16.4 pence per share. 11 pence per share of the final dividend is related to the Odgen profit benefit. The dividend will be paid on 31 May 2019. The ex-dividend date is 9 May 2019 and the record date is 10 May 2019.

Management presentation
Analysts and investors will be able to access the Admiral Group management presentation which commences at 10.30am GMT on Thursday 7 March 2019 by registering at the following link https://pres.admiralgroup.co.uk/admiral035/vip_connect. A copy of the presentation slides will be available at www.admiralgroup.co.uk

Annette Court, Admiral Group Chairman, commented:
"I'm delighted that the Group has reported another year of record profit, and just as delighted that Admiral has been voted as Best Large Company to Work for in the UK by the Sunday Times. This is an endorsement of our distinctive culture, where the dedication and passion of our people are key to ensuring the best possible service for our customers and delivering another year of strong results.

I'd also like to take this opportunity to congratulate David Stevens on being awarded 'Best Leader' by the Sunday Times for the third year running."

Chairman's Statement
I continue to be impressed by the energy, dedication and passion shown by all of the 10,000 people at Admiral. Our focus on customer service, our distinctive culture and our contribution to the communities in which we operate remain at our heart. This has resulted again in a positive set of financial results in 2018.

Admiral is now 26 years old and over the years has become a much bigger and diverse organisation through a strong track record of organic growth. We remain true to our values and approach which are as relevant now as they always have been. We have a straightforward and highly focused strategy where we continue to concentrate on our core market of UK insurance while taking what we know to overseas markets where we are now seeing some encouraging results. At the same time, we are exploring how we can make use of our core skills in other areas of insurance and in the personal loans and car finance markets in the UK.

2018 Overview
Admiral Group has delivered another positive set of results in 2018: record turnover, profit, dividend, strong return on capital, strong solvency ratio and record customer numbers. Yet again our results have been impacted by Ogden (Personal Injury Discount Rate), this time in a positive way. Following Royal Assent of the Civil Liability Bill in the UK Parliament just before Christmas, the Group has applied a best estimate assumption for the Ogden rate at 0%, which has had a significant positive impact on our 2018 profits. Excluding this our profits would have been up slightly year on year.

The Group has continued to grow with turnover increasing by 11% to £3.28 billion. Customer numbers increased strongly by 14% to 6.5 million.

The Group's share of pre-tax profit increased by 18% to £479.3 million, favourably impacted by the change in Ogden rate (assumed 0%). Earnings per share and return on equity both increased, by 17% to 137.1 pence (1% increase to 118.2 pence excluding Ogden impact) and one percentage point respectively. The Group's solvency ratio remains robust at 194% (205% in 2017).

UK insurance continued to be dominated by UK Motor where we grew the number of vehicles we insure by 9% to over 4 million. We have seen some deterioration in the 2018 loss ratio; this has been more than offset by favourable claims development of past years, part of which arises due to the change in the Ogden discount rate. We have reduced our growth in the second part of the year in line with our normal prudent approach and focus on value rather than volume.

We continue to invest resource in improving our core skills in UK Motor including investing in technology to improve our efficiency and the service we provide to customers supporting the continuing shift to online servicing.

Household insurance continues to grow but the result has been impacted by severe adverse weather and subsidence events resulting in a loss of £3.0 million for the year (profit of £4.1 million in 2017). Turnover is now £146.0 million and properties insured have increased by 31% to 0.87 million. Customers buy from us either using price comparison sites (which continues to grow significantly), or directly and, increasingly, using our MultiCover offering, building on the success of MultiCar.

Our Financial Services business continues to grow in both Personal Loans and Car Finance, with a loans balance at year end 2018 of £300 million. We continue with our test and learn approach. The early signs are positive, we see the potential to differentiate and expect this to be an increasingly significant part of our business in future.

We are continuing to invest in our overseas insurance businesses, which is bearing fruit with reduced losses overall and our European insurers delivering overall profits as outlined at our European investor day in September. Turnover and customer numbers are continuing to grow materially by some 20% and 18% respectively and we now have £0.5 billion of combined turnover and 1.2 million customers outside the UK. We remain optimistic in delivering significant long term profit for the Group. In particular, ConTe has seen significant growth, now insuring 580k vehicles, and increased profits due to loss ratio improvement. At Elephant Auto in the US we have refined the strategy and are seeing positive loss ratio development as well as improved customer loyalty.

As a result of Brexit, we have established an insurance company and an insurance intermediary business in Spain to support our European operations.

In our Price Comparison (PC) businesses, Confused in the UK increased revenue and profits. In Confused, Rastreator and LeLynx, we continue to invest in a range of market verticals which are growing well as well as investing in delivering an improved customer experience. Our US comparison business, Compare, has experienced challenging market conditions impacted by increased competition for customer acquisition which pushed up marketing spend in 2018. This is reflected in a £32.9 million impairment of the carrying value of the Group's investment. In addition, our former Admiral CEO, Henry Engelhardt, and his wife, Diane, entered into an agreement to invest in Compare and we look forward to having Henry sharing his expertise as part of the Compare Board.

Our joint venture PC business, Preminen, continues to explore new opportunities with operations in Mexico, and more recently Turkey.

Admiral Culture

Our distinctive culture which has been maintained since launch is definitely worth a further mention. It is a key part of our competitive advantage which we work hard to maintain. It can be distilled into the following areas and is underpinned by a deep focus and commitment to the customer:

- Highly talented team - David Stevens is an outstanding leader who leads a strong, capable and experienced management team which engages the whole business
- Focus - selective diversification building on our core skills
- Pricing - data analysis lies at the heart of what we do
- Prudent reserving - continue to hold a material margin in our claims reserves
- Claims management - consistent positive feedback from customers on the service they receive
- Controlled test and learn - organic growth with measured expansion steps
- Shareholder returns - we believe in returning excess capital to shareholders

Overall we believe that people who like what they do, do it better.

I have had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US along with other NEDs. I also attended the annual Staff General Meeting (with approximately 6,000 people), our annual management off-site event and the Admiral Business Club. I continue to be inspired by the deep commitment of our people to our culture and serving our customers. In all of these the Admiral distinctive culture is in evidence; it really is different.

From the moment a new employee starts at Admiral, they understand our commitment to putting the customer at the heart of what we do - *the customer, the customer, the customer*. We do try to do the 'right thing' and to continue to make it easier to do business with us and be there at moments of need to provide an excellent service.

We are proud to be recognised as a Great Place to Work. We were recently awarded Best Big Company to Work For in the UK, as well as the tenth Best Workplace in Europe and third in Italy amongst other similar accolades across the Group.

Dividend

Our dividend policy remains that we distribute each year the available surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers. The Directors have recommended a final dividend of 66p per share (2017: 58p) for the year to 31 December 2018 representing a distribution of 87% of our second half earnings, and including an Ogden impact of 11p per share. The 66p per share includes a normal dividend of 65% of post-tax profits (49.6p per share) and a special dividend of 16.4p per share.

This will bring the total dividend for the year to 126p per share, an overall increase of 11%. This represents a pay-out ratio of 92%. The Group has delivered a Total Shareholder Return (TSR) of 314% over the last 10 years.

Corporate Governance and Board Changes

The Board recognises the need for a strong corporate governance framework and supporting processes across the Group and believes that good governance, with tone set from the top, is a key factor in delivering sustainable business performance and creating value for all the Group's stakeholders.

The Board and I feel that the Board has a good balance of experience, skills and knowledge to support and challenge the management team and it is supported by effective governance and control systems.

We will continue to review all aspects of diversity to ensure that we are well prepared to guide the Group through our next phase of growth.

During the year the Board and each of its Committees undertook reviews of their effectiveness. The conclusions from these reviews provided useful feedback to each body on its performance. Further details are provided in the Corporate Governance Report.

Admiral's incentive schemes remain distinctive, as our people are shareholders in our business. These are designed to ensure that decisions are made by management to support long-term value growth, that the right behaviours are rewarded and that our people's interests are aligned with those of shareholders. Our core belief is that over the long-term, share appreciation depends on delivering great outcomes for our customers. Further details are provided in the Remuneration Report.

Colin Holmes stepped down from the Board at the end of 2018 and I would like to thank him for his excellent contribution over the last 8 years. He admirably (pun intended) steered the Audit Committee and acted as SID (Senior Independent Director) and a member of the Nomination and Governance Committee.

During 2018 we welcomed Andy Crossley (as reported last year), Mike Brierley and Karen Green. Andy and Mike became members of the Group Audit Committee. Andy was also appointed as a non-executive chairman EUI Limited, the UK insurance intermediary; and Mike became the non-executive chairman of Admiral Financial Services Ltd (AFSL) the company in which Admiral's loans business is written. Karen became chair of the Audit Committee effective 14 December 2018. They all bring substantial financial services experience. Owen Clarke took over the role as Senior Independent Director and Justine Roberts became a member of the Nomination and Governance committee, both effective end of 2018.

Our focus areas for the Board remain to:

- Continue to build on the remarkably special Admiral culture and in so doing putting our people, customers and communities at the heart of what we do
- Continue the history of growth, profitability and innovation
- Invest in the development and growth of our people - we have focused on the quality and development of our senior management team, added to our talent base by some external hires, and reviewed our succession pipeline
- Ensure excellent governance and the highest standards

Our role in Community
Admiral takes its role in society very seriously and has an active approach to Corporate Responsibility (more information in Corporate Social Responsibility Report on the Admiral website). We are proud to be Wales' only FTSE 100 headquartered company and employ over 7,000 people in South Wales. Our staff play an active part in the communities in which we operate. We carefully consider our impact on the community and environment, including factors such as the green credentials of our buildings, raising funds for multiple charities, and considering the impact of climate change across the business.

Thank you
On behalf of the Board I would like to thank everyone at Admiral for their continued hard work and contribution to the Group's results in 2018. I would also like to thank our shareholders for their support and confidence. Most of all I would like to thank our customers for placing their business with us.

Annette Court
Chairman
6 March 2019

Chief Executive's Statement
I think a CEO statement should try and take the long view; try and help readers understand things happening during a year that are often trivial in terms of that year's financials, but may be fundamental to the company's long-term health and prosperity.

There's been a lot going on in 2018 that qualifies as short-term financially trivial, but long-term potentially fundamental, so I can only give you a flavour and will do so by telling the tale of two cities, two Admiral cities: Madrid and Cardiff, and some of what happened in each during 2018.

Madrid
Brexit Preparation

A substantial and effective collective effort by the Group and the Spanish regulatory authorities, saw us set up a structure that is robust in the face of any Brexit eventuality (or at least, any eventuality reasonably envisaged at the time of writing !) both for our "EU" price comparison operations in France and Spain and for our "EU" insurers in France, Spain and Italy. This was achieved with near zero disruption to, or loss of, any of our now over a million policyholders across France, Italy and Spain. The 2018 P&L cost of circa €3.5 million, is a relatively trivial investment to protect the long-term value being created in our now profitable EU ventures.

Customer First Price Comparison

Rastreator, our 75% owned Madrid-based market leader in price comparison in Spain, took the bold decision to shake up a market it largely dominates for the good of their customers, and ultimately all of their stakeholders. Panel participants had increasingly sought to "game" the system by quoting approximate, and normally overly optimistic, prices, to Rastreator's customers and then upping the premium during the acceptance process. Although this made the prices look attractive, it was eroding customer trust and not delivering on the fundamental price comparison promise of making shopping easy and efficient.

Rastreator responded by literally demoting "approximate" prices and promoting accurate prices on the price page, in a transparent and customer-friendly way. The change, introduced late in 2018, saw customer satisfaction scores rise immediately and substantially. The P&L impact in 2018 was marginally negative, but the bold move holds out the long-term possibility of a step change in customer trust and ultimately in the speed of adoption of insurance price comparison in Spain.

Cardiff
It's hard to choose what to highlight in Cardiff, the location of our headquarters and 4,000 of our almost 8,000 UK staff. The launch of travel insurance, the growth of Veygo (our short-term insurance brand), the expansion of MultiCover, our car and home combined policy, were all options, but instead I chose "Ford" and "The Admiral Brand".

Ford

Late in 2018 we signed our first material affinity partnership to provide Admiral serviced and underwritten car insurance under someone else's brand name: Ford's.

Why? Partly because 13.6% of UK motorists drive a Ford, and while big believers in the cost-efficiency of distribution via price comparison sites, we also value a degree of "distribution diversity". Partly because we believe we can work with Ford Credit more broadly and creatively - to ensure better insurance and claim management outcomes for both Admiral and Ford customers.

The 2018 costs of securing the affinity partnership were in the hundreds of thousands and there will be an IT investment of around £1 million in 2019. Long-term return - a possibly fundamentally important and valuable strategic affinity partnership.

The "Admiral" Brand

During the course of 2018, Admiral Group crossed the threshold of four million cars on cover in the UK, and more than five million cars, vans and houses on cover. The vast majority of these policies are, and will continue to be, under the Admiral brand.

Our brand is, in many ways unobtrusive. Our ads are visible, but not omnipresent. They're unlikely to win industry creativity awards. And yet, over 90% of customers have heard of Admiral and preference ("which single insurer do you prefer?") is up 30% for car insurance and over 100% for home insurance, over the last 3 years.

Our continued investment in maintaining and building our brand in 2018 was around £10 million. Had we cut that spend, most of that £10 million would have fallen to the bottom line, given the lag between cutting spend and a brand withering away. But "Admiral", one of the UK's most recognised financial services brands, is an asset worth investing in for the long-term.

So that's an Admiral 2018 take on a Tale of Two Cities; a tale of investment for the future in Cardiff and Madrid, and across the Group. Whether, in investment terms, 2018 proves to be "the best of times", an "age of wisdom", a "spring of hope", (to quote, very selectively, from the justifiably more widely read original "Tale of Two Cities"), will only become fully apparent with the progress of time, but I'm fairly confident that many of this year's investments will bear long-term fruit for our customers and shareholders. It's certainly a far far better thing to have made the investments than not to have made them.

David Stevens
Chief Executive Officer
6 March 2019

My Priorities
In the past I've outlined my priorities, which I indicated would be my priorities for a number of years to come. Here's how we are doing...

Priority	**Progress in 2018**	**2019 focus**
Ensure Admiral remains one of, if not the, best car insurers in the UK	Number 1 car insurer in the UK Market leading combined ratio Voted Best Motor Insurance and Best Insurance Provider in the Personal Finance Awards 2018/19 by UK consumers Leading telematics provider New products include short term insurance and partnership with Ford	Maintain our lead in cost efficiency, rigorous risk selection and effective claims management by continuing to identify improvements in our approach and operations Improve online self-service options for customers Maintain our culture of providing excellent customer service
Demonstrate Admiral can be a great car insurer beyond the UK	European insurance first ever profit and growth to > 1 million customers Improvements in digital and self-service offering for customers Elephant grew to > 200,000 vehicles in force	Continue the overall long term strategy of building sustainable, profitable businesses Build on synergies across the European insurance companies Elephant continues to focus on higher retaining customers and improved combined ratio
Develop sources of growth and profits beyond car insurance	Household insurance grew to > 800,000 customers Growing Loans business in UK Launched Household insurance in France	Grow the UK Household and Loans businesses with a focus on the long term objective of developing sources of competitive advantage

Ensure Admiral stays a great place to work	Only company to be named in Sunday Times Best Companies to Work For since inception in 2001 - 1st in 2019 Voted 10th Best Workplace in Europe 3rd best large employer for women in the UK Over 10,000 staff received shares in the business Over 250,000 online courses and almost 700 classroom sessions completed by UK staff	Continue to respond to staff feedback and continuously improve Continue our focus on profitable growth in which all our staff also benefit through the share scheme Build on our strong track record of encouraging diversity across the company Continue to develop our people by offering exciting new career opportunities Ensure our people enjoy coming to work

Chief Financial Officer's Review
2018 v 2017
Our financial result has, once again (see 2016's Annual Report), been significantly impacted by a forthcoming change to the UK Personal Injury Discount Rate (the Ogden rate). To try and explain what's happening behind the very positive headline numbers, I'd like to start my review by setting out some analysis of the underlying changes between 2018 and 2017.

£m	**2018 0% Ogden**	**Ogden impact**	**2018 -0.75% Ogden**	**2017**	**Change**
UK Insurance	555.6	70.4	485.2	465.5	+19.7
International Insurance	(1.1)	-	(1.1)	(14.3)	+13.2
Price Comparison	8.8	-	8.8	7.1	+1.7
Admiral Loans	(11.8)	-	(11.8)	(4.4)	(7.4)
Other	(72.2)	(4.4)	(67.8)	(48.5)	(19.3)
Group pre-tax profit	**479.3**	**66.0**	**413.3**	**405.4**	**+7.9**

Ogden
Full detail on the partial reversal of Ogden is set out later in this report, but in brief, the passing of the Civil Liability Bill into law in December 2018 means that our best estimate of the discount rate used in the settlement of large injury claims is no longer minus 0.75% (the new rate will be confirmed by early August 2019 at the latest).

We have therefore revised those best estimate UK motor reserves to be on a 0% Ogden basis, which would ultimately lead to a benefit of between £120 million and £140 million (pre-tax). There's fair chance the final rate isn't exactly 0% of course but we think it's a reasonable estimate based on the information published by the government to date. As shown above, 2018's profit is £66 million higher as a result of the change and much of the balance (plus or minus any impact of the actual rate when that comes if it's different to 0%) will flow into results over the next couple of years (as 2018 premium is earned and profit commission recognised). We've also set out sensitivities to rates around 0% in the following section.

Beyond Ogden, the main changes between 2017 and 2018 were:

- Underlying (i.e. pre-Ogden benefit) UK motor profit was up 2% from 2017; due to a larger book and positive prior year claims development offset by higher current year loss and expense ratios
- Despite continuing to grow turnover and customer numbers (both up by more than 30%), the UK Household result was impacted (particularly in the first half) by severe weather (freeze and subsidence,

costing around £11 million). The full year result was a loss of £3 million (H1 loss was £2 million, 2017 full year profit £4 million)
- ConTe in Italy led the way to a highly pleasing close-to-break-even overall result for our international insurance businesses - a significant £13 million or so improvement on the previous year. All businesses improved their results and there was continued strong growth.
- Confused.com was the standout performer in price comparison, producing a profit more than 40% higher than 2017 (£14 million) and around 10% top line growth. The overall PCW segment result was £9 million, £2 million up on last year (also read the price comparison financial review for information on the write down in the carrying value of compare.com)
- Admiral Loans made a pre-tax loss of £12 million, in line with expectation (the loss mainly results from acquisition costs which are expensed immediately whilst revenue is recognised over the life of the loans) after a year of strong growth.
- 'Other' costs (including share scheme charges, debt interest, central overheads amongst others) were around £19 million higher than 2017. The main reasons were:
    - Share scheme costs +£14 million - a combination of a) a change in 2017 in the period over which the charge is spread which reduced 2017's charge); b) a higher scheme vesting resulting from the significantly higher 2018 profit and strong shareholder returns in recent years; and c) the impact of growth in the number of awards in recent periods (which is not expected to increase further)
    - Central overheads +£5 million - mainly a result of £3 million of non-recurring Brexit-related costs

The proposed full year dividend for 2018 is 126.0 pence per share - 11% higher than 2017's payment. The increase is mainly because of the pay-out in respect of the Ogden profit benefit (around £31 million, 11 pence per share). The post-dividend solvency ratio remains strong at 194%.

2018 Results Highlight
As noted above, 2018 saw continued improvement in the combined result of our international insurance operations. At the end of 2015 those businesses had around 670,000 customers and recorded a full year loss of £22 million. By the end of 2018, customer numbers had increased by over 80% to more than 1.2 million, with a very small loss of around £1 million recorded for the year. Great progress across the board.

ConTe deserves a special mention, with a year full of celebration - its 10th birthday party, 3rd best place to work in Italy, and importantly a fifth year of profitability. The strongest driver of the result is positive loss ratio performance, both on the current and back years.

The ConTe team continues to work hard on all aspects of building a growing, sustainable, profitable business - improving the customer experience, reducing the expense ratio (it's already in line with the market), refining antifraud capabilities, building brand awareness, and advancements in self-service and automation. ConTe's 600,000th customer came on cover in late February 2019.

Great work everyone at ConTe!

Admiral Group Internal Model
We previously communicated that we hoped to apply to the Group's prudential regulator (the PRA) during 2019 for approval to use our own internal model to calculate the Group's solvency capital requirement. Whilst we continue to work intensively on all aspects of the model and, thanks to the huge efforts of our team, made good progress over the past year, we need to further enhance our application before formally applying. The continued growth of the Group and additional complexity is also leading us to reconsider the model scope, potentially bringing more business beyond purely UK motor within it. This means we will not submit the formal application in 2019 and will possibly not submit it in 2020. Hence, the Group will remain on the standard formula plus capital add-on basis for the immediate future.

Whilst disappointing to see a further delay, it's clearly important to make sure our application is complete and we'd hope to be much clearer on the expected timeline by the end of this year.

Brexit

I'd like to finish with Brexit (wouldn't we all). In late 2017 we started restructuring our European businesses (three insurers, two price comparison websites) so they could continue to trade regardless of the politics and ultimate Brexit outcome. I'm glad we took that course and as of January 2019 all businesses are operating under European licenses and we were successfully able to negate any impact on our customers or staff.

I'm hugely grateful for the work of everyone involved - the cooperation of multiple regulators; the invaluable support of numerous advisers. But the main thanks go to our teams - in Spain, Italy, France, Gibraltar and the UK for all the significant effort, commitment and determination shown over the past year and a bit on what was a **very** ambitious (and at times seemingly impossible) plan. Amazing result and thank you all!

Geraint Jones
Chief Financial Officer
6 March 2019

2018 Group Overview

£m	**2018**	**2017**	**2016**
Turnover (£bn) **1*	**3.28**	**2.96**	**2.58**
Net insurance premium revenue	671.8	619.1	548.8
Investment return (Insurance)	33.8	33.2	40.2
Underwriting profit*1*	**211.2**	**177.7**	**79.7**
Investment return (Other)	2.9	8.5	13.0
Profit commission	93.2	67.0	54.3
Net interest income (Admiral Loans)	10.7	1.2	-
Net other revenue and expenses (Insurance)	253.0	207.6	185.4
Net other revenue and expenses (Non-Insurance)	(83.5)	(47.1)	(42.6)
Operating profit	**487.5**	**414.9**	**289.8**
Group Statutory profit before tax (Ogden 0%)	**476.2**	**403.5**	**278.4**
Group's Share of profit before tax*1* **(Ogden 0%)**	**479.3**	**405.4**	**284.3**
Group's Share of profit before tax*1* **(Ogden -0.75%)**	**413.3**	**405.4**	**284.3**
UK Insurance	555.6	465.5	337.8
International Insurance	(1.1)	(14.3)	(19.4)
Price Comparison	8.8	7.1	2.7
Other**2*	(84.0)	(52.9)	(36.8)
Group's Share of profit before tax*1* **(Ogden 0%)**	**479.3**	**405.4**	**284.3**
Key metrics:			
Group loss ratio**1*	66.4%	66.2%	72.0%
Group expense ratio**1*	22.9%	21.5%	22.4%
Group combined ratio**1*	89.3%	87.7%	94.4%
Group customer numbers (m)	6.51	5.73	5.15
Earnings per share (Ogden 0%)	137.1 p		
Earnings per share (Ogden -0.75%)	118.2 p	117.2 p	78.7 p
Dividends	126.0 p	114.0 p	114.4 p
Return on Capital Employed**1*	56%	55%	37%
Solvency Ratio	194%	205%	212%

*1 *Alternative Performance Measures - refer to the end of this report for definition and explanation*
*2 *"Other" includes Admiral Loans and other central costs*

Key highlights of the Group's result in 2018 are as follows:

- Continued strong growth in turnover (£3.28 billion, up 11% on 2017) and customer numbers (6.51 million, up 14% on 2017)
- Group's share of pre-tax profits of £479.3 million (2017: £405.4 million) and statutory profit before tax of £476.2 million (2017: £403.5 million). Both saw significant growth, primarily due to the impact of the change in Ogden discount rate assumption that leads to an increase in both underwriting profit and profit commission shown above
- Excluding the Ogden impact, the Group's share of profit before tax increased by 2% to £413.3 million, with improved results from the UK Insurance, International Insurance and Price Comparison segments, offset by increased investment (due to growth) in Admiral Loans and higher central costs
- UK Insurance turnover and customers both increased by 9% and 13% respectively to £2.6 billion and 5.2 million (2017: £2.4 billion and 4.6 million). Excluding Ogden, there was a significant increase in instalment income driven by Admiral retaining the instalment income since 2017, previously proportionately shared with Munich Re as well as a general increase in instalment income revenue
- UK Household saw strong growth in turnover and customer numbers, though its result was impacted by weather events leading to a loss of £3.0 million (2017: £4.1 million profit)
- Improvement in the international insurance result, with a reduced loss of £1.1 million (2017: £14.3 million loss). European insurance businesses recorded an aggregate profit of £6.4 million (2017: £1.9 million loss)
- Price comparison recorded aggregate profit (excluding minority interests' share) of £8.8 million (2017: £7.1 million), mainly driven by the increased profit of Confused.com of £14.3 million (2017: £10.1 million)

Change in UK personal injury discount rate assumption ('Ogden')
During December 2018, the Civil Liability Bill, which brings into law changes to the way that the UK personal injury discount rate ('Ogden' discount rate) is set, received Royal Assent and is enacted as the Civil Liability Act.

The Ogden discount rate is used for adjusting the value of lump sum personal injury compensation, according to the amount the victims of serious personal injury can expect to earn by investing it. The principle of the new legislation is one of fair compensation, and the changes will result in the rate being set with reference to 'low risk' rather than 'very low risk' investments, better reflecting the actual investment risk that claimants are prepared to take.

At the time of the announcement of the proposed legislation in 2017, the Lord Chancellor implied that the new system would result in a rate in the region of 0% to 1%.

The enactment of the legislation marks the start of a process for setting a new rate, with a maximum 230-day timeframe meaning that we will receive a new rate during or before August 2019. As such, the significant majority of relevant open claims at the balance sheet date will be settled under the new rate.

The Group's best estimate assumption for the new rate, applied at the 2018 year-end is 0%. The setting of this assumption reflects a number of factors including current long-term economic forecasts and analysis released by the Government Actuary Department setting out the approach it is expected to take in recommending the new rate to the Lord Chancellor.

The estimated total impact, net of reinsurance and before tax, of the change in assumption from the current rate of -0.75% to the assumed 0% rate is approximately £120 million to £140 million on an ultimate basis. The majority of the financial impact in respect of premiums earned up to the balance sheet date (£66 million pre-tax, £54 million post-tax) has been recognised in the form of increased 2018 profits.

The balance, along with the impact of business written but unearned at the balance sheet date will be recognised in the form of higher claims reserve releases and profit commission over the next two to three years.

The Group anticipates that when the UK market pricing adjusts the level of future premiums to reflect the higher Ogden rate, there will be no significant change to the Group's future profitability.

Following the change in Ogden rate assumption, the financial statement reserves continue to hold a prudent and significant margin above actuarial best estimates in line with the Group's reserving policy.

Earnings per share
Earnings per share increased by 17% to 137.1 pence, reflecting the increase in the Group profit as a result of the change in Ogden assumption noted above. Excluding this change, earnings per share would have been 118.2 pence per share (1% higher than 2017).

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 proposed a final dividend of 66 pence per share, an 14% increase on the 2017 final dividend of 58 pence per share.

In line with the dividend policy noted above, the 66 pence per share final dividend can be split between a normal and special element as follows:

- 49.6 pence per share reflecting the normal element of 65% of post-tax profits; and
- A special element of 16.4 pence per share.

The 66 pence per share reflects the following when taking into account the Ogden benefit:

- 55 pence per share (£157 million) on an Ogden -0.75% basis, representing a pay-out of 99% of post-tax profits.
- An additional dividend of 11 pence (£31 million) per share relating to the increase in post-tax profits from the change in Ogden discount rate assumption. The pay-out on the incremental post-tax profit is 88% and is lower than on the -0.75% basis, reflecting the capital implications of the change in discount rate assumption, primarily relating to increasing propensity for PPO claims.

The total dividend for the 2018 year is 126.0 pence per share, reflecting an 11% increase on 2017 and a 92% pay-out ratio.

The payment is due on 31 May 2019, ex-dividend date 9 May 2019 and record date 10 May 2019.

Return on equity
The Group's return on equity was broadly consistent with 2017 at 56% in 2018 (2017: 55%).

Capital structure and financial position
The Group's co-insurance and reinsurance arrangements for the UK Car Insurance business are in place at least until the end of 2019. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% of the business (through co-insurance and reinsurance arrangements) until at least the end of 2020.

Similar long-term arrangements are in place in the Group's international insurance operations and the UK Household and Van 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 Brexit reorganisation means that the Group's European insurance businesses ConTe (in Italy), Admiral Seguros (in Spain) and L'olivier Assurances (in France) is underwritten from a regulated entity in Spain, Admiral Europe Compania Seguros (AECS) from 1 January 2019. All existing liabilities and contracts relating to these businesses have been transferred through portfolio transfer processes, also effective from 1 January 2019.

Following this reorganisation, the Group has four underwriting entities; Admiral Insurance (Gibraltar) Limited (AIGL), Admiral Insurance Company Limited (AICL), Elephant Insurance Company LLC in the USA (EIC) and AECS as noted above.

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, although does not expect to submit the application during 2019. In the interim period before submission, the Group will continue to use the current capital add-on basis to calculate its regulatory capital requirement.

The estimated and unaudited regulatory Solvency II position for the Group at the date of this report is as follows:

Group capital position (unaudited)

Group	£bn
Eligible Own Funds (pre 2018 final dividend)	1.26
2018 final dividend	0.19
Eligible Own Funds (post 2018 final dividend)	1.07
Solvency II capital requirement*1	0.55
Surplus over regulatory capital requirement	**0.52**
Solvency ratio (post dividend)*2	**194%**

*1 Solvency capital requirement includes updated capital add-on which is subject to regulatory approval.
*2 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 (unaudited)

	2018	2017
UK Motor - incurred loss ratio +5%	-27%	-26%
UK Motor - 1 in 200 catastrophe event	-2%	-3%
UK Household - 1 in 200 catastrophe event	-2%	-2%
Interest rate - yield curve down 50 bps	-12%	-11%
Credit spreads widen 100 bps	-5%	-4%
Currency - 25% movement in euro and US dollar	-3%	-3%
ASHE - long term inflation assumption up 0.5%	-10%	-4%

Taxation
The tax charge reported in the consolidated income statement is £85.7 million (2017: £71.9 million), equating to 18.0% of pre-tax profit (2017: 17.8%).

Investments and cash

Investment strategy

Admiral's investment strategy was unchanged in 2018.

The main focus of the Group's strategy is capital preservation, with additional priorities including low volatility of returns and high levels of liquidity. All objectives continue to be met. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Cash and investments analysis

£m	**2018**	**2017**	**2016**
Fixed income and debt securities	1,568.6	1,493.5	1,469.2
Money market funds and other fair value instruments	1,301.1	1,074.3	781.0
Cash deposits	100.0	130.0	170.0
Cash	376.8	326.8	326.6
Total	**3,346.5**	**3,024.6**	**2,746.8**

Money market funds, fixed income and debt securities comprise the majority of the total; 86% at 31 December 2018 (2017: 85%).

Investment and interest income in 2018 was £36.7 million, a reduction of £5.0 million on 2017 (£41.7 million). 2017 benefitted from a gain on the sale of gilt assets and excluding this gain, the total investment and interest income is consistent with 2017.

The underlying rate of return for the year (excluding accruals related to reinsurance contract funds withheld) on the Group's cash and investments was 1.2% (2017: 1.3%).

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

Cash flow

£m	**2018**	**2017**	**2016**
Operating cash flow, before transfers to investments	488.5	617.6	525.1
Transfers to financial investments	(248.8)	(229.4)	(18.1)
Operating cash flow	239.7	388.2	507.0
Tax payments	(55.6)	(55.9)	(74.6)
Investing cash flows (capital expenditure)	(23.9)	(22.7)	(31.6)
Financing cash flows	(346.8)	(310.0)	(364.7)
Loans funding through special purpose entity	220.2	-	-
Compare.com additional investment	19.3	-	-
Foreign currency translation impact	(2.9)	0.6	25.2
Net cash movement	**50.0**	**0.2**	**61.3**
Movement in unrealised gains on investments	(26.6)	11.2	35.2
Movement in accrued interest	49.7	37.0	43.4
Net increase in cash and financial investments	**321.9**	**277.8**	**158.0**

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

£m	**2018**	**2017**	**2016**
Profit after tax	**390.5**	**331.6**	**214.1**
Change in net insurance liabilities	176.6	53.2	206.8
Net change in trade receivables and liabilities	14.9	195.2	25.3
Change in loans and advances to customers	(242.9)	(65.2)	-
Non-cash income statement items	63.7	30.9	14.6
Taxation expense	85.7	71.9	64.3

<u>Operating cash flow, before transfers to investments 488.5617.6525.1</u>

Total cash plus investments increased to £321.9 million or by 11% (2017: £277.8 million, 10%).

The Group's results are presented in the following sections as:

- **UK Insurance - including UK Motor (Car and Van), Household, Travel**
- **International Car Insurance - including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), Elephant (US)**
- **Price Comparison - including Confused.com (UK), LeLynx (France), Rastreator (Spain), Compare.com (US)**

UK Insurance

UK Insurance Review - Cristina Nestares, CEO UK Insurance

The insurance sector isn't quite consistent with everyone's view of an exciting and fast paced life. Looking back and reflecting over 2018 makes me realise how many things have happened in a 12-month window, and the myriad of changes and improvements we've implemented over that time, I'd argue quite the reverse!

One thing that was certainly fast paced and exciting (for the children at least) was the weather that came in with the "Beast from the East" in the opening quarter of the year, which covered most of the country with snow and brought a flurry of household claims. It was our biggest weather event since the household business launched in 2012, but the quality of service we were able to offer our customers in difficult circumstances was very pleasing.

Another pleasing aspect of the household business is the progress we've made with our MultiCover offering, which provides convenience and value for money for our customers whilst offering improvements and cost-efficiencies for us as a business. Whilst the market-wide weather events in H1 and subsidence claims in H2 have resulted in a loss for our Household business this year, we believe that we've made progress in the underlying business.

I've mentioned MultiCover, which is a key element in the future for the UK Insurance segment, but car insurance (and MultiCar, which we launched more than 10 years ago) remains at the centre of what we do and is of course the main source of profit for the group.

The market started the year positively, with growing confidence of seeing a favourable change in the Ogden rate leading to softening market prices in H1. However, continued inflation in damage claims and increased large bodily injury frequency have caused an increase in the loss ratio during the year. Our disciplined approach to underwriting meant that we therefore maintained our rates in the first half and increased prices more than our peers in H2, which meant that our growth rate slowed as the year progressed.

The Civil Liability Bill finally received Royal Assent in late December, leading us to believe that 0% is the most appropriate discount rate to use in valuing large injury claims. Also included in the Bill are the reforms that will simplify and reduce the costs of whiplash claims. Whilst the impacts of that part will be unlikely to come into force before mid-2020, we believe that the investments we've made in our systems and our long-running track record of efficient processing means that we'll be well placed to deal with these changes and will pass on the savings to our customers.

The investments we've made in technology in recent years, not least the successful implementation of our Guidewire policy platform, are now starting to reap benefits for us and our customers. It's allowed us to undertake more sophisticated analytical processes to improve pricing accuracy and fight against claims fraud, but most importantly it has enabled us to further improve the great service we provide to customers and claimants.

Shortly after the end of the year we won the Home Insurance Provider of the Year at The Moneyfacts Consumer Awards, which was a great endorsement from our customers and reflects the fantastic culture that's been a cornerstone of our business since we launched 26 years ago.

Perhaps everyone's view of an exciting and fast paced life isn't quite right?

Cristina Nestares
CEO, UK Insurance
6 March 2019

UK Insurance review
UK Insurance financial performance

£m	2018	2017	2016
Turnover*1	**2,575.7**	**2,354.0**	**2,063.1**
Total premiums written	2,269.8	2,098.0	1,862.6
Net insurance premium revenue	523.9	491.6	454.4
Underwriting profit	**227.7**	**206.2**	**109.2**
Profit commission and other income	327.9	259.3	228.6
UK Insurance profit before tax	**555.6**	**465.5**	**337.8**

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

Split of UK Insurance profit before tax

£m	2018	2017	2016
Motor	561.7	461.4	335.1
Household	(3.0)	4.1	2.7
Travel	(3.1)	-	-
Group's share of UK insurance profit	**555.6**	**465.5**	**337.8**

Key performance indicators

£m	2018	2017	2016
Vehicles insured at year end	4.32m	3.96m	3.65m
Households insured at year end	0.87m	0.66m	0.47m
Travel policies insured at year end	0.05m	-	-
Total UK Insurance customers*1	**5.24m**	**4.62m**	**4.12m**

**1Alternative Performance Measures - refer to the end of the report for definition and explanation.*

Key highlights for the UK insurance business for 2018 include:

- Continued growth in customers and turnover in both Motor and Household with Admiral maintaining market rates in H1 and increasing rates ahead of the market in H2 for Motor and increasing rates for Household
- A 22% increase in UK Motor profit to £561.7 million (Ogden -0.75%: 7% increase to £491.3 million) primarily as a result of increased reserve releases due to the change in the Ogden rate assumption, as well as growth in ancillary revenue and instalment income
- Loss ratio performance for 2018 impacted by a combination of worse large bodily injury experience and continued inflation in damage claims
- An increase in the reported motor expense ratio to 18.4% from 16.2% mainly due to a combination of increased levy costs and a change in net retained share at the start of 2017 underwriting year.
- Household loss of £3.0 million (2017: £4.1 million profit), impacted by extreme weather and subsidence claims
- Small loss from recently launched Travel insurance product (£3.1 million)

UK Motor Insurance financial review

£m	2018	2017	2016
Turnover*1	**2,423.1**	**2,246.9**	**1,987.0**
Total premiums written*1	2,132.1	2,001.5	1,789.3
Net insurance premium revenue	452.5	433.2	404.3
Investment income	32.2	32.6	39.3
Net insurance claims	(189.2)	(214.2)	(290.1)
Net insurance expenses	(72.0)	(59.7)	(59.9)
Underwriting profit*2	**223.5**	**191.9**	**93.6**
Profit commission	95.0	64.7	52.7
Underwriting profit and profit commission	**318.5**	**256.6**	**146.3**
Net other revenue*3	243.2	204.8	188.8
UK Motor Insurance profit before tax	**561.7**	**461.4**	**335.1**

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
*2 Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue)
*3 Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report. 2017 and 2016 have been represented on the same basis.

Key performance indicators

£m	2018	2017	2016
Reported motor loss ratio*1,*2	63.5%	64.1%	73.3%
Reported motor expense ratio*1,*3	18.4%	16.2%	17.5%
Reported motor combined ratio	81.9%	80.3%	90.8%
Written basis Motor expense ratio	17.5%	15.8%	16.5%
Reported loss ratio before releases	88.1%	85.3%	87.7%
Claims reserve releases - original net share*1,*4	£111.4m	£92.1m	£58.3m
Claims reserve releases - commuted reinsurance*1,*5	£109.6m	£73.8m	£17.1m
Total claims reserve releases	£221.0m	£165.9m	£75.4m
Other Revenue per vehicle	£67	£64	£62
Cars insured at year end	4.09m	3.84m	3.65m
Vans insured at year end	0.23m	0.12m	-

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
*2 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 13b.
*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 13c.
*4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.
*5 Commuted reinsurance shows releases, net of loss on commutation, on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting and not profit commission.

UK Motor profit increased by 22% during 2018 to £561.7 million (2017: £461.4 million) and vehicles insured increased by 9% to 4.32 million (2017: 3.96 million), whilst the reported combined ratio increased to 81.9% (2017: 80.3%). The results were impacted by a number of factors:

- Net insurance premium revenue was 4% higher at £452.5 million mainly resulting from the larger portfolio

- Investment income was in line at £32.2 million
- The current period loss ratio was slightly worse at 88.1% (2017: 85.3%) due to increased frequency in large bodily injury claims and damage claim inflation in 2018, albeit positive loss ratio development for prior years. Admiral continues to reflect a cautious approach to setting reserves early in their development.
- Continued positive development of prior year claims costs combined with the change in Ogden rate led to increased releases on original net share of reserves (£111.4 million, 25% of premium compared to £92.1 million, 21% of premium in 2017)
- Releases on reserves originally reinsured but since commuted higher at £109.6 million

  (v £73.8 million in 2017), impacted by the change in Ogden rate

- The growth in the vehicle base contributed to an increase in the underlying expense base. The change in the Group's net retained share from 25% to 22% in 2017 meant that the prior year earned expense ratio (16.2%) benefitted from the reduction in administration cost in the period. Excluding the impact of this change, the earned ratio would be broadly flat with 2018 (18.4%)
- Other revenue (including ancillary products underwritten by Admiral) and instalment income were higher (£243.2 million v £204.8 million in 2017) resulting from growth and changes to the arrangement with Munich Re in 2017 where Admiral now retains all instalment income

Underwriting discipline was maintained in H1 by maintaining flat rates while the market reduced rates. In H2, market prices started to increase in reaction to higher than expected claims inflation. Admiral increased prices ahead of the market in H2, which impacted competitiveness and slowed growth. Turnover was 8% higher at £2.42 billion (2017: £2.25 billion). The numbers of cars insured exceeded four million and vans insured moved past 200,000, leading to 9% growth in total customers to 4.32 million (2017: 3.96 million).

Claims and reserves
Notable claims trends for Admiral and the market in 2018 include slightly higher overall frequency, a flattening in the rate of improvement in small injury claims frequency and continuing elevated levels of inflation in damage claims costs. Large bodily injury claims costs were also increased in 2018, which was notably higher than the benign large bodily injury claims experience in 2017.

The Group continues to reserve conservatively, setting claims reserves in the financial statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development.

As noted above, in addition to the favourable impact arising from the change in Ogden rate assumption, the Group experienced continued positive development of claims costs on previous underwriting years and these factors led to another significant release of reserves in the financial statements in the period (£111.4 million on Admiral's original net share, up from £92.1 million). The margin held in reserves remains prudent and significant though it is slightly lower than the comparative period-end, reflecting the reduction in Management's assessment of uncertainty around the reserves.

Change in UK discount rate ('Ogden')
As noted above, following the Royal Asset of the Civil Liability Bill, which brings into law changes to the way that the UK personal injury discount rate ('Ogden' discount rate) is set, the Group's best estimate of the Ogden discount rate that will be applicable in the settlement of open claims has moved to 0% (from the existing -0.75% rate)

The table below shows the estimated sensitivity of profit before tax and solvency ratio to different Ogden rates. The profit impact presented is the estimated total impact of the change on the Group's pre-tax profit on an ultimate basis. It should be noted that not all of the impact would necessarily be recognised immediately.

	Impact on Profit before Tax (£m)*1	Impact on Solvency Ratio (%)

Increase in Ogden discount rate of 50 basis points (to 0.5%)	76.2	+13%
Decrease in Ogden discount rate of 50 basis points (to minus 0.5%)	(94.2)	-6%

*1 The impacts on profit before tax are stated net of co-insurance and reinsurance and include the impact on net insurance claims along with the associated profit commission movements that result from the change in the Ogden rate.
*2 Estimated impact on solvency ratio is based on the change in Own Funds and SCR resulting from change in the Ogden rate and is presented before the impact of changes in final dividend.

Co- and reinsurance and profit commission
The proportional co- and reinsurance arrangements in place for the motor business are the same as those reported in the 2017 Annual Report and will continue into 2019.

At 31 December 2018, all private car quota share reinsurance for underwriting years up to and including 2016 has been commuted, meaning Admiral assumes a higher net risk for these years than had the reinsurance been left in place. The 2016 contracts and the remainder of the 2015 contracts were commuted during 2018. Admiral generally elects to commute reinsurance where it makes economic sense to do so.

In 2018 profit commission of £95.0 million was recognised, up from £64.7 million in the prior period. The increase in 2018 mainly arose due to improvements on booked loss ratios on prior years, which have also been impacted by the change in Ogden rate in 2018.

Note 5 to the financial statements analyses profit commission income and reserve releases by underwriting year.

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

The Munich Re Group will underwrite 40% of the UK motor business until at least 2020, with future extension options available to Munich Re until 2022. 30% of this total is on a co-insurance basis, with the remaining 10% under a quota share reinsurance agreement from 2017 onwards.

The Group also has other quota share reinsurance arrangements confirmed to the end of 2019 covering 38% of the business written. The Group reduced its net underwriting share from 25% previously to 22% with effect from 2017.

The nature of the co-insurance proportion underwritten by Munich Re (via Great Lakes) is such that 30% of all motor premium and claims for the 2017 year accrue directly to Great Lakes and are not reflected in the Group's financial statements. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering this business.

The quota share reinsurance arrangements result in all motor premiums and claims that are ceded to reinsurers being included in the Group's financial statements, but these figures are adjusted to exclude the reinsurer share, resulting in a net result for the Group.

The Group also purchases excess of loss reinsurance to provide protection against large claims and reviews this cover annually. For 2017 the Group increased its excess of loss cover as a result of the anticipated change in Ogden discount rate and the potential impact on large claims. For 2018, the Group has reduced this level of cover to be back in line with more recent levels. 2019's cover will be similar to 2018.

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.

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

Commutations of quota share reinsurance

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts for an underwriting year 24 months from inception, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.
After the commutation is executed, movements in booked loss ratios result in reserve releases (or strengthening if the booked loss ratio were to increase) rather than reduced or increased reinsurance claims recoveries or profit commission.

During the first half of 2018, all quota share contracts relating to the 2016 underwriting year were commuted, along with one remaining contract relating to the 2015 underwriting year (the other quota share contracts relating to the 2015 year having been commuted in the second half of 2017). There were no commutations during the second half of 2018. At 31 December 2018, quota share reinsurance contracts remained in place for the 2017 and 2018 underwriting years.

In 2018 Admiral recognised reserve releases from commuted reinsurance contracts of £109.6 million (2017: £73.8 million). Excluding the accounting impact of commutations (refer to the glossary for further information), the releases relating to commuted reinsurance contracts were £141.5 million (2017: £97.5 million) The increase from 2017 is primarily due to more significant improvements in booked loss ratios on 2016 and prior underwriting years, in part due to the change in Ogden assumption.

Refer to note 5d(v) of the financial statements for analysis of reserve releases on commuted quota share reinsurance contracts.

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue - analysis of contribution:

£m	**2018**	**2017**	**2016**
Contribution from additional products & fees	206.5	187.3	183.3
Contribution from additional products underwritten by Admiral*1	13.6	15.0	17.4
Instalment income	81.4	56.1	33.5
Other revenue	**301.5**	**258.4**	**234.2**
Internal costs	(58.3)	(53.6)	(45.4)
Net other revenue	**243.2**	**204.8**	**188.8**
Other revenue per vehicle*2	**£67**	**£64**	**£62**
Other revenue per vehicle net of internal costs	**£57**	**£54**	**£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.

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 continue to be:

- 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 and cancellation fees

- Interest charged to customers paying for cover in instalments

Overall contribution (Other Revenue net of costs plus instalment income) increased by 19% to £243.2 million (2017: £204.8 million). Whilst there were a number of smaller offsetting changes within the total, the main reasons for the increase were higher instalment income primarily due to changes in the arrangements with Munich Re in 2017 such that Admiral now retains all instalment income on the car insurance business compared to 60% previously, plus the growth in the size of the business.

Other revenue was equivalent to £67 per vehicle (gross of costs; 2017: £64), the increase being substantially due to the increase in instalment income noted above. Net Other Revenue (after deducting costs) per vehicle was £57 (2017: £54).

UK Household Insurance financial performance

£m	2018	2017	2016
Turnover*1	**146.0**	**107.1**	**76.1**
Total premiums written*1	131.1	96.5	73.3
Net insurance premium revenue	31.2	23.1	17.0
Underwriting loss*1*2	**(6.3)**	**(0.8)**	**(1.8)**
Profit commission and other income	**3.3**	**4.9**	**4.5**
UK Household insurance (loss)/profit	**(3.0)**	**4.1**	**2.7**

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
*2 Underwriting loss excluding contribution from underwritten ancillaries

Key performance indicators

	2018	2017	2016
Reported household loss ratio*1	92.3%	73.5%	76.5%
Reported household expense ratio*1	28.1%	30.0%	34.1%
Reported household combined ratio*1	120.4%	103.5%	110.6%
Impact of extreme weather and subsidence*1	19.1%	-	-
Households insured at year end*1	865,800	659,800	468,700

*1 Alternative Performance Measures - refer to the end of this report for definition and explanation
UK Household insurance was launched in December 2012 under the Admiral brand.

The UK Household insurance business continued to grow strongly and increased the number of properties insured by 31% to 865,800 (2017: 659,800). Turnover increased by 36% to £146.0 million (2017: £107.1 million). The 2018 result was a loss of £3.0 million (2017: profit of £4.1 million) following the weather and subsidence events that have impacted the UK Household market during the first and second halves of 2018 respectively. Adjusting for normal weather experience the result would have been a profit of £7.7 million. Market premiums increased as a result, and Admiral also increased premiums.

The volume of new business policies sold in the market continued to increase as more households changed insurer, and the share of these sales made via the price comparison channel also continued to increase. Admiral enjoyed strong customer retention and new business volumes and saw an increasing share of new business sales made either directly or via cross sell to existing Admiral customers within the Group's MultiCover product offering.

The reported loss ratio of 92.3% (2017: 73.5%) included around 11 percentage points of weather impact and 8 percentage points related to subsidence. Prior year releases contributed a benefit of 4 percentage points, meaning that the underlying attritional loss ratio increased to 77.6% from 75.6% as a result of a combination of slightly lower average premiums and higher costs relating to escape of water and fire claims. Admiral's expense ratio also continued to improve (28.1%, down from 30.0%) and similar to the motor business, significantly outperforms the market.

UK Household insurance - reinsurance
The Group's Household business is supported by long-term proportional reinsurance arrangements covering 70% of the risk. In addition, the Group has non-proportional reinsurance to cover the risk of catastrophes stemming from weather events.

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

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

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

International Car Insurance
International Car Insurance review

European Insurance - Milena Mondini - CEO, European Insurance
2018 is likely to remain a memorable year in continental Europe for reaching three important milestones: one million customers, successful delivery of the Brexit project and the first time reaching profitability on a combined basis.

At the very end of the year European insurance celebrated its millionth customer. This came after the celebration of 500,000 customers at the beginning of the year in ConTe, 150,000 customers before the half year in L'olivier and 250,000 customers in December in Admiral Seguros. European insurance closed the year with 18% growth and higher brand awareness in each country despite a slower market in the first half of the year in Spain and Italy.

Shortly thereafter, we celebrated the successful completion of the Brexit project with the transfer of the European portfolio to a newly created company in Spain, Admiral Espagna Compania de Seguros (AECS). AECS underwrites all policies in continental Europe from 1 January 2019 and we expect it to provide additional governance and support to the future development of our overseas operations.

Our third celebration (what a fantastic celebration period!) was closing the year with the first ever combined profit of €7 million. This is the result of improved metrics in each business, economies of scale and positive development of technical results. ConTe delivered record profit and both L'olivier and Admiral Seguros again reduced their losses.

The main goal in continental Europe remains to continue to grow efficiently in markets where acquisition costs are materially higher than the UK and the direct channel still represents a very minor share of the market.

Improving our customer experience has been the "leitmotif" of the year - from a smoother sales journey with more customer friendly forms and accurate pricing, to new self-service features and faster customer service enabled by a higher degree of automation of internal processes. EUIGS, our IT service arm in Spain, played a prominent role in strengthening our systems and technology for a more efficient scalable business.

We believe we have good foundations to continue our journey to become a relevant contributor to group profits in the future.

Spain - Sarah Harris - CEO, Admiral Seguros

2018 was a year of somewhat slower growth, but again strong technical results.
Spanish market loss ratios finished 2017 at their lowest level for almost a decade, and we saw several competitors decrease prices at the beginning of 2018. Whilst this headwind affected volumes in the first half of the year, we regained momentum in the second half, improving conversion through price comparison sites and reaching record levels of policy retention. We finished the year with more than 250,000 customers, up 12% compared to 2017.

We continued to enhance our capabilities in both risk selection and claims handling. Investments in people, technology and data support our strategy of building a long-term sustainable loss ratio advantage.

Acquisition economics also improved materially through the year. In particular, we worked closely with our sister company, Rastreator, to improve the customer experience for those coming to us via price comparison.

What's next? Well, for 2019 both loss ratio and acquisition remain areas of focus. We will also be increasing investment in technology to become even more agile in servicing the needs of our customers.

Italy - Costantino Moretti - CEO, ConTe
ConTe closed 2018 with a profit for the fifth year in a row, whilst also achieving significant growth of the customer base of 17% year-on-year.
The market wasn't particularly favourable, even though prices started to slightly increase in the second half of the year, pushing more customers to shop online. Despite this context, ConTe was able to grow by leveraging on its competitiveness and on the improvements in the digital journey.

ConTe has consolidated its position in the Italian market by leading the competition on price comparison sites in terms of times top position, strengthening brand awareness through a continuous presence on TV and football sponsorship, and increasing customer satisfaction scores.

This was also a good year for the key ratios of the P&L: loss ratios continued to improve consistently across all underwriting years and the expense ratio hit the market average thanks to efficiencies gained through investments in digital and automation.

Those strong foundations allow ConTe to continue to stay focused on the 'sustainable growth' strategy and to maintain an appropriate level of investment in technology and brand.

Finally, our people and culture continue to make the difference. was recognised for the third year in a row as one of the best large companies to work for!

France - Pascal Gonzalvez - CEO, L'olivier - assurance auto
Another year of fast growth for L'olivier - assurance auto!

Despite a sluggish aggregator market, L'olivier managed to keep growing at a strong pace with more than 35% increase in turnover and closing the year with 174,000 customers.

This was possible thanks to strong improvements both in new business conversion and in persistency. Close to 40% of the French population now recognise our brand. This, coupled with several operational optimisations, helped us to increase our market share.

Our plan to deliver better service is coming to fruition with a strong improvement of our NPS and continuously increasing customer satisfaction leading to more loyal customers. Our ambition remains to prove to French customers that a direct insurer can provide service excellence. In this context, we have been developing new capabilities for self-service with a brand new customer portal that is increasingly used by customers leading to better service and more efficiency.

For 2019, we're planning more growth, a continuous focus on quality, new functionalities for self-servicing and the beginning of our product diversification strategy. Some exciting announcements to come.

USA - Alberto Schiavon - CEO, Elephant Auto

In 2018 Elephant shifted our book towards higher tiered customers, delivering stronger growth, persistency, and operational efficiency. Premiums grew 16%, and we ended the year with 213k vehicles in force (17% growth year-on-year) due to higher retention and more vehicles per policy. Attracting customers who retain longer drove our expense ratio down (6 points year-on-year) in the short run and provides the critical foundation to sustainable growth in the long run.

Operationally, we are providing a better journey and higher service levels to our customers. Expanded and improved digital capabilities allow them to self-service their policies more effectively throughout their lifetime. They can now complete many essential tasks online, including making payments, changing coverage, and reporting a claim. The better digital journey has increased our operational efficiency, as fewer customers are forced to call in for sales, service or claims help. It has also improved customer satisfaction levels as policyholders can more quickly and effortlessly access information and make changes to their policy.

In 2019 we will continue to invest in our digital transformation. We are also planning some new customer acquisition initiatives to strengthen our brand awareness and grow our base of higher retention customers. Ultimately these initiatives are critical to building a growing, profitable, sustainable company centred around our customers.

International Car Insurance financial performance

£m	**2018**	**2017**	**2016**
Turnover*1	**538.7**	**449.8**	**365.9**
Total premiums written*1	484.3	401.4	331.3
Net insurance premium revenue	141.7	123.0	91.3
Investment income	1.3	0.6	0.4
Net insurance claims	(104.0)	(94.1)	(75.5)
Net insurance expenses	(55.8)	(58.0)	(46.2)
Underwriting result*1	**(16.8)**	**(28.5)**	**(30.0)**
Net other income	15.7	14.2	10.6
International Car Insurance result	**(1.1)**	**(14.3)**	**(19.4)**

Key performance indicators

Reported Loss ratio*2	76%	76%	76%
Expense ratio*2	40%	45%	49%
Combined ratio*3	116%	121%	125%
Combined ratio, net of Other Revenue*4	105%	109%	113%

Vehicles insured at period end	**1.22m**	**1.03m**	**0.86m**

*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 2018: 113%; 2017: 124%; 2016: 133%.

*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 2018: 102%; 2017: 112%; 2016: 122%.

Geographical analysis*1

2018	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.25	0.59	0.17	0.21	1.22
Turnover (£m)	67.6	176.8	80.5	213.8	538.7

2017	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.22	0.50	0.13	0.18	1.03
Turnover (£m)	61.5	154.6	59.2	174.5	449.8

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

Admiral operates four insurance businesses outside the UK: in Spain (Admiral Seguros), Italy (ConTe), the US (Elephant Auto) and France (L'olivier - assurance auto).

The operations continued to grow strongly in 2018, with customer numbers increasing by 18% to 1.22 million (2017: 1.03 million) and combined turnover rising by 20% to £538.7 million (2017: £449.8 million).

The key features of the International Car insurance results are:

- An aggregate loss of £1.1 million reflecting a large improvement from the 2017 loss of £14.3 million;
- A record profit in the Group's Italian business ConTe, which also grew its customer base to 0.6 million customers;
- A significant improvement in Elephant Auto's result (reduced loss from £12.5 million to £7.5 million year-on-year)
- An improved combined ratio (net of other revenue) of 105% (2017: 109%) reflecting reduced acquisition costs, positive back year development and improvements in pricing and operational efficiencies;
- Continued investment in people, technology and customer experience in all operations

The combined European expense ratio improved to 40% (2017: 45%) as all businesses grew and continued to pursue operational efficiencies. The expense ratio continues to appear high in comparison to Admiral's UK business because of high acquisition costs as the businesses grow and also the continued need to build scale. ConTe's expense ratio reached the Italian market level in 2018.

The European insurance operations in Spain, Italy and France surpassed the one million mark to insure 1.01 million vehicles at 31 December 2018 - 19% higher than a year earlier (31 December 2017: 0.85 million). Turnover was up 18% at £324.9 million (2017: £275.3 million). The consolidated result of the businesses was a profit of £6.4 million (2017: loss of £1.9 million) consisting of continuing (and higher) profitability in Italy and lower losses in France and Spain. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved to 98% from 101% due to the improved claims experience and expense ratio.

Elephant insured 212,600 vehicles at the end of 2018, up by 17% year-on-year. Turnover was £213.8 million, up 23% on the prior year (£174.5 million). Elephant again reduced its loss for the period (to £7.5 million from £12.5 million in 2017) despite the positive growth. Elephant continues to see improvements in customer persistency as a result of the focus on higher retaining customers. The focus on expense ratio through improvements in operational efficiency, as well as loss ratio, translated into a continued improvement in the combined ratio net of other revenue of 115% (119% in 2017).

International Car Insurance co-insurance and reinsurance
In 2018 Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively. The arrangements for 2019 will remain the same.

International Car Insurance Regulatory environment
Admiral's European insurance operations are now primarily regulated by the Spanish insurance regulator, the DGS. This shift is a result of restructuring ahead of Brexit. More information on company changes due to Brexit can be found later in this report.

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation

Commission's Bureau of Insurance.

Both insurers are required to maintain capital at levels prescribed by the regulator and hold a surplus above these requirements at all times.

Price Comparison

Price Comparison Review - Elena Betes, European Price Comparison Director
During 2018, we continued to deliver on our ambition of playing relevant and leading roles in our services comparison markets where barriers to entry are low, but barriers to success are high.
In our European markets, we have prepared the businesses for Brexit by creating a robust organisational structure. We have also invested in our brands, products and data capabilities to strengthen and diversify our revenue lines.

We believe that our world requires disruption to improve customer experience and we have proven this in Spain, where, by putting the customer first, we succeeded in getting more reliable and accurate prices from insurers in 2018. This is already having a positive impact on conversion rates and gives us optimism for the future. In Confused in the UK, we continued to focus on our priorities and invested in developing attractive new offers for customers.

We are increasing our diversification and leveraging our brands, particularly relevant with the launch of our energy vertical in France and mortgage comparison in Spain.

In Emerging markets, we continue our path of organic expansion and we welcome Tamoniki.com, as the newest member of the family in Turkey. Rastreator.mx in Mexico is seeing the first positive signs of growth.

We prefer to call ourselves 'Customer Portals' rather than Price Comparison, as the future requires us to not only compare prices, but also to give advice on the individual fit between consumer and service/product. We expect insights based on data analysis and AI to enable us to achieve this, but this is only one of the many opportunities that 2019 offers to our growing family.

UK - Louise O'Shea - CEO, Confused.com
Confused.com has seen and embarked on many changes in its 16-year history, but as the Group's most mature price comparison business and the company that created the industry, one thing has remained the same - our focus on saving customers time and money.

In 2018, Confused.com continued to evolve its driver centric strategy, with a focus on leading drivers from confusion to clarity, and helping people navigate the noise, clutter and confusion when it comes to the hundreds of insurers fighting for their attention.

The price comparison sector remains one of the UK's biggest advertisers and in 2018 we saw costs increase across most of our marketing channels. This, together with a downturn in insurance prices, and customers using multiple price comparison websites, made the market as competitive as ever. Our interactions with customers also changed during 2018 as GDPR came into force.

Confused.com responded to all of these challenges, growing revenue by 10% and profit by 42% year on year, whilst continuing to invest in technology and people. 2018 profit margin also improved to 15% (2017: 12%) as we focused on more effective marketing in response to market conditions and implemented improvements for customers. In 2018, we also achieved the milestone of £1 billion revenue since we launched in 2002, a fantastic achievement for everybody who has been a part of the Confused.com story.

In 2019, we don't expect the competitive environment to ease, but Confused.com will continue its focus on saving time and money for customers which, after all, is what it is all about.

Spain - Fernando Summers - CEO, Rastreator
2018 was a mixed year for Rastreator. Challenging market conditions and investment in new products

resulted in flat revenue and a decrease in profit. This, as well as several regulatory changes including IDD, Brexit and GDPR did not stop us from concentrating on moving towards an improved customer proposition through our price accuracy strategy. It has been challenging in our relationships with insurers but the steps we are taking are improving the experience and therefore conversion.

For 2019 we are focusing on setting up our own Call Center to get deeper into the contracting process of the customer and being able to close sales by ourselves (mortgages, loans and insurance policies). This will allow us to give a complete and better experience to our clients.

In addition, this provides a new way to communicate and improves our marketing approach towards a better understanding of the benefits we can provide to customers. This has allowed us to develop a strategic transformation of our marketing structure, messages and campaigns.

To make this happen, we have a strong, ambitious and committed team that truly believe in this growing future for Rastreator!

France - Itzal Arbide - CEO, LeLynx

French market growth in 2018 was more volatile following increased marketing spend by incumbents. Whilst the car insurance aggregator market started to show signs of maturity, we saw impressive growth in other insurance products helped by favourable regulation for switching.

In 2018, LeLynx achieved double-digit revenue growth of 10% on the back of a well-founded marketing campaign and focus on diversification of the product range. LeLynx launched a well-received comparison tool for energy suppliers, in a new market experiencing rapid growth and simple switching rules for consumers.

The business continues to go from strength to strength with a growing team to support important projects that we anticipate will strengthen revenue and profit growth in 2019 and beyond. The plan is to pursue growth and develop new products that will help consumers make the right choices when it comes to insurance, finance, energy and potentially other products very soon.

I am delighted and optimistic about the future of LeLynx and look forward to 2019 in my new role as CEO. Lots to do. And a great team to do this with.

USA - Andrew Rose - CEO, Compare.com

2018 was not the year we expected. Most carriers achieved rate adequacy in late 2017 and came into 2018 in growth mode. That was good for us in terms of carrier additions to our panel (including Esurance, Travelers, USAA) as well as rates returned to consumers (our highest national average ever). It also meant, however, an upward movement in our acquisition costs as those same carriers sought growth. That resulted in lower revenue and quote volumes in 2018 and pressure on marketing spend.

This pressure meant an ever-vigilant focus on cost management as well as the exploration of new acquisition channels. Several nice partnerships have developed with a strong pipeline established for 2019.

Another highlight of 2018 was the raising of approximately $35 million to fuel and grow compare.com. Admiral entered an agreement with Henry Engelhardt and his wife, Diane, whereby Diane invested $25 million. In addition, Admiral Group provided Compare up to $10 million by way of a convertible loan instrument, $5m of which had been drawn down at the year end.

Our 2019 priorities remain similar to 2018: grow our absolute volumes while continuing to pursue overall profitability. Consumers can save billions and we are determined to help them realise how easy it can be!

Price Comparison financial review

£m	2018	2017	2016
Revenue			
Car insurance price comparison	110.1	108.8	97.7

Other categories	40.9	34.8	31.5
Total revenue	**151.0**	**143.6**	**129.2**
Expenses	(144.4)	(138.2)	(132.1)
Profit/(loss) before tax	**6.6**	**5.4**	**(2.9)**
Confused.com profit	14.3	10.1	16.1
International price comparison result	(7.7)	(4.7)	(19.0)
	6.6	**5.4**	**(2.9)**
Group's share of profit before tax *1			
Confused.com profit	14.3	10.1	16.1
International price comparison result	(5.5)	(3.0)	(13.4)
	8.8	**7.1**	**2.7**

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

Admiral operates four price comparison businesses; in the UK (Confused.com), in Spain (Rastreator), France (LeLynx) and the US (Compare.com). Admiral Group owns 75% of Rastreator and 59% of Compare.com (2017: 75% of Rastreator; 71% of Compare.com).

Combined revenue grew by 5% to £151 million (2017: £143.6 million) and the businesses made a combined profit (excluding minority interests' shares) of £8.8 million (2017: £7.1 million).

The key features of the Price Comparison Result are:

- A loss of £6.9 million (2017: £7.1 million) at compare.com in the US, (Admiral Group share). Statutory loss before tax remained constant at £10.0 million. The results reflect a reduction in sales volumes due to increased market competition and pressure on acquisition costs
- In the UK, Confused.com saw market share increases in Motor and Home Insurance price comparison and efficient media spending led to an increased profit of £14.3 million (2017: £10.1 million); and
- The European price comparison businesses reported a reduced profit of £1.4 million (2017: £4.1 million) reflecting investment in a more diversified product range as well as a more competitive market environment, including a new entrant spending on marketing in France.

The UK price comparison market remains very competitive with increasing advertising spend across all marketing channels, however small market share increases led Confused.com to a 10% increase in turnover to £95.1 million (2017: £86.8 million).

The combined revenue from the European operations increased by 4% to £46.3 million (2017: £44.4 million), reflecting continued growth in traffic and quotes provided to customers in LeLynx and increased competitive pressures in Spain.

During 2018 compare.com received investments totalling $30 million, $25 million in an agreement with former Admiral Group CEO Henry Engelhardt and his wife, Diane, and separately, $10 million by way of a convertible loan from Admiral Group, of which $5 million was drawn down in the year. Henry has subsequently joined the Board of compare.com.

In 2018, a non-cash impairment charge of £32.9 million was recognised by the parent company in respect of its investment in compare.com. This followed the regular review of the carrying values of subsidiary companies and a review of the long-term strategy of compare.com, and reflects challenging conditions for nascent price comparison market in the US. Given the challenging market conditions there remains considerable uncertainty over the timing and level of the future profitability of the business. The impairment charge is recognised in the income statement of the parent company and has no impact on the Group's consolidated profit for the period or the Group's 2018 regulatory capital position.

Compare.com's plans for 2019 and beyond include continuing to scale marketing activity and grow volumes.

The Group anticipates that the Group's share of compare.com's losses for 2019 will be in the range of $7 million to $14 million.

Preminen, the Group's price comparison venture with Mapfre, continues to explore price comparison in new markets overseas. Rastreator.mx in Mexico has focused on panel development and growth, while Tamoniki, Preminen's Turkish price comparison website, was launched in 2018.

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

During 2018 Brexit preparations were finalised and Rastreator and LeLynx are now locally licensed in Spain and France, negating the need to passport insurance intermediary permissions from the UK. Further information on the impact of Brexit on our European operations can be found above.

Compare.com is a regulated insurance agency domiciled in Virginia, US, and licensed in all other US states.

Other Group Items
Other Group items financial review

£m	2018	2017	2016
Share scheme charges	(49.0)	(35.2)	(31.5)
Admiral Loans loss before tax	(11.8)	(4.4)	-
Other interest and investment return	2.9	8.4	13.4
Business development costs	(4.3)	(5.2)	(5.2)
Other central overheads	(10.8)	(6.2)	(4.1)
Finance charges	(11.3)	(11.4)	(11.4)
UK commercial van broking	0.3	1.1	2.0
Other Group items	**(84.0)**	**(52.9)**	**(36.8)**

Share scheme charges relate to the Group's two employee share schemes (refer to note 8 to the financial statements). Charges increased by £13.8 million in 2018, to £49 million. The increase in the charge is mainly due to a non-repeating change made in 2017 over which the charge is spread (without this change, the 2017 charge would have been approximately £6 million higher). Other factors for the increase include a change in the vesting outcome assumptions for variable awards (including 2016 which vests in 2019, and reflects the significantly higher profit in 2018) and an increase in the number of awards, reflecting the increasing Group headcount over a three year vesting period.

Other interest and investment income of £2.9 million was lower than in 2017 (£8.4 million). The 2017 result included a £5.4 million realised gain from the sale of investments held by the Group, which was not repeated in 2018. Both 2017 and 2018 include the impact of unrealised losses relating to forward foreign exchange contracts (2018: £2.3 million, 2017: £2.3 million). The higher number in 2016 of £13.4 million benefitted from £6.5 million of unrealised gains from forward contracts.

Business development costs include costs associated with potential new ventures, including the investment in Preminen ventures related to the price comparison businesses in Mexico (launched in 2017) and newly launched business in Turkey.

Other central overheads of £10.8 million continue to reflect the cost of a number of significant group projects, including the one-off cost of Brexit reorganisation (approximately £3 million) and a number of other non-recurring costs relating to ongoing Group projects.

Finance charges of £11.3 million (2017: £11.4 million) mainly represent interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

Admiral Loans

£m	2018	2017
Total interest income	15.0	1.6
Interest expense*1	(4.3)	(0.4)
Net interest income	**10.7**	**1.2**
Other fee income	0.4	-
Total income	**11.1**	**1.2**
Expenses	(22.9)	(5.6)
Admiral Loans result	**(11.8)**	**(4.4)**

*1 Includes £0.7 million intra-group interest expense

Background
Admiral Loans launched in 2017, and currently distributes unsecured personal loans and car finance products through the price comparison channel and also direct to consumers via the Admiral website.

The Group employs a prudent test and learn approach regarding growth in customers and loan advances, consistent with other new business launches. Initial results are encouraging, and the business has grown significantly since launch, with loan balances increasing to £300 million in 2018 (2017: £66 million). The Group continues to expect the business to make losses in its early phase as a result of the upfront accounting for acquisition costs as opposed to interest income earned on loans which is spread over the life of the loans. Admiral is encouraged by the performance of the business and the credit quality of the loans portfolio.

Admiral Loans has secured external funding during 2018 (of up to £300 million) through the securitisation of certain loans via transfer to a special purpose entity ("SPE") which remains under the control of the Group. The securitisation and subsequent issue of notes does not result in a significant transfer of risk from the Group.

Result
The Admiral Loans business grew significantly during 2018, and recorded a pre-tax loss of £11.8 million (increased from £4.4 million in 2017). The higher loss predominantly relates to the cost of acquiring new customers which is expensed immediately with interest income recognised over the life of the loan, typically three to four years. As a result of the growth, net interest income increased and expenses also increased driven by factors including the acquisition cost of growth and changes in provisioning.

Admiral Loans also adopted the new accounting standard on loan loss provisioning during 2018 which has accelerated the recognition of losses on loans advanced to customers.

UK Exit from the European Union ('Brexit')
Admiral has adopted a prudent approach in relation to Brexit, designed to mitigate the risks to our European businesses of a potential "hard Brexit", which could have prevented those operations from continuing to trade due to reliance on passporting rights.

The businesses that potentially would have been impacted, being the European insurers and European price comparison businesses, have been restructured so as to fully mitigate a "no deal" outcome. This has been achieved for the European insurers through Admiral receiving approval for an application to establish insurance and intermediary companies in Spain, such that from 1 January 2019, all of the Group's European insurance business is underwritten by a regulated entity in Spain, Admiral Europe Compania Seguros (AECS). All existing liabilities and contracts relating to these businesses have been transferred through portfolio transfer processes, also effective from 1 January 2019.

In addition, the Group's European price comparison businesses Rasterator and LeLynx have successfully been merged into price comparison companies established in Spain (Comparaseguros Corredia de Seguros) and France (LeLynx SAS) respectively.

The Group expects AIGL, the Group's Gibraltar insurance entity, to be able to continue to carry on trading in an uninterrupted manner after 29 March 2019. This is reliant on the passing of relevant leigslation by UK government which is anticipated prior to 29 March.

Brexit continues to bring risks to the Group, which include:

- The potential for market volatility, and 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; and Admiral Loans has adopted a cautious approach to volumes and credit quality in advance of Brexit).

As part of the Own Risk and Solvency Assessment ("ORSA") process, the Group has performed a stress testing exercise for its Brexit assessment of the impact of a recession through 2019 on the UK insurance business, including the increase in claims costs following a spike in inflation. This includes negative movement in interest rates, currency, investment yields, inflation, unemployment and GDP, which could be experienced under a 'hard' Brexit scenario (i.e. no deal outcome). Given the results of the stress testing the Group is comfortable that it is able to manage the potential outcomes of such scenarios should they occur.

Also as part of the ORSA process, a specific economic stress test scenario which captures the potential outcomes from a 'no deal' Brexit has been applied to the Admiral Loans business in order to assess the potential impact. The stress results in an increase in the loss provision that would be required as a result of the deterioration in economic environment. As for the UK insurance business, the Group is comfortable that it is able to manage the potential outcomes based on the results of the stress test and relevant management actions.

- Potential changes to the rules relating to the free movement of people between the UK and the remaining EU member states. The Group has followed external advice on planning for the small number of EU citizens working within the UK and UK citizens working in the EU, for the Group;
- Potential for impact on the import of car parts with potential impact on claims costs. A working group is in place to manage and review this risk, with commercial negotiations ongoing to mitigate risks arising from a "no deal" Brexit;
- Modest potential operational difficulties relating to the provision of 'green cards' to customers wishing to drive in Europe. A full communications plan has been developed for customers wishing to drive their vehicles in Europe after 29 March 2019.

At present, the Group does not foresee a material adverse impact on day-to-day operations (including customers or staff). The Group recognises the potential economic disruption that may arise from a 'hard' Brexit. Whilst the Group is comfortable that it is able to manage potential outcomes following the review of the stress testing noted above, it recognises the uncertainties that exist in relation to Brexit and the potential for adverse impacts to the Group's capital position and future dividend payments. Sensitivities to the Group's regulatory solvency ratio are presented earlier in this report, including a number of specific market risk sensitivities. The cost of the restructuring activity has not been material to the Group.

Principal Risks and Uncertainties
The Group's 2018 Annual Report will contain an analysis of the Principal Risks and Uncertainties identified by the Group's Enterprise Risk Management Framework, along with the impacts of those risks and actions taken to mitigate them.

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.

Consolidated income statement
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Insurance premium revenue		**2,079.6**	1,729.9
Insurance premium ceded to reinsurers		**(1,407.8)**	(1,110.8)
Net insurance premium revenue	5	**671.8**	619.1
Other revenue	8	**449.2**	399.9
Profit commission	5	**93.2**	67.0
Interest income	8	**15.0**	1.6
Interest expense	6	**(3.6)**	(0.4)
Net interest income from loans		**11.4**	1.2
Investment return	6	**36.0**	41.7
Net revenue		**1,261.6**	1,128.9
Insurance claims and claims handling expenses		**(1,513.8)**	(1,308.8)
Insurance claims and claims handling expenses recoverable from reinsurers		**1,163.7**	961.7
Net insurance claims		**(350.1)**	(347.1)
Operating expenses and share scheme charges	9	**(842.8)**	(753.5)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	**418.8**	386.6
Net operating expenses and share scheme charges		**(424.0)**	(366.9)
Total expenses		**(774.1)**	(714.0)
Operating profit		**487.5**	414.9
Finance costs	6	**(11.3)**	(11.4)
Profit before tax		**476.2**	403.5
Taxation expense	10	**(85.7)**	(71.9)
Profit after tax		**390.5**	331.6
Profit after tax attributable to:			
Equity holders of the parent		**395.1**	334.2
Non-controlling interests (NCI)		**(4.6)**	(2.6)
		390.5	331.6
Earnings per share			
Basic	12	**137.1p**	117.2p
Diluted	12	**136.8p**	117.0p
Dividends declared and paid (total)	12	**332.7**	300.3
Dividends declared and paid (per share)	12	**118.0p**	107.5p

Consolidated statement of comprehensive income
For the year ended 31 December 2018

Year ended

	31 December 2018 £m	31 December 2017 £m
Profit for the period	**390.5**	331.6
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	**(24.0)**	12.4
Deferred tax charge in relation to movement in fair value reserve	**0.7**	(4.1)
Exchange differences on translation of foreign operations	**2.2**	(8.0)
Movement in hedging reserve	**(0.3)**	-
Other comprehensive income for the period, net of income tax	**(21.4)**	0.3
Total comprehensive income for the period	**369.1**	331.9
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**373.7**	334.8
Non-controlling interests	**(4.6)**	(2.9)
	369.1	331.9

Consolidated statement of financial position
As at 31 December 2018

	Note	As at 31 December 2018 £m	31 December 2017 £m
ASSETS			
Property and equipment	11	**28.1**	31.3
Intangible assets	11	**162.0**	159.4
Deferred income tax	10	**0.2**	0.3
Reinsurance assets	5	**1,883.5**	1,637.6
Insurance and other receivables	7	**1,082.0**	939.7
Loans and advances to customers	7	**300.2**	66.2
Financial investments	7	**2,969.7**	2,697.8
Cash and cash equivalents	7	**376.8**	326.8
Total assets		**6,802.5**	5,859.1
EQUITY			
Share capital	12	**0.3**	0.3
Share premium account		**13.1**	13.1
Other reserves		**31.4**	52.4
Retained earnings		**713.5**	580.3
Total equity attributable to equity holders of the parent		**758.3**	646.1
Non-controlling interests		**12.8**	9.7
Total equity		**771.1**	655.8
LIABILITIES			
Insurance contracts	5	**3,736.4**	3,313.9
Subordinated and other financial liabilities	7	**444.2**	224.0
Trade and other payables	7, 11	**1,801.5**	1,641.6
Current tax liabilities	10	**49.3**	23.8
Total liabilities		**6,031.4**	5,203.3
Total equity and total liabilities		**6,802.5**	5,859.1

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 6 March 2019 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Consolidated cash flow statement
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Profit after tax		**390.5**	331.6
Adjustments for non-cash items:			
- Depreciation	11	**12.0**	10.1
- Amortisation of software	11	**15.5**	13.8
- Movement in provision for loans and advances to customers	7	**8.9**	1.3
- Share scheme charges	9	**49.8**	35.6
- Loans: interest income receivable	8	**(15.0)**	(1.6)
- Loans: interest income received		**13.6**	1.6
- Investment return	6	**(36.0)**	(41.7)
- Finance costs, including interest expense on funding for loans	6	**14.9**	11.8
- Taxation expense	10	**85.7**	71.9
Change in gross insurance contract liabilities		**422.5**	564.4
Change in reinsurance assets		**(245.9)**	(511.2)
Change in insurance and other receivables		**(145.0)**	(154.3)
Change in loans and advances to customers		**(242.9)**	(65.2)
Change in trade and other payables, including tax and social security		**159.9**	349.5
Cash flows from operating activities, before movements in investments		**488.5**	617.6
Purchases of financial instruments		**(1,830.2)**	(549.2)
Proceeds on disposal/ maturity of financial instruments		**1,573.4**	311.8
Interest and investment income received		**8.0**	8.0
Cash flows from operating activities, net of movements in investments		**239.7**	388.2
Taxation payments		**(55.6)**	(55.9)
Net cash flow from operating activities		**184.1**	332.3
Cash flows from investing activities:			
Purchases of property, equipment and software		**(23.9)**	(22.7)
Net cash used in investing activities		**(23.9)**	(22.7)
Cash flows from financing activities:			
Non-controlling interest capital contribution		**19.3**	1.8
Proceeds on issue of financial liabilities		**220.2**	**-**
Finance costs paid, including interest expense paid on funding for loans		**(14.1)**	(11.6)
Repayment of finance lease liabilities		**-**	0.1
Equity dividends paid	12	**(332.7)**	(300.3)
Net cash used in financing activities		**(107.3)**	(310.0)
Net increase / (decrease) in cash and cash equivalents		**52.9**	(0.4)
Cash and cash equivalents at 1 January		**326.8**	326.6
Effects of changes in foreign exchange rates		**(2.9)**	0.6
Cash and cash equivalents at end of period	7	**376.8**	326.8

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Attributable to the owners of the Company								
	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2017	0.3	13.1	28.1	-	23.7	505.7	**570.9**	10.8	**581.7**
Profit/(loss) for the period	-	-	-	-	-	334.2	**334.2**	(2.6)	**331.6**
Other comprehensive income									
Movements in fair value reserve	-	-	12.4	-	-	-	**12.4**	-	**12.4**
Deferred tax charge in relation to movement in fair value reserve	-	-	(4.1)	-	-	-	**(4.1)**	-	**(4.1)**
Currency translation differences	-	-	-	-	(7.7)	-	**(7.7)**	(0.3)	**(8.0)**
Total comprehensive income for the period	-	-	**8.3**	-	**(7.7)**	**334.2**	**334.8**	**(2.9)**	**331.9**
Transactions with equity holders									
Dividends	-	-	-	-	-	(300.3)	**(300.3)**	-	**(300.3)**
Share scheme credit	-	-	-	-	-	37.9	**37.9**	-	**37.9**
Deferred tax credit on share scheme credit	-	-	-	-	-	2.8	**2.8**	-	**2.8**
Contributions by NCIs	-	-	-	-	-	-	**-**	1.8	**1.8**
Total transactions with equity holders	-	-	-	-	-	**(259.6)**	**(259.6)**	**1.8**	**(257.8)**
As at 31 December 2017	**0.3**	**13.1**	**36.4**	-	**16.0**	**580.3**	**646.1**	**9.7**	**655.8**

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2018

	Attributable to the owners of the Company								
	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
As at 31 December 2017	**0.3**	**13.1**	**36.4**	-	**16.0**	**580.3**	**646.1**	**9.7**	**655.8**
Balance at 1 January 2018	**0.3**	**13.1**	**36.4**	-	**16.0**	**580.3**	**646.1**	**9.7**	**655.8**
Initial application of IFRS 9	-	-	0.4	-	-	(0.4)	-	-	-
Adjusted balance at 1 January 2018	**0.3**	**13.1**	**36.8**	-	**16.0**	**579.9**	**646.1**	**9.7**	**655.8**
Profit/(loss) for the period	-	-	-	-	-	395.1	**395.1**	(4.6)	**390.5**
Other comprehensive income									
Movements in fair value reserve	-	-	(24.0)	-	-	-	**(24.0)**	-	**(24.0)**
Deferred tax charge in relation to movement in fair value reserve	-	-	0.7	-	-	-	**0.7**	-	**0.7**

Movement in hedging reserve	-	-	-	(0.3)			**(0.3)**	-	**(0.3)**
Currency translation differences	-	-	-	-	2.2	-	**2.2**	-	**2.2**
Total comprehensive income for the period	-	-	(23.3)	(0.3)	2.2	395.1	**373.7**	(4.6)	**369.1**
Transactions with equity holders									
Dividends	-	-	-	-	-	(332.7)	**(332.7)**	(0.4)	**(333.1)**
Share scheme credit	-	-	-	-	-	56.7	**56.7**	-	**56.7**
Deferred tax credit on share scheme credit	-	-	-	-	-	3.3	**3.3**	-	**3.3**
Changes in ownership interests without a change in control	-	-	-	-	-	11.2	**11.2**	8.1	**19.3**
Total transactions with equity holders	-	-	-	-	-	(261.5)	**(261.5)**	7.7	**(253.8)**
As at 31 December 2018	**0.3**	**13.1**	**13.5**	**(0.3)**	**18.2**	**713.5**	**758.3**	**12.8**	**771.1**

Notes to the financial statements

For the year ended 31 December 2018

1. General information

Admiral Group plc is a company incorporated in England and Wales. Its registered office is at Ty Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The Group has branches in Spain, Italy, France, Canada and India as part of its international insurance and price comparison businesses.

Adoption of new and revised standards

The Group has adopted the following IFRS and interpretations during the year, which have been issued and endorsed by the EU:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 "Classification and Measurement of Share-based payment transactions"

The application of these amendments has not had a material impact on the Group's results, financial position and cash flows. Further information on the impact of the transition to IFRS 9 and IFRS 15 is provided below.

IFRS 9
During the year the Group has applied IFRS 9 Financial Instruments with a date of initial application of 1 January 2018, which resulted in changes in accounting policies and the potential for adjustments to the amounts previously recognised in the financial statements in respect of financial instruments.

As permitted by the transitional provisions of IFRS 9 the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition would be recognised in the opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the period (as well as previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 7.

a. Impact of transition

A reconciliation of the opening retained earnings and fair value reserve under IAS 39 and IFRS 9 is provided below:

	Note	Impact of adopting IFRS 9 on opening balance sheet £m
Fair value reserve		
Recognition of expected credit losses under IFRS 9 for financial assets at FVOCI, net of tax	7c	0.4
Impact at 1 January 2018		**0.4**
Retained profit and loss		
Recognition of expected credit losses under IFRS 9 for financial assets at FVOCI, net of tax	7c	(0.4)
Impact		**(0.4)**

a. Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are as follows:

	IAS 39		IFRS 9	
Financial Assets	Measurement Category	Carrying Amount (£m)	Measurement Category (£m)	Carrying Amount (£m)
Government gilts	Available for sale (FVOCI)	173.8	FVOCI	173.8
Debt securities	Available for sale (FVOCI)	1,319.7	FVOCI	1,319.7
Deposits with credit institutions	Loans and receivables (Amortised cost)	130.0	Amortised cost	130.0
Money-market funds	FVTPL	1,071.9	FVTPL (mandatory)	1,071.9
Equity instruments	FVTPL	2.6	FVOCI (designated)	2.6
Cash and cash equivalents	Loans and receivables (Amortised cost)	326.8	Amortised cost	326.8
Trade and other receivables	Loans and receivables (Amortised cost)	202.1	Amortised cost	202.1

Derivative financial instruments	FVTPL	2.4	FVTPL	2.4
Insurance receivables	Loans and receivables (Amortised cost)	737.6	Amortised cost	737.6
Loans and advances to customers	Loans and receivables (Amortised cost)	66.2	Amortised cost	66.2

It can be seen from the above that there is no difference in the carrying amount of financial instruments under IAS 39 and IFRS 9. The classification of all financial assets has also remained consistent other than equity investments which have been elected to be treated as FVOCI as permitted under IFRS 9. The basis for the classification of the financial assets is set out in note 7c. There is no material impact to the income statement as a result.

There were no changes to the classification and measurement of financial liabilities. Financial liabilities consist of subordinated notes, trade and other payables, loan backed securities through the Group's special purpose entity ("SPE"), and a credit facility. These are measured at amortised cost under IAS 39 and this has not changed under IFRS 9.

a. **Impairment of financial assets**

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Group applies the impairment requirements of IFRS 9, see note 7.

IFRS 15

During the year the Group has applied IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has opted to apply IFRS 15 retrospectively using the cumulative effect method i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. No differences in the accounting treatment between these standards have been identified in relation to the Group's revenue.

The Group has not identified any impact on the consolidated financial statements for the year ending 31 December 2018 as a result of adopting IFRS 15 and therefore no transition adjustment is presented. The disclosures required by IFRS 15 are set out in note 8 to the financial statements.

Standards endorsed but not yet effective

As at 31 December 2018, the following standards had been endorsed by the EU but are not yet effective:

- IFRS 16 Leases (effective date 1 January 2019).

IFRS 16 Leases was issued in early 2016 and is effective from 1 January 2019. The standard specifies how firms will recognise, measure, present and disclose leases. It presents a single lessee accounting model and requires that assets and liabilities to be recognised in the Consolidated statement of financial position, other than in the cases where leases are of low value or of a short-term nature of 12 months or less.

The Group has opted to apply the modified retrospective approach to transition that is permitted under IFRS

16. Impact assessments performed during 2018 conclude that:

- Property leases represent the most significant class of lease held by the Group that will be impacted by the new standard.
- There will be no adjustment to IFRS equity at the transition date of 1 January 2019.
- The presentation of the Consolidated statement of financial position will be significantly impacted, with material lease liabilities and 'Right of Use' assets being included for the first time. The total lease liability is expected to be in the region of £140 million to £160 million, with a corresponding 'Right of Use' asset.

The profile of lease related expense recognised in the Consolidated income statement is not expected to change materially.

Standards yet to be endorsed by the EU

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2018 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. The following IFRSs have been issued but have not been applied by the Group in these financial statements:

- IFRS 17 Insurance Contracts;
- Annual improvements to IFRS standard 2015-2017 cycle;
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Amendment to IFRS 3 "Business Combinations"
- Amendments to IAS 1 and IAS 7 "Definition of Material"

IFRS 17 - Insurance contracts

IFRS 17 Insurance Contracts was issued in May 2017. The standard will replace IFRS 4, establishing new principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the standard. The current IASB effective date is 1 January 2021, although the IASB has proposed a delay of one year to the effective date to 1 January 2022.

The Group is currently assessing the impact of IFRS 17 on its results and financial position, along with any impacts of the other standards and amendments which have yet to be endorsed.

2. Basis of preparation

The accounts have been prepared on a going concern basis. In considering this requirement, the Directors have taken into account the following:

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

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, notes 6 and 11 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

The Group has securitised certain loans and advances to customers by the transfer of the loans to a special purpose entity ("SPE") controlled by the Group. The securitisation enables a subsequent issuance of debt by the SPE to investors who gain the security of the underlying asses as collateral. The SPE is fully consolidated into the Group financial statements under IFRS 10, as the Group controls the entity in line with the above definition.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed. 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 key sources of estimation uncertainty

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

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

A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make this judgement. All reinsurance contracts (both excess of loss and quota share contracts) held by the Group have been assessed and it has been concluded that all contracts transfer significant insurance risk and have therefore been classified and accounted for as reinsurance contracts within these financial statements.

- Consolidation of the Group's special purpose entity ("SPE")

During the year the Group set up an SPE in relation to the Admiral Loans business, whereby the Group has securitised certain loans by the transfer of the loans to the SPE. The securitisation enables a subsequent issue of debt by the SPE to investors who gain the security of the underlying assets as collateral.

The accounting treatment of the SPE has been assessed and it has been concluded that it should be fully consolidated into the Group's financial statements under IFRS 10. This is due to the fact that despite not having legal ownership, the Group has control of the SPE, being exposed to the returns and having the ability to affect those returns through its power over the SPE.

The SPE has therefore been fully consolidated into the Group's financial statements.

There are two further significant accounting estimates within the financial statements that also require management to apply judgement:

- Calculation of insurance claims reserves:

The Group's reserving policy requires management to set insurance claims reserves for the purpose of the financial statements, above the projected best estimate outcome, to allow for unforeseen adverse claims development. Management applies judgement in determining where, above the projected best estimate outcome the insurance claims reserves should sit, in line with the Group's reserving methodology. Refer to the section on estimation techniques below, and the analysis of Insurance risk in note 5 to the financial statements for further detail on the development of the Group's reserving methodology applied during the period and the calculation of the projected best estimate outcome.

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

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

Key sources of estimation uncertainty

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

The Group's reserving policy requires management to reserve above the projected best estimate, or ultimate, outcome, to allow for unforeseen adverse claims development. There are two key areas of estimation uncertainty: the actuarial best estimate and the margin held above this best estimate.

Best estimate

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

The Group's independent actuarial advisors project the best estimate claims reserves using a variety of different recognised actuarial projection techniques (for example incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their potential outcome. This includes an allowance for unreported claims.

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

The Group's reserving methodology which determines the basis for setting this reserve estimate has been developed and enhanced in the period in line with new information that has become available in relation to both the projected best estimate reserve and the reserve uncertainty through the Group's development of its internal capital model.

Margin

A wide range of factors inform management's recommendation in setting the margin held above actuarial best estimates, which is subject to approval from the Group's Reserving and Audit Committees, including:

- Reserve KPIs such as the level of margin as a percentage of the ultimate reserve.
- Results of stress testing of key assumptions underpinning key actuarial assumptions within best estimate reserves.
- A review of a number of individual and aggregated reserve scenarios which may result in future adverse variance to the ultimate best estimate reserve.
- Qualitative assessment of the level of uncertainty and volatility within the reserves and the change in that assessment compared to previous periods.

In addition, the internal reserve risk distribution is used to determine the approximate confidence level of the recommended booked reserve position which enables comparison of the reserve strength to previous periods and demonstration of the compliance with IFRS 4.

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

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

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The consolidated financial statements comprise the results and balances of the Company and all entities controlled by the Company, being its subsidiaries and special purpose entity (together referred to as the Group), for the year ended 31 December 2018 and comparative figures for the year ended 31 December 2017. The financial statements of the Company's subsidiaries and its special purpose entity are consolidated in the Group financial statements.

The Company controls 100% of the voting share capital of all its principal subsidiaries, except Admiral Law Limited, BDE Law Limited, Inspop USA LLC, the indirect holding in comparenow.com Insurance Agency LLC, Rastreator.com Limited, the indirect holding in Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal, Preminen Price Comparison Holdings Limited and the indirect holding in Preminen Dragon Price Comparison Limited.

The SPE is fully consolidated into the Group financial statements under IFRS 10, whereby the Group has control over the SPE.

The Parent Company financial statements present information about the Company as a separate entity and not about its Group. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the consolidated financial statements.

(ii) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, rounded to the nearest £0.1 million, which is the Group's presentation currency.

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

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

The financial statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (sterling) as follows:

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

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

4b. Segment reporting

The Group has four reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8 Operating Segments.

UK Insurance

The segment consists of the underwriting of car insurance, van insurance, household insurance, travel insurance and other products that supplement these insurance policies within the UK. It also includes the generation of revenue from additional products and fees from underwriting insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Car Insurance

The segment consists of the underwriting of car insurance and the generation of revenue from additional products and fees from underwriting car insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier - assurance auto in France and Elephant Auto in the US. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Price Comparison

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

Other

The 'Other' segment is designed to be comprised of all other operating segments that do not meet the threshold requirements for individual reporting. It includes the Admiral Loans business and the Group's commercial van insurance broker, Gladiator.

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

An analysis of the Group's revenue and results for the year ended 31 December 2018, by reportable segment, is shown below. The accounting policies of the reportable segments are materially consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2018					
	UK Insurance	**International Car Insurance**	**Price Comparison**	**Other**	**Eliminations*2**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Turnover*1	**2,575.7**	**538.7**	**151.0**	**17.5**	**(19.3)**	**3,263.6**
Net insurance premium revenue	**523.9**	**147.9**	**-**	**-**	**-**	**671.8**
Other Revenue and profit commission	**389.5**	**18.6**	**151.0**	**13.3**	**(18.6)**	**553.8**
Investment return	**32.3**	**1.3**	**-**	**-**	**(0.7)**	**32.9**
Net revenue	**945.7**	**167.8**	**151.0**	**13.3**	**(19.3)**	**1,258.5**
Net insurance claims	**(242.5)**	**(107.6)**	**-**	**-**	**-**	**(350.1)**
Expenses	**(146.5)**	**(61.3)**	**(144.4)**	**(26.9)**	**19.3**	**(359.8)**
Segment profit/(loss) before tax	**556.7**	**(1.1)**	**6.6**	**(13.6)**	**-**	**548.6**
Other central revenue and expenses, including share scheme charges						**(64.2)**
Investment and interest income						**3.1**
Finance costs						**(11.3)**
Consolidated profit before tax						**476.2**
Taxation expense						**(85.7)**
Consolidated profit after tax						**390.5**
Other segment items:						
- Intangible and tangible asset additions	**43.0**	**29.8**	**2.0**	**2.2**	**-**	**77.0**
- Depreciation and amortisation	**49.7**	**26.4**	**1.1**	**0.8**	**-**	**78.0**

*1 Turnover is an Alternative Performance Measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to the glossary and note 13 for further information.
*2 Eliminations are in respect of the intra-group trading between the Group's price comparison and UK and International insurance entities and intra-group interest.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2017 are shown below.

	Year ended 31 December 2017					
	UK Insurance	International Car Insurance	Price Comparison	Other	Eliminations*2	Total
	£m	£m	£m	£m	£m	£m
Turnover*1	2,354.0	449.8	143.6	10.8	(19.8)	2,938.4

Net insurance premium revenue	491.6	127.5	-	-	-	619.1
Other Revenue and profit commission	316.8	16.7	143.6	10.8	(19.8)	468.1
Investment return	32.6	0.6	-	-	-	33.2
Net revenue	841.0	144.8	143.6	10.8	(19.8)	1,120.4
Net insurance claims	(250.1)	(97.0)	-	-	-	(347.1)
Expenses	(124.3)	(62.1)	(138.2)	(8.4)	19.8	(313.2)
Segment profit/(loss) before tax	466.6	(14.3)	5.4	2.4	-	460.1
Other central revenue and expenses, including share scheme charges						(53.7)
Investment and interest income						8.5
Finance costs						(11.4)
Consolidated profit before tax						403.5
Taxation expense						(71.9)
Consolidated profit after tax						331.6
Other segment items:						
- Intangible and tangible asset additions	37.3	30.5	0.9	-	-	68.7
- Depreciation and amortisation	44.4	26.8	1.0	0.1	-	72.3

*1 Turnover is an Alternative Performance Measure and consists of total premiums written (including co-insurers' share) and Other Revenue. Refer to the glossary and note 13 for further information.
*2 Eliminations are in respect of the intra-group trading between the Group's price comparison and UK and International insurance entities.

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 £19.3 million (2017: £19.8 million) which has been eliminated on consolidation. There are no other transactions between reportable segments.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues.

Information about geographical locations

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

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2018 are as follows:

	As at 31 December 2018					
	UK Insurance	**International Car Insurance**	**Price Comparison**	**Other**	**Eliminations**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Property and equipment	**22.0**	**3.7**	**2.4**	**-**	**-**	**28.1**
Intangible assets	**64.9**	**30.8**	**1.3**	**65.0**	**-**	**162.0**
Reinsurance assets	**1,540.6**	**343.1**	**-**	**(0.2)**	**-**	**1,883.5**
Insurance and other receivables	**1,389.5**	**191.7**	**36.7**	**17.0**	**(552.9)**	**1,082.0**
Financial investments	**2,590.6**	**182.8**	**20.0**	**-**	**-**	**2,793.4**

Loans and advances to customers	**-**	**-**	**-**	**300.2**	**-**	**300.2**
Cash and cash equivalents	**152.9**	**78.9**	**28.8**	**32.9**	**-**	**293.5**
Reportable segment assets	**5,760.5**	**831.0**	**89.2**	**414.9**	**(552.9)**	**6,542.7**
Insurance contract liabilities	**3,197.9**	**538.9**	**-**	**(0.4)**	**-**	**3,736.4**
Trade and other payables	**1,672.4**	**163.2**	**35.0**	**383.7**	**(452.8)**	**1,801.5**
Other financial liabilities	**-**	**-**	**-**	**240.1**	**-**	**240.1**
Reportable segment liabilities	**4,870.3**	**702.1**	**35.0**	**623.4**	**(452.8)**	**5,778.0**
Reportable segment net assets	**890.2**	**128.9**	**54.2**	**(208.5)**	**(100.1)**	**764.7**
Unallocated assets and liabilities						**6.4**
Consolidated net assets						**771.1**

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.

The segment assets and liabilities at 31 December 2017 are as follows:

	As at 31 December 2017					
	UK Insurance	International Car Insurance	Price Comparison	Other	Eliminations	Total
	£m	£m	£m	£m	£m	£m
Property and equipment	24.8	5.2	1.3	-	-	31.3
Intangible assets	68.9	25.4	1.5	63.6	-	159.4
Reinsurance assets	1,364.3	273.1	-	0.2	-	1,637.6
Insurance and other receivables	1,137.9	169.9	35.0	10.9	(347.8)	1,005.9
Financial investments	2,411.5	50.1	3.8	-	-	2,465.4
Cash and cash equivalents	169.1	103.1	27.2	20.6	-	320.0
Reportable segment assets	5,176.5	626.8	68.8	95.3	(347.8)	5,619.6
Insurance contract liabilities	2,883.4	430.2	-	0.3	-	3,313.9
Trade and other payables	1,540.6	142.4	21.4	200.4	(263.2)	1,641.6
Reportable segment liabilities	4,424.0	572.6	21.4	200.7	(263.2)	4,955.5
Reportable segment net assets	752.5	54.2	47.4	(105.4)	(84.6)	664.1
Unallocated assets and liabilities						(8.3)
Consolidated net assets						655.8

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue - premiums

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

(ii) Revenue - profit commission

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

Profit commission receivable from reinsurance contracts is accounted for in line with IFRS 4, whereas profit commission receivable from co-insurance contracts is in line with IFRS 15. Further detail of the policy under IFRS 15 is set out in note 8.

(iii) Insurance contracts and reinsurance assets

Premiums

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

Claims

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

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

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

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

Co-insurance

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

Reinsurance assets

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

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

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

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

5b. Net insurance premium revenue

	31 December 2018 £m	31 December 2017 £m
Total insurance premiums written before co-insurance*1	**2,754.1**	2,499.4
Group gross premiums written after co-insurance	**2,166.7**	1,927.7
Outwards reinsurance premiums	**(1,464.3)**	(1,299.7)
Net insurance premiums written	**702.4**	628.0
Change in gross unearned premium provision	**(87.1)**	(197.8)
Change in reinsurers' share of unearned premium provision	**56.5**	188.9
Net insurance premium revenue	**671.8**	619.1

1Alternative Performance Measures - refer to the end of the report for definition and explanation, and to note 13a for reconciliation to group gross premiums written

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 10 or 12 months.

5c. Profit commission

	31 December 2018 £m	31 December 2017 £m
Underwriting year (UK car only)		
2013 and prior	**51.0**	64.7
2014	**10.1**	-
2015	**11.0**	-
2016	**22.9**	-
2017	**-**	-
Total UK Car profit commission*1	**95.0**	64.7
Total UK Household profit commission*1*2	**(1.8)**	2.3
Total profit commission	**93.2**	67.0

*1 Profit commission for the UK Car business relates solely to co-insurance arrangements and profit commission for the UK Household business relates solely to reinsurance arrangements.
*2 Movement in UK Household profit commission reflects adverse movements in cumulative profit commission recognised in previous periods

No profit commission has yet been recognised on the 2017 - 2018 underwriting years as the combined ratios calculated from the financial statement loss ratios on these years sit above the threshold for profit commission recognition.

5d. Reinsurance assets and insurance contract liabilities

(i) Objectives, policies and procedures for the management of insurance risk

The Group's primary business is the issuance of insurance contracts that transfer risk from policyholders to the Group and its co-insurance partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued. It is primarily comprised of Reserve risk; the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, and premium risk; the risk that the claims experience on business written but not earned is higher than allowed for in the premiums charged to policyholders.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 7, it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Reserving Committee which comprises senior managers within the finance, claims, pricing and actuarial functions. The Reserving Committee primarily recommends the approach for UK Car Insurance reserving but also reviews the systems and controls in place to support accurate reserving and material reserving issues such as Periodic Payment Order (PPO) and claims inflation, which represent the key uncertainties in the amount or timing of claims settlements.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

Reserve Risk

Reserving risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements;
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant;
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques;
- Internal actuarial analysis of reserve uncertainty through qualitative analysis, scenario testing and a range of stochastic reserving techniques;
- Ad hoc external reviews of reserving related processes and assumptions;
- Use of a reserving methodology which informs management's reserving decisions for the purposes of the Group's financial statements. As described in note 3, critical accounting judgements and estimates, the methodology determines that reserves should be set above projected best estimate outcomes to allow for unforeseen adverse claims development.

As noted above, the Group shares a significant amount of the insurance business generated with external underwriters. As well as these proportional arrangements, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Claims reserving

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

As at 31 December 2018, the level of relative reserve margin is lower than that at 31 December 2017, albeit remaining prudent when measured against the internal reserve risk distribution and other market benchmarks.

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

Premium Risk

As noted above, the Group defines Premium risk as the risk that claims cost on business written but not yet earned is higher than allowed for in the premiums charged to policyholders. This also includes catastrophe risk; the risk of incurring significant losses as a result of the occurrence of manmade catastrophe or natural weather events.

Key processes and controls operating to mitigate premium risk are as follows:

- Experienced and focused senior management and teams in relevant business areas including pricing and claims management;
- A data-driven and analytical approach to regular monitoring of claims and underwriting performance;
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, in particular pricing.

In addition, as mentioned above, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Other elements of insurance risk include reinsurance risk; the risk of placement of ineffective reinsurance arrangements, or the economic risk of reduced availability of co-insurance and reinsurance arrangements in future periods.

The Group mitigates these risks by ensuring that it has a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re and a number of other very large reinsurers.

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The international car insurance and UK household businesses further contribute to the diversification of the Group's insurance risk.

(ii) Sensitivity of recognised amounts to changes in assumptions

Ogden discount rate

As noted above, the gross and reinsurers' share of UK motor insurance liabilities in these financial statements are prepared on the basis of an Ogden discount rate of 0% (2017: minus 0.75%).

On 7 September 2017, the Lord Chancellor announced draft legislation to change the way in which the Ogden discount rate is set, with initial indications being that the new discount rate could be set between 0% and 1%. Royal asset was received in December 2018, with the new discount rate expected to be set during 2019.

The sensitivity of a change in this assumption by 50 basis points (both an increase and decrease) is shown in the table below. This is disclosed as Management consider it to be the most material assumption in the projection of the best estimate reserve outcomes. The impact presented is the total impact of the change on the Group's pre-tax profit on an ultimate basis. It should be noted that not all of the ultimate impact would necessarily be recognised immediately.

	2018 Net £m	**2017 Net £m**
Impact of increase in assumed Ogden discount rate of 50 basis points (to 0.5%) (2017: 0% compared to minus 0.75%)	76.2	85.6
Impact of decrease in assumed Ogden discount rate of 50 basis points (to minus 0.5%) (2017: minus 1.5% compared to minus 0.75%)	(94.2)	(142.7)

The impacts are stated net of co-insurance reinsurance and include the impact on net insurance claims along with the associated profit commission movements that result from the change in the Ogden rate.

Underwriting year loss ratios - UK Car Insurance

In addition to the sensitivity above, the following table sets out the impact on equity and post-tax profit or loss at 31 December 2018 that would result from a 1% - 3% increase, and a 1%, 3% and 5% decrease in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2015	2016	2017	2018
Booked loss ratio	77%	77%	83%	92%
Impact of 1% increase (£m)	(10.8)	(12.6)	(3.4)	(1.9)
Impact of 3% increase (£m)	(30.6)	(37.5)	(10.1)	(5.6)
Impact of 5% increase (£m)	(45.0)	(60.5)	(16.8)	(9.3)
Impact of 1% decrease (£m)	10.9	12.6	6.0	1.9
Impact of 3% decrease (£m)	32.6	38.2	27.8	5.6
Impact of 5% decrease (£m)	54.6	64.6	54.2	9.3

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

(iii) Analysis of recognised amounts

	31 December 2018 £m	31 December 2017 £m
Gross		
Claims outstanding*1	**2,740.5**	2,403.2
Unearned premium provision	**995.9**	910.7
Total gross insurance liabilities	**3,736.4**	3,313.9
Recoverable from reinsurers		
Claims outstanding	**1,220.1**	1,028.8
Unearned premium provision	**663.4**	608.8
Total reinsurers' share of insurance liabilities	**1,883.5**	1,637.6
Net		
Claims outstanding*2	**1,520.4**	1,374.4
Unearned premium provision	**332.5**	301.9
Total insurance liabilities - net	**1,852.9**	1,676.3

[*1] Gross claims outstanding at 31 December 2018 is presented before the deduction of salvage and

subrogation recoveries totalling £56.4 million (2017: £42.7 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 (v) below.

The maturity profile of gross insurance liabilities at the end of 2018 is as follows:

	< 1 year	**1-3 years**	**> 3 years**
	£m	**£m**	**£m**
Claims outstanding	**739.9**	**383.7**	**1,616.9**
Unearned premium provision	**995.9**	**-**	**-**
Total gross insurance liabilities	**1,735.8**	**383.7**	**1,616.9**

The maturity profile of gross insurance liabilities at the end of 2017 was as follows:

	< 1 year	1-3 years	> 3 years
	£m	£m	£m
Claims outstanding	847.7	697.9	857.7
Unearned premium provision	910.7	-	-
Total gross insurance liabilities	1,758.4	679.9	857.7

(iv) Analysis of claims incurred

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

	Financial year ended 31 December										
Analysis of claims incurred (gross amounts)	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
Underwriting year (UK insurance)											
2009 and prior	(239.3)	(99.9)	7.1	(5.6)	5.0	8.5	(2.9)	0.0	(1.4)	**6.5**	
2010	-	(260.4)	(257.2)	9.8	36.7	19.5	13.5	4.1	5.7	**(0.1)**	**(428.4)**
2011	-	-	(444.3)	(329.7)	43.3	51.4	47.9	(0.9)	26.8	**21.0**	**(584.5)**
2012	-	-	-	(463.7)	(334.7)	49.8	69.2	8.6	59.9	**30.3**	**(580.6)**
2013	-	-	-	-	(431.1)	(325.5)	53.6	44.4	34.2	**35.2**	**(589.2)**
2014	-	-	-	-	-	(438.2)	(347.1)	25.6	17.1	**52.0**	**(690.6)**
2015	-	-	-	-	-	-	(428.4)	(411.2)	21.7	**53.3**	**(764.6)**
2016	-	-	-	-	-	-	-	(529.4)	(463.7)	**82.1**	**(911.0)**
2017	-	-	-	-	-	-	-	-	(691.8)	**(615.0)**	**(1,306.8)**
2018	-	-	-	-	-	-	-	-	-	**(818.8)**	**(818.8)**
UK insurance gross claims incurred	**(239.3)**	**(360.3)**	**(694.4)**	**(789.2)**	**(680.8)**	**(634.5)**	**(594.2)**	**(858.8)**	**(991.5)**	**(1,153.5)**	
Underwriting year (International insurance)											
2009 and prior	(23.2)	(14.2)	(3.8)	(4.4)	(0.2)	1.6	0.3	0.1	0.2	**0.6**	
2010	-	(17.6)	(26.1)	(7.1)	0.1	3.5	1.0	0.5	0.4	**0.9**	**(44.4)**
2011	-	-	(35.7)	(42.7)	1.2	5.7	1.7	4.0	1.2	**1.3**	**(63.3)**
2012	-	-	-	(58.0)	(53.7)	0.7	4.0	6.0	2.6	**2.0**	**(96.4)**
2013	-	-	-	-	(68.2)	(57.8)	4.2	7.7	3.3	**5.8**	**(105.0)**

2014	-	-	-	-	-	(85.2)	(65.5)	4.4	5.8	**5.5**	**(135.0)**
2015	-	-	-	-	-	-	(92.6)	(101.6)	7.7	**3.1**	**(183.4)**
2016	-	-	-	-	-	-	-	(138.9)	(125.3)	**11.7**	**(252.5)**
2017	-	-	-	-	-	-	-	-	(174.1)	**(147.3)**	**(321.4)**
2018	-	-	-	-	-	-	-	-	-	**(204.9)**	**(204.9)**
International insurance gross claims incurred	**(23.2)**	**(31.8)**	**(65.6)**	**(112.2)**	**(120.8)**	**(131.5)**	**(146.9)**	**(217.8)**	**(278.2)**	**(321.3)**	
Other gross claims incurred	(10.5)	(7.6)	0.0	(1.7)	(2.2)	(7.1)	(5.4)	(0.1)	(3.6)	(1.1)	
Claims handling costs	(10.1)	(17.0)	(25.9)	(26.0)	(22.9)	(21.4)	(22.6)	(27.1)	(35.5)	(37.9)	
Total gross claims incurred	**(283.1)**	**(416.7)**	**(785.9)**	**(929.1)**	**(826.7)**	**(794.5)**	**(769.1)**	**(1,103.8)**	**(1,308.8)**	**(1,513.8)**	

	Financial year ended 31 December										
Analysis of claims incurred (net amounts)	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
Underwriting year (UK insurance)											
2009 and prior	(132.4)	(53.9)	8.7	(5.6)	5.0	8.5	(2.9)	5.2	5.4	**5.6**	
2010	-	(130.2)	(128.6)	8.4	36.7	19.5	13.5	8.8	6.0	**(2.0)**	**(167.9)**
2011	-	-	(203.7)	(151.1)	39.7	51.4	47.9	8.4	26.2	**16.3**	**(164.9)**
2012	-	-	-	(196.0)	(139.3)	49.8	69.2	19.4	59.1	**30.6**	**(107.2)**
2013	-	-	-	-	(184.4)	(135.0)	38.4	49.3	36.4	**34.7**	**(160.6)**
2014	-	-	-	-	-	(187.0)	(144.1)	(16.4)	25.3	**38.4**	**(283.8)**
2015	-	-	-	-	-	-	(182.1)	(162.0)	(2.6)	**42.6**	**(304.1)**
2016	-	-	-	-	-	-	-	(219.4)	(180.7)	**48.1**	**(352.0)**
2017	-	-	-	-	-	-	-	-	(214.3)	**(182.9)**	**(397.2)**
2018	-	-	-	-	-	-	-	-	-	**(261.0)**	**(261.0)**
UK insurance net claims incurred	(132.4)	(184.1)	(323.6)	(344.3)	(242.3)	(192.8)	(160.1)	(306.7)	(239.2)	**(229.6)**	
Underwriting year (International insurance)											
2009 and prior	(9.2)	(5.7)	(1.9)	(2.2)	(0.1)	0.8	0.1	0.0	0.1	**0.3**	
2010	-	(7.1)	(11.5)	(3.5)	0.0	1.7	0.5	0.2	0.2	**0.4**	**(19.1)**
2011	-	-	(14.9)	(18.7)	0.4	2.9	0.8	2.0	0.6	**0.6**	**(26.3)**
2012	-	-	-	(24.2)	(22.8)	(0.8)	2.0	2.2	1.3	**1.0**	**(41.3)**
2013	-	-	-	-	(26.6)	(23.5)	1.7	4.8	0.9	**3.0**	**(39.7)**
2014	-	-	-	-	-	(31.6)	(23.3)	1.8	1.8	**2.2**	**(49.1)**
2015	-	-	-	-	-	-	(33.4)	(39.6)	5.1	**1.3**	**(66.6)**
2016	-	-	-	-	-	-	-	(47.9)	(43.5)	**6.3**	**(85.1)**
2017	-	-	-	-	-	-	-	-	(60.7)	**(51.5)**	**(112.2)**
2018	-	-	-	-	-	-	-	-	-	**(71.2)**	**(71.2)**
International insurance net claims incurred	(9.2)	(12.8)	(28.3)	(48.6)	(49.1)	(50.5)	(51.6)	(76.5)	(94.2)	**(107.6)**	
Other net claims incurred	(4.4)	(3.1)	0.0	(0.8)	(2.1)	(6.9)	(5.4)	(0.2)	(2.6)	(1.1)	
Claims handling costs	(5.7)	(8.5)	(11.9)	(10.8)	(9.5)	(8.9)	(9.4)	(11.2)	(11.1)	(11.8)	
Total net claims incurred	**(151.7)**	**(208.5)**	**(363.8)**	**(404.5)**	**(303.0)**	**(259.1)**	**(226.5)**	**(394.6)**	**(347.1)**	**(350.1)**	

The table below shows the development of UK Car Insurance loss ratios for the past five financial periods, presented on an underwriting year basis.

UK Car Insurance loss ratio development	Financial year ended 31 December 2014	2015	2016	**2017**	**2018**
Underwriting year (UK car only)					
2014	92%	89%	84%	81%	76%
2015	-	87%	87%	83%	77%
2016	-	-	88%	84%	77%
2017	-	-	-	87%	83%
2018	-	-	-	-	92%

(v) Analysis of claims reserve releases

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

	Financial year ended 31 December				
	2014	2015	2016	2017	**2018**
Gross	£m	£m	£m	£m	**£m**
Underwriting year (UK Motor insurance)					
2014 and prior	148.1	197.7	133.8	158.3	**123.6**
2015	-	-	1.9	32.0	**50.9**
2016	-	-	-	23.7	**70.6**
2017	-	-	-	-	**25.4**
Total gross release (UK Motor Insurance)	148.1	197.7	135.7	214.0	**270.5**
Total gross release (UK Household Insurance)	-	-	-	1.6	**4.6**
Total gross release (International Insurance)	12.6	14.0	21.0	23.2	**35.2**
Total gross release	160.7	211.7	156.7	238.8	**310.3**

	Financial year ended 31 December				
	2014	2015	2016	2017	**2018**
Net	£m	£m	£m	£m	**£m**
Underwriting year (UK Motor Insurance)					
2014 and prior	137.4	173.4	74.6	158.3	**123.4**
2015	-	-	0.8	(2.4)	**42.5**
2016	-	-	-	10.0	**47.1**
2017	-	-	-	-	**8.0**
Total net release (UK Motor Insurance)	137.4	173.4	75.4	165.9	**221.0**
Total net release (UK Household Insurance)				0.5	**1.4**
Total net release (International Insurance)	6.3	6.5	9.9	9.5	**13.5**
Total net release	143.7	179.9	85.3	175.9	**235.9**
Analysis of net releases on UK Motor Insurance:					
- Net releases on Admiral net share (motor)	66.8	84.6	58.3	92.1	**111.4**
- Releases on commuted quota share reinsurance contracts	70.6	88.8	17.1	73.8	**109.6**
Total net release as above	137.4	173.4	75.4	165.9	**221.0**

Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. Releases on commuted quota share contracts are analysed by underwriting year as follows:

	Financial year ended 31 December				
	2014	2015	2016	2017	**2018**
	£m	£m	£m	£m	**£m**
Underwriting year					

2013 and prior	70.6	88.8	51.4	74.7	**48.2**
2014	-	-	(34.3)	14.9	**22.4**
2015	-	-	-	(15.8)	**21.3**
2016	-	-	-	-	**17.7**
Total releases on commuted quota share reinsurance contracts	70.6	88.8	17.1	73.8	**109.6**

Included within releases on commuted quota share contracts are accruals for additional reserves arising from the commutation of the remaining 2015 and all of the 2016 UK motor quota share contracts. Any future positive developments of this loss ratio would lead to the reversal of the amounts accrued. Refer to the business review earlier in this report for further detail.

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in claims provision

	31 December 2018		
	Gross	Reinsurance	Net
	£m	£m	£m
Claims provision at start of period	**2,403.2**	**(1,028.8)**	**1,374.4**
Claims incurred (excluding releases)	**1,786.2**	**(1,212.0)**	**574.2**
Reserve releases	**(310.3)**	**74.4**	**(235.9)**
Movement in claims provision due to commutation	**-**	**310.4**	**310.4**
Claims paid and other movements	**(1,138.6)**	**635.9**	**(502.7)**
Claims provision at end of period	**2,740.5**	**(1,220.1)**	**1,520.4**

	31 December 2017		
	Gross	Reinsurance	Net
	£m	£m	£m
Claims provision at start of period	2,030.8	(701.6)	1,329.2
Claims incurred (excluding releases)	1,512.1	(1,000.2)	511.9
Reserve releases	(238.8)	62.9	(175.9)
Movement in claims provision due to commutation	-	109.1	109.1
Claims paid and other movements *1	(900.9)	501.0	(399.9)
Claims provision at end of period	2,403.2	(1,028.8)	1,374.4

(viii) Reconciliation of movement in net unearned premium provision

	31 December 2018		
	Gross	Reinsurance	Net
	£m	£m	£m
Unearned premium provision at start of period	**910.7**	**(608.8)**	**301.9**
Written in the period	**2,166.7**	**(1,464.3)**	**702.4**
Earned in the period	**(2,081.5)**	**1,409.7**	**(671.8)**
Unearned premium provision at end of period	**995.9**	**(663.4)**	**332.5**

	31 December 2017		
	Gross	Reinsurance	Net
	£m	£m	£m
Unearned premium provision at start of period	718.7	(424.8)	293.9
Written in the period	1,927.7	(1,299.7)	628.0
Earned in the period	(1,735.7)	1,115.7	(620.0)
Unearned premium provision at end of period	910.7	(608.8)	301.9

6. Investment Income and costs

6a. Accounting policies

Investment return from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as 'fair value through profit or loss' (FVTPL), interest income and net realised gains, net of impairment losses, from financial assets classified as "fair value through other comprehensive income" (FVOCI), and interest income on holdings in deposits with credit institutions (held at amortised cost).

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

6b. Investment return

	31 December 2018 £m	31 December 2017 £m
Investment return		
On assets classified as FVTPL	**6.3**	1.9
On debt securities classified as FVOCI*3	**23.8**	27.9
On deposits with credit institutions*1	**3.0**	3.4
On government gilt assets*1	**4.1**	4.6
Net realised gains:		
Realised gains on sale of gilt assets	**-**	5.4
Net unrealised losses		
Unrealised losses on forward contracts	**(2.3)**	(2.3)
Interest receivable on cash and cash equivalents*1	**1.1**	0.8
Total investment and interest income *2	**36.0**	41.7

*1 Interest received during the year was £8.0 million (2017: £8.0 million)
*2 Total investment return excludes £0.7 million of intra-group interest (2017: £nil)
*3 Realised gains/losses on sales of debt securities classified as FVOCI are immaterial

6c. Finance costs

	31 December 2018 £m	31 December 2017 £m
Interest payable on subordinated loan notes*1	**11.3**	11.4
Total finance costs	**11.3**	11.4

*1 Interest paid during the year was £11.0 million (2017: £11.1 million)

Finance costs represent interest payable on the £200 million (2017: £200 million) subordinated notes and other financial liabilities.

6d. Interest expense

	31 December 2018	31 December 2017

	£m	£m
Interest payable on loan backed securities	**1.7**	-
Interest payable on revolving credit facility	**1.9**	0.4
Total finance costs*1	**3.6**	0.4

*1 Interest paid in total during the year was £3.1 million (2017: £0.2 million)

Interest expense represents the interest payable on funding for the Admiral loans business, in the form of a credit facility of £200 million (of which £71.5 million was drawn down at 31 December 2018) and loan backed securities through an SPE with funding up to £300 million (of which £168.3 million was drawn down at 31 December 2018).

7. Financial Assets and Financial Liabilities

7a. Accounting policies

i) Financial assets

Classification and measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

a. the Group's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

- Amortised cost - assets which are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

The carrying amount is adjusted by the expected credit loss allowance. Interest income from these assets is included in 'Interest return' using the effective interest rate method. For the Group these include deposits with credit institutions, cash and cash equivalents, insurance receivables, trade and other receivables and loans and advances to customers.

- Fair value through other comprehensive income (FVOCI) - assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

Movements in the carrying amount are taken through OCI, with the exception of recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss. For the Group these assets include government gilts and debt securities. In addition, IFRS 9 allows an irrevocable election at initial recognition to designate equity investments at FVOCI that otherwise would be held at FVTPL, provided these are not held for trading. The Group has made this election for certain equity investments.

- Fair value through profit or loss (FVTPL) - assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL. For the Group these assets include investment liquidity funds investing in short duration assets and derivative financial instruments.

A gain or loss on a debt instrument measured at FVTPL which is not part of a hedging relationship is recognised in profit or loss and presented within 'Investment return' in the period in which it arises.

Impairment

IFRS 9 outlines an expected credit loss (ECL) model for impairments, which replaces the incurred loss model under IAS 39. Under IFRS 9 an expected credit loss should be calculated for all assets measured at amortised cost, as well as debt instruments measured at FVOCI.

De-recognition

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

ii) Financial Liabilities

Classification and subsequent measurement

Subsequent measurement of financial liabilities is at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement.

De-recognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

7b. Financial assets and liabilities

The Group's financial assets and liabilities can be analysed as follows:

	31 December 2018 £m	31 December 2017 £m
Financial investments mandatorily measured at FVTPL		
Money market funds	**1,301.1**	1,069.3
Derivative financial instruments	**-**	2.4
	1,301.1	1,071.7
Financial investments classified as FVOCI		
Debt securities	**1,389.9**	1,319.7
Government gilts	**170.9**	173.8
Equity investments*1	**7.8**	2.6
	1,568.6	1,496.1
Financial assets measured at amortised cost		
Deposits with credit institutions	**100.0**	130.0
Total financial investments	**2,969.7**	2,697.8
Other financial assets measured at amortised cost		
Insurance receivables	**842.3**	737.6
Trade and other receivables	**239.7**	202.1
Insurance and other receivables	**1082.0**	939.7
Loans and advances to customers	**300.2**	66.2
Cash and cash equivalents	**376.8**	326.8
Total financial assets	**4,728.7**	4,030.5
Financial liabilities		
Subordinated notes	**204.1**	204.0
Loan backed securities	**168.3**	-
Other borrowings	**71.8**	20.0

Subordinated and other financial liabilities	**444.2**	224.0
Trade and other payables	**1,801.5**	1,641.6
Total financial liabilities	**2,245.7**	1,865.6

*1 Previously held at FVTPL under IAS 39

The maturity profile of financial assets and liabilities at 31 December 2018 is as follows:

	On demand	**< 1 year**	**Between 1 and 2 years**	**> 2 years**
	£m	**£m**	**£m**	**£m**
Financial investments				
Money market funds and derivative financial instruments	-	1,296.9	2.1	2.1
Deposits with credit institutions	-	60.0	40.0	-
Debt securities	-	295.3	210.7	883.9
Government gilts	-	-	-	170.9
Total financial investments	-	1,652.2	252.8	1,056.9
Insurance receivables	-	842.3	-	-
Trade and other receivables	-	239.7	-	-
Loans and advances to customers	-	102.1	91.2	106.9
Cash and cash equivalents	376.8	-	-	-
Total financial assets*1	376.8	2,836.3	344.0	1,163.8
Financial liabilities				
Subordinated notes	-	4.9	-	199.2
Loan backed securities	-	60.2	53.0	55.1
Other borrowings	-	71.8	-	-
Trade and other payables	-	1,801.5	-	-
Total financial liabilities	-	1,938.4	53.0	254.3

*1 Equity investments totalling £7.8 million do not have a maturity date and are not included in the total above.

The maturity profile of financial assets and liabilities at 31 December 2017 was as follows:

	On demand	< 1 year	Between 1 and 2 years	> 2 years
	£m	£m	£m	£m
Financial investments				
Money market funds and derivative financial instruments	-	1,071.7	-	-
Deposits with credit institutions	-	30.0	70.0	30.0
Equity investments	-	2.6	-	-
Debt securities	-	341.2	199.5	779.0
Government gilts	-	1.0	-	172.8
Total financial investments	-	1,446.5	269.5	981.8
Insurance receivables	-	671.4	-	-
Trade and other receivables	-	268.3	-	-
Loans and advances to customers	-	17.0	16.9	32.3
Cash and cash equivalents	326.6	-	-	-
Total financial assets	343.8	2,403.1	284.5	999.1
Financial liabilities				
Subordinated notes	-	4.8	-	199.2
Other borrowings	-	20.0	-	-

Trade and other payables	-	1,641.6	-	-
Total financial liabilities	**-**	**1,666.4**	**-**	**199.2**

7c. Financial Investments

	FVTPL £m	FVTOCI £m	Amortised Cost £m	Total £m
AAA- AA	496.3	685.7	95.3	1,277.3
A	547.6	609.5	344.2	1,501.3
BBB	8.1	256.6	36.9	301.6
Sub BBB	-	-	0.4	0.4
Not rated*1	249.1	16.8	-	265.9
Total financial investments	**1,301.1**	**1,568.6**	**476.8**	**3,346.5**

*1The majority of exposure which is 'Not rated' stems from a holding in a AAA rated liquidity fund (rated AAAf/S1 by Fitch) which invests in money market instruments collateralised by UK government bonds.

Classification

At initial recognition, the Group measures financial investments at fair value plus or minus, in the case of financial instruments not measured at fair value through profit and loss, directly attributable transaction costs. Transaction costs of financial instruments measured at fair value through profit and loss are expensed to the profit and loss when incurred.

Money market funds and derivative financial instruments are measured at FVTPL. These assets are used to invest regulatory capital within the Group, and surplus liquidity which may be held. Buying and selling activity occurs depending on timing of different cashflows.

Government gilts and debt securities are measured at FVOCI and as such fall under the scope of the ECL model. These assets are held to match policyholder liabilities or interest on debt liabilities. Selling of these assets has occurred, and is likely to occur in future.

Private Equity investments have been designated as being reported through FVOCI. These investments are long term, strategic investments. Dividends are recognised in the Income Statement whilst a change in fair values will be reflected in OCI. Given the immaterial amount (£7.8 million) of these investments, detailed levelling disclosures have not been provided.

Impairment

All financial assets held at FVOCI and at amortised cost have been assessed for impairment using the expected credit loss model under IFRS 9. The assessment has been made based on the credit ratings of the entities, and externally available credit loss ratios.

The fair value of the gilts and debt securities is calculated with reference to quoted market valuations and as such take into account future expected credit losses. As a result, no material impairment provision is required. The calculated impairment loss within the fair value is recognised through the Income Statement whilst fair value movements are recognised in other comprehensive income.

All assets that are purchased, which require a calculation of impairment, are of considered investment grade or above (i.e. BBB rated or higher), as defined by an external credit rating agency or an assessment from Admiral's external asset managers. The credit rating of all assets is regularly monitored. As at the year end reporting date all financial assets are of investment grade and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12 month expected loss is used to calculate the impairment provision required.

If any assets were to be downgraded below BBB the Group would consider these to be have significantly increased in credit risk since inception, therefore enter stage 2 under IFRS9.

On transition from IAS39 to IFRS9 an impairment provision of £0.4 million was recognised on these assets. This increased to £0.5 million at 31 December 2018. Given there is no material change in the credit quality or type of financial assets in the year and the movement in provision is immaterial, no further disclosure has been made.

Deposits are held with well rated institutions; as such no impairment provision is required.

Fair value measurement

For assets held at fair value through profit and loss, their value equates to level one (quoted prices in active markets) of the fair value hierarchy.

The measurement of debt securities and government gilts is based on active quoted market values (level one).

Deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level two valuation is used. The book value of these deposits is £100.0 million (2017: £130.0 million).

Equity investments held at fair value are measured at level three of the fair value hierarchy. No further information is provided due to the immateriality of the balance at 31 December 2018.

7d Cash and cash equivalents

	31 December 2018 £m	31 December 2017 £m
Cash at bank and in hand	**376.0**	325.3
Short-term deposits	**0.8**	1.5
Total cash and cash equivalents	**376.8**	326.8

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

An assessment has been completed for impairment purposes. Given the short-term duration of these assets and low risk of these assets, no impairment provision has been recognised. This will be regularly tracked and monitored.

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity. All assets are of investment grade or above (e.g. BBB rated or higher). The credit rating of all assets is regularly monitored. As at the year end reporting date all financial assets are of investment grade and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12 month expected loss is used to calculate the impairment provision required.

7e Loans and advances to customers

	31 December 2018 £m	31 December 2017 £m
Loans and advances to customers - gross carrying amount	**310.4**	67.4
Loans and advances to customers - provision	**(10.2)**	(1.2)
Total loans and advances to customers	**300.2**	66.2

Loans and advances to customers relate to the Admiral loans business. This includes unsecured personal loans and car finance products.

Due to the size of the provision and sensitivities that could reasonably be applied, this is not considered a critical accounting judgement or key source of estimation uncertainty.

Classification

Loans and advances to customers are measured at amortised cost. This is because the assets are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding.

Fair value measurement

The amortised cost of loans and advances to customers is a reasonable approximation of fair value.

Expected credit losses

The expected credit loss model is a three-stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using a probability of default (PD), exposure at default (EAD) and loss given default (LGD) defined as follows:

- Probability of Default (PD): The likelihood of an account default calibrated through analysis of historic customer behaviour.
- Exposure at Default (EAD): The amount of balance at the time of default. For loans that are in arrears the EAD is taken as the current balance, for up to date loans the contractual outstanding balance in each future month is used.
- Loss Given Default (LGD): The amount of the asset lost if a borrower defaults, determined through a combination of historic recovery performance and expert judgement.

The PD is applied to the EAD balance to calculate the expected loss stemming from each future period based on the likelihood of the customer entering default on the exposure at that point. The LGD is then applied to this loss to calculate the total expected loss excluding recoveries. A forward looking provision is also calculated, as set out later in this note.

The three stages of the model are defined as follows:

- Stage 1 - no significant increase in credit risk of the financial asset since inception;
- Stage 2 - significant increase in credit risk of the financial asset since inception;
- Stage 3 - financial asset is credit impaired.

For instruments in stage 1, the allowance is calculated as the expected credit losses that result from default events possible within 12 months after the reporting date. For instruments in stages 2 and 3 the allowance is calculated as the expected credit loss on a lifetime basis.

Significant increase in credit risk

A significant increase in credit risk is deemed to have occurred where:

- The loan is 1 to 3 loan payments in arrears, or
- Two or more payments are overdue elsewhere, other than within the Admiral loans business;

The Group will not rebut the presumption within IFRS 9 that loans which are 30 days past due have experienced a significant increase in credit risk.

Credit Impaired

A loan is deemed to be credit impaired where 4 or more payments have been missed, or where there is a confirmed IVA agreement or debt collection agency instruction. The Group will not rebut the presumption within IFRS 9 that default has occurred when an exposure is greater than 90 days past due, which is consistent with a customer being 4 or more payments in arrears.

Payments in arrears	Days past due
1	0 - 30
2	31 - 60
3	61 - 90
4	91+

Write off policy

Loans are written off where there is no reasonable expectation of recovery. The Group's policy is to write off balances to their estimated net realisable value. Write-offs occur on a case by case basis taking into account the operational position and the collections strategies.

Forward-looking information

Under IFRS9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Group has determined to this is to run scenario analysis.

Economic downturn and upturn scenarios are given a 25% weighting with the best estimate provision receiving a 50% weighting.

Management judgement has been used to define the weighting and severity of the different scenarios, based on available data without undue cost or effort. A downturn has been calibrated to be consistent with a return to losses from loans written in 2007 and 2009, the most recent economic downturn. The 2007/09 period is considered to be a significant economic global event. The upturn is consistent with a consumer behaviour from loans written in 2013, when credit providers tightened significantly on their lending criteria. These scenarios are reviewed on a semi-annual basis, and the assumptions and weighting reviewed based on additional information available at the time of review.

Amounts arising from ECL: loans and advances to customers

The Group is exposed to credit risk from the Admiral loans business, which has continued to expand during 2018.

The following table sets out information about the credit quality of the loans and advances to customers, measured at amortised cost. Credit grades are used to segment customers by apparent credit risk at the time of acquisition. A-grades are the lowest credit risk, with each subsequent grade increasing in apparent risk. The Group does not have any purchased or originated credit-impaired (POCI) assets.

All probability of defaults include forward looking information. The average probability of default in relation to the assets in Stage 1 is 1.8% based on defaults within 12 months of the reporting date. On entering Stage 2 the average PD increases to 5.2%, reflecting losses over the life of the asset. The average PD for assets in Stage 2 is 25.1%. Assets in Stage 3 are deemed to be in default.

					31 December 2018 £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI	Total

Credit Grade					
Higher*1	138.0	1.5	-	-	**139.5**
Medium*1	113.9	3.8	-	-	**117.7**
Lower*1	45.0	3.6	-	-	**48.6**
Credit Impaired	-	-	4.6	-	**4.6**
Gross carrying amount	**296.9**	**8.9**	**4.6**	-	**310.4**
Expected credit loss allowance	(4.4)	(1.4)	(4.1)	-	**(9.9)**
Other loss allowance	(0.3)	-	-	-	**(0.3)**
Carrying amount	**292.2**	**7.5**	**0.5**	-	**300.2**

* This reflects the internal credit grade given to a customer at origination. This is based on external credit rating information

The following tables shown reconciliations from the opening to the closing balance of the gross carrying value and loss allowance.

	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	POCI	31 December 2018 £m Total
Gross carrying amount as at 1 January 2018	**64.5**	**2.8**	**0.2**	-	**67.5**
Transfers					
Transfers from Stage 1 to Stage 2	(2.2)	2.2	-	-	-
Transfers from Stage 1 to Stage 3	(1.8)	-	1.8	-	-
Transfers from Stage 2 to Stage 1	2.0	(2.0)	-	-	-
Principle redemption payments	(22.7)	(1.1)	0.5	-	**(23.3)**
New financial assets originated or purchased	257.1	7.0	2.1	-	**266.2**
Gross carrying amount as at 31 December 2018	**296.9**	**8.9**	**4.6**	-	**310.4**

	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	POCI	31 December 2018 £m Total
Expected credit loss allowance as at 1 January 2018	**0.6**	**0.5**	**0.2**	-	**1.3**
Movements with a profit and loss impact					
Transfers					
Transfers from Stage 1 to Stage 2	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-
Transfers from Stage 2 to Stage 1	0.1	(0.1)	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-	-
Changes in PDs/ LGDs/ EADs	0.1	0.1	1.9	-	**2.1**
New financial assets originated or purchased	3.6	0.9	2.0	-	**6.5**
Total net profit and loss charge in the period	**3.8**	**0.9**	**3.9**	-	**8.6**

Other movements with no profit and loss impact					
Transfers					
Transfers from Stage 2 to Stage 3	-	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-	-
Write-offs	-	-	-	-	-
Expected credit loss allowance as at 31 December 2018	**4.4**	**1.4**	**4.1**	**-**	**9.9**

7f Other Assets

Insurance and other receivables

	31 December 2018 £m	31 December 2017 £m
Insurance receivables*1	**842.3**	737.6
Trade receivables	**227.0**	193.7
Prepayments and accrued income	**12.7**	8.4
Total insurance and other receivables	**1,082.0**	939.7

*1 Insurance receivables at 31 December 2018 include £59.3 million in respect of salvage and subrogation recoveries (2017: £42.7 million).

Insurance receivables

Insurance receivables are also measured at amortised cost. Given the short-term duration of these assets no impairment provision has been recognised.

Trade receivables

Classification. Trade and other receivables are measured at amortised cost, being made up of multiple types of receivable balances.

Impairment. Where a provision is required for these receivables, it is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. In this case, the provision is based on a combination of

i. aged debtor analysis
ii. historic experience of write-offs for each receivable,
iii. any specific indicators of credit deterioration observed, and
iv. management judgement

The level of provision is immaterial. There was no change to the provision at 1 January 2018 on transition from IAS39 to IFRS9.

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

7g Financial liabilities

Financial liabilities are inclusive of £200 million subordinated notes issued on 25 July 2014 at a fixed rate of 5.5% with a redemption date of 25 July 2024.

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

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right.

The fair value of subordinated notes (level one valuation) at 31 December 2018 is £211.3 million (2017: £229.2 million).

The Group holds a revolving credit facility of £200 million which expires in December 2020. As at 31 December 2018, £71.5 million (2017: £20 million) was drawn under this agreement as shown within other borrowings in the table above.

In addition, during 2018 an asset backed senior loan note facility of £300 million was established in relation to the Admiral loans business. As at the year end, £168.3 million of this facility had been utilised.

7h. Objectives, policies and procedures for managing financial assets and liabilities

The Group's activities expose it primarily to financial risks of credit risk, interest rate risk, liquidity risk and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Group Risk Committee. There is also an Investment Committee that makes recommendations to the Board on the Group's investment strategy.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance Statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Credit risk

The Group defines credit risk as the risk of loss if another party fails to perform its obligations. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits, loans and advances to customers and policyholder receivables.

The Directors consider counterparty exposure frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite and, during 2018 and historically, no material credit losses have been experienced by the Group.

Financial Investments

There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds and the parameters set for managing the Fixed Income Mandates. Both forms of investment hold a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. The detailed holdings are reviewed regularly by the Investment Committee.

Reinsurance assets

To mitigate the risk arising from exposure to reinsurers (in the form of reinsurance recoveries and profit commissions), the Group only conducts business with companies of appropriate financial strength ratings. In addition, many reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group withholds the cash received from policyholders as collateral.

Loans and Advances to Customers

The risk appetite for the lending business is set with respect to anticipated loan losses over a 12-month period. Management has defined an amber and a red loan loss limit, representing points at which action is required. These limits have been defined by management to reflect the business maturity, the business ambitions and the economic climate. Risk appetite is assessed at least annually, while the limits are continuously monitored.

Insurance assets

A further principal form of credit risk is in respect of amounts due from policyholders, largely due to the potential for default by instalment payers. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high- and low-level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The amount of bad debt expense relating to policyholder debt charged to the income statement in 2018 and 2017 is insignificant.

Trade and other receivables

Trade receivables and other debtors are also subject to credit risk, although this is mitigated by a review of the credit worthiness of all counterparties prior to them being accepted.

Other Assets

All other assets are assessed as low credit risk under IFRS 9, with no significant amounts past due or impaired.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	**31 December 2018 £m**	31 December 2017 £m
Financial institutions - Credit institutions	AAA	**164.3**	210.7
Financial institutions - Credit institutions	AA	**942.1**	650.3
Financial institutions - Credit institutions	A	**1,501.3**	1,737.0
Financial institutions - Credit institutions	BBB and below	**567.9**	249.7
UK Government gilts	AA	**170.9**	173.8
Reinsurers	AA	**458.5**	355.7
Reinsurers	A	**303.6**	256.4

The Group's maximum exposure to credit risk at 31 December 2018 is £4,507.4 million (2017: £3,723.8 million), being the carrying value of financial investments and cash, the carrying value of loans and advances to customers, and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements. The Group does not use credit derivatives or similar instruments to mitigate exposure.

£9.2 million (2017: £1.0 million) was charged to the income statement in respect of loans and advances to customers. Further details are provided in note 7e above.

There were no further significant financial assets that were past due at the close of either 2018 or 2017.

Interest rate risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities.

Invested Assets

As noted above, the Group primarily invests the following asset types:

- Investment funds and cash plus liquidity funds, which in turn invest in a mixture of short dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.
- Deposits with well rated institutions are short in duration (one to five years). These are classified as held

at amortised cost. Therefore neither the carrying value of the asset, nor the interest return will be impacted by fluctuations in interest rates.

- Debt securities are held within two segregated mandates. The guidelines of the investments retain a similar credit quality of the investment funds (all holdings are investment grade). The duration of the securities is relatively short and similar to the duration of the on book claims liabilities (the average duration is three years).
- UK Government gilts are classified FVOCI.

Loans and Advances to customers

The Group's Loan portfolio is made up of fixed rate on loans and funded at floating variable rate. The Group has instigated an interest rate swap arrangement in the year. The risk management objective is to eliminate the majority of the Interest Rate risk from the Loans portfolio. This relates to the difference between fixed rate on loans written and floating variable rate on funding.

Hedge Accounting

Hedge accounting is applied when the criteria specified in IFRS 9 are met. In line with IFRS9, the gain or loss on the hedged position as at the balance sheet date is recognised through Other Comprehensive Income.

This results in a hedging reserve at 31 December 2018 in relation to the interest rate swap.

Due to the immateriality of the transaction and balance, no further disclosure is made.

Financial Liabilities

The Group also holds a financial liability in the form of £200 million of subordinated notes with a ten year maturity and fixed rate coupon of 5.5%. This liability is valued at amortised cost and therefore neither the carrying value of the deposits, nor the interest payable, will be impacted by fluctuations in interest rates.

No sensitivity analysis to interest rates has been presented on the grounds of materiality.

Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient, available financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group is strongly cash-generative due to the large proportion of revenue arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in investment funds with same day liquidity, meaning that a large proportion of the Group cash and investments is immediately available.

A breakdown of the Group's other financial liabilities, trade payables and other payables is shown in note 11.

The subordinated notes have a ten year maturity whereas all trade and other payables will mature within three to six months of the balance sheet date. (Refer to the maturity profile at the start of this note for further detail.)

In practice, the Group's Directors expect actual cash flows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £1,275.9 million (2017: £1,157.5 million), £1,022.7 million (2017: £938.4 million) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 5. The maturity profile for financial assets is included at the start of this note.

The Group's Directors believe that the cash flows arising from these assets will be consistent with this profile.

Liquidity risk is not, therefore, considered to be significant.

Foreign exchange risk

Foreign exchange risk arises from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets and liabilities.

The Group is exposed to foreign exchange risk through its operations overseas. Although the relative size of the international operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities; however, surplus assets held as regulatory capital in foreign currencies remain exposed.

The Group's exposure to net assets and profits in currencies other than the reporting currency is immaterial other than for US dollars and Euros. The Group's exposure to net assets held in dollars at the balance sheet date was £60.7 million (2017: £55.1 million); the exposure to net assets held in Euros was £69.3 million (2017: £nil).

The loss before tax derived from business carried out in the US was £19.2 million (2017: £23.4 million). If the Sterling rates with US dollars had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £1.8 million (2017: £2.2 million).

The profit before tax derived from business carried out in Euros was €5.4 million (2017: loss before tax of €1.0m). If the Sterling rates with euros had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £0.4 million (2017: £0.1m).

8. Other Revenue

The Group has applied IFRS 15 using the cumulative effect method therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. No material differences in the accounting treatment between these standards has been identified.

8a. Accounting policy

(i) Contribution from additional products and fees and Other Revenue

Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of the amount charged.

Commission from the provision of insurance intermediary services is credited to revenue on the sale of the underlying insurance policy.

There has been no change in revenue recognition from the comparative period, as revenue recognition was in line with the requirements of IFRS 15.

Interest income received in relation to loans and advances to customers is calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities. There has been no change in recognition of interest income from the comparative period.

(ii) Nature of goods and services

The following is a description of the principle activities within the scope of IFRS 15 from which the Group generates its other revenue.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Profit commission from co-insurers	The performance obligation is the provision of insurance intermediary services. Profit commission revenue is calculated as a proportion of the ultimate profitability of individual underwriting years. Uncertainty over the ultimate profitability of an underwriting year results in the recognition of profit commission revenue being constrained through the use of margin for uncertainty within the calculation of underwriting year profit. This ensures that at any point in time, in line with the requirements of IFRS 15, there is a high probability that there will be no significant reversal of revenue in any financial period. Further detail on the recognition of profit commission is included in note 5.
Price comparison	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time.
Commission on underlying products	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time. Payment of the commission is due within 30 days of the period close.
Administration fees	The performance obligation is the change requested being made to the underlying policy, at which point the performance obligation is met. Revenue is therefore recognised at a point in time and is collected immediately or in line with direct debit instalments.
Revenue from law firms	The performance obligation is the pursuit of the compensation from the other side's insurer (OSI) on behalf of the customer. Revenue is therefore recognised over time using inputs and the expected value method. Inputs including hours incurred and a 12 month realisable rate are used to calculate the expected value of revenue. Payment is due within 28 days of invoice.

8b. Disaggregation of revenue

In the following tables, other revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £542.4 million (2017: £466.9 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

			31 December 2018		
	UK Insurance	International Car Insurance	Price Comparison	Other	Total
	£m	£m	£m	£m	£m
Major products					
Price Comparison*1	-	-	131.7	-	131.7
Instalment income	82.6	2.7	-	-	85.3
Fee and commission revenue	172.4	15.9	-	1.9	190.2
Revenue from law firms	30.5	-	-	-	30.5
Other	10.8	-	-	0.7	11.5
Total other revenue	**296.3**	**18.6**	**131.7**	**2.6**	**449.2**
Profit commission	93.2	-	-	-	93.2
Total other revenue and profit commission	**389.5**	**18.6**	**131.7**	**2.6**	**542.4**
Timing of revenue recognition					
Point in time	275.3	15.9	131.7	2.6	425.5
Over time	33.4	-	-	-	33.4
Revenue outside the scope of IFRS 15	80.8	2.7	-	-	83.5
	389.5	**18.6**	**131.7**	**2.6**	**542.4**

	31 December 2017				
	UK Insurance	International Car Insurance	Price Comparison	Other	Total
	£m	£m	£m	£m	£m
Major products					
Price Comparison[*1]	-	-	123.8	-	123.8
Instalment income	56.6	2.6	-	-	59.2
Fee and commission revenue	156.2	14.1	-	-	170.3
Revenue from law firms	28.8	-	-	-	28.8
Other	8.2	-	-	9.6	17.8
Total other revenue	**249.8**	**16.7**	**123.8**	**9.6**	**399.9**
Profit commission	67.0	-	-	-	67.0
Total other revenue and profit commission	**316.8**	**16.7**	**123.8**	**9.6**	**466.9**
Timing of revenue recognition					
Point in time	226.1	14.1	123.8	9.6	373.6
Over time	31.8	-	-	-	31.8
Revenue outside the scope of IFRS 15	58.9	2.6	-	-	61.5
	316.8	**16.7**	**123.8**	**9.6**	**466.9**

[*1] Price comparison revenue excludes £19.3 million (31 December 2017: £19.8 million) of income from other Group companies.

Instalment income and profit commission from reinsurers is not within the scope of IFRS 15 *Revenue from Contracts with Customers* due to the nature of the income.

Refer to the Strategic Report for further detail on the sources of revenue.

8c. Contract balances

The following table provides information about receivables and contract assets from contracts with customers.

	31 December 2018	31 December 2017
	£m	£m
Receivables, included in "Trade and Other receivables"	**32.5**	25.1
Contract assets	**23.4**	20.8

The contract asset relates to the Group's right to consideration for work undertaken in the Law Companies on behalf of clients which is ongoing or where the final fee has not yet been billed. The contract asset is transferred to trade receivables once the fee has been billed.

Significant changes in the contract asset balance during the period are as follows:

Contract asset balance	**31 December 2018 £m**
At 1 January 2018	**20.8**
Revenue recognised	**30.5**
Transferred to trade receivables	**(27.9)**
Write-offs	**-**

At 31 December 2018	23.4

The amount of revenue recognised in 2018 from performance obligations satisfied (or partially satisfied) in previous periods is £nil.

8d. Interest Income

	31 December 2018 £m	31 December 2017 £m
Loans and advances to customers	**15.0**	1.6
	15.0	1.6

Interest receivable on loans and advances to customers is recognised in the Income Statement using the effective interest method, which calculates the amortised cost of the financial asset and allocates the interest income over the expected product life.

9. Expenses

9a. Accounting policies

(i) Acquisition costs and operating expenses

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

(ii) Employee benefits

Pensions

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

Employee share schemes

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

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

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

At each balance sheet date, the Group revises its assumptions on the number of shares which will vest with the impact of any change in the assumptions recognised through income.

Refer to note 9f for further details on share schemes.

(iii) Leases

Operating leases

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. The Group has entered into a number of non-cancellable operating lease arrangements for properties and other assets. The leases have varying terms, escalation values and renewal rights.

Operating lease payments, including the effects of any lease incentives, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

9b. Operating expenses and share scheme charges

	31 December 2018		
	Gross £m	**Recoverable from co- and reinsurers £m**	**Net £m**
Acquisition of insurance contracts*1	**135.1**	**(103.8)**	**31.3**
Administration and other marketing costs (insurance contracts)	**381.6**	**(287.9)**	**93.7**
Insurance contract expenses	**516.7**	**(391.7)**	**125.0**
Administration and other marketing costs (other)	**249.2**	**-**	**249.2**
Share scheme charges	**76.9**	**(27.1)**	**49.8**
Total expenses and share scheme charges	**842.8**	**(418.8)**	**424.0**

	31 December 2017		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	122.0	(93.3)	28.7
Administration and other marketing costs (insurance contracts)	353.5	(274.5)	79.0
Insurance contract expenses	475.5	(367.8)	107.7
Administration and other marketing costs (other)	223.6	-	223.6
Share scheme charges	54.4	(18.8)	35.6
Total expenses and share scheme charges	753.5	(386.6)	366.9

*1 Acquisition of insurance contracts expense excludes £19.3 million (2017: £19.8 million) of aggregator fees from other Group companies.

The £93.7 million (2017: £79.0 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	31 December 2018 £m	31 December 2017 £m
Expenses relating to additional products and fees	**63.4**	58.9
Price comparison operating expenses	**144.4**	138.2
Loans expenses (including movement on ECL provision)	**22.9**	-
Other expenses	**18.5**	26.5
Total	**249.2**	223.6

Refer to note 13 for a reconciliation between insurance contract expenses and the reported expense ratio.

9c. Staff costs and other expenses

	31 December 2018		31 December 2017	
	Total £m	**Net £m**	Total £m	Net £m
Salaries	**268.8**	**95.7**	239.2	85.3
Social security charges	**27.2**	**10.3**	22.9	8.7
Pension costs	**9.0**	**3.2**	7.0	2.3
Share scheme charges (see note 9f)	**76.9**	**49.8**	54.4	35.6
Total staff expenses	**381.9**	**159.0**	323.5	131.9
Depreciation charge:				
- Owned assets	**12.0**	**3.7**	10.1	3.0
Amortisation charge:				
- Software	**15.5**	**4.6**	13.8	4.0
- Deferred acquisition costs	**-**	**50.5**	-	48.4
Operating lease rentals:				
- Buildings	**14.8**	**5.3**	13.0	4.5
Auditor's remuneration (including VAT):				
- Fees payable for the audit of the Company's annual accounts	**-**	**-**	-	-
- Fees payable for the audit of the Company's subsidiary accounts	**0.5**	**0.3**	0.3	0.3
- Fees payable for audit related assurance services pursuant to legislation or regulation	**0.4**	**-**	0.2	-

£nil (2017: £nil) was payable to the auditor for other services in the year.

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

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. Audit fees are 53% (2017: 54%) of total fees and 47% (2017: 46%) of total fees are for non-audit services, which are classed as audit related assurance services under the FRC rules on non-audit services.

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

9d. Staff numbers (including Directors)

	Average for the year	
	2018 Number	2017 Number
Direct customer contact staff	**6,845**	6,179
Support staff	**3,354**	3,157
Total	**10,199**	9,336

9e. Directors' remuneration

(i) Directors' remuneration

	31 December 2018 £m	31 December 2017 £m
Directors' emoluments	**1.6**	1.4
Amounts receivable under SIP and DFSS share schemes	**1.1**	0.9

Company contributions to money purchase pension plans	-	-
Total	**2.7**	2.3

(ii) Number of Directors

	2018 Number	2017 Number
Retirement benefits are accruing to the following number of Directors under:		
- Money purchase schemes	**1**	2

9f. Staff share schemes

Analysis of share scheme costs (per the Consolidated Income Statement):

	31 December 2018		31 December 2017	
	Total £m	**Net £m**	Total £m	Net £m
SIP charge (i)	**18.1**	**12.3**	9.6	6.7
DFSS charge (ii)	**58.8**	**37.5**	44.8	28.9
Total share scheme charges	**76.9**	**49.8**	54.4	35.6

The total share scheme charges of £76.9 million (2017: £54.4 million) can be analysed between share scheme charges calculated in line with IFRS 2 of £57.3 million (2017: £37.9 million) and other share scheme related costs of £19.6 million (2017: £16.5 million). Net share scheme charges are presented after allocations to co-insurers and reinsurers in line with contractual arrangements.

The Consolidated Cash Flow Statement also shows the gross charge in the reconciliation between 'profit after tax' and 'cash flows from operating activities'. The co-insurance share of the charge is included in the change in trade and other payables line.

(i) The Approved Share Incentive Plan (the SIP)

Eligible UK based employees qualified for awards under the SIP based upon the performance of the Group in each half-year period. The maximum award for each year is £3,600 per employee. The awards are made with reference to the Group's performance against prior year profit before tax. Employees must remain in employment for the holding period (three years from the date of award) otherwise the shares are forfeited.

The fair value of shares awarded is the share price at the date of award. Awards under the SIP are entitled to receive dividends, and, hence, no adjustment has been made to this fair value.

(ii) The Discretionary Free Share Scheme (the DFSS)

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge. Staff must remain in employment until the vesting date in order to receive shares. The maximum number of shares that can vest relating to the 2018 scheme is 3,353,076 (2017 scheme: 3,205,433).

For awards in 2015 and onwards (therefore including the shares that vested in 2018 under the 2015 scheme), for the majority of employees, 50% of shares awarded are subject to three performance conditions. These are three-year EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally.

Performance measure	**Performance range**	
	Threshold	**Maximum**

EPS growth vs. LIBOR	Growth in line with LIBOR	Growth of 10% p.a. in excess of LIBOR
TSR vs. FTSE 350 (excluding investment companies)	Median	Upper Quartile
ROE	25%	55%

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

Number of free share awards committed at 31 December 2018

	Awards outstanding*1	Vesting date
SIP H116 scheme	523,877	March 2019
SIP H216 scheme	501,785	September 2019
SIP H117 scheme	560,476	March 2020
SIP H217 scheme	506,815	August 2020
SIP H118 scheme	612,651	March 2021
SIP H218 scheme	579,651	August 2021
DFSS 2016 scheme 1st award	199,346	March 2019
DFSS 2016 scheme 2nd award	3,053,904	September 2019
DFSS 2017 scheme 1st award	238,024	March 2020
DFSS 2017 scheme 2nd award	2,967,425	September 2020
DFSS 2018 scheme 1st award	256,217	March 2021
DFSS 2018 scheme 2nd award	3,096,859	September 2021
Total awards committed	13,097,030	

*1 Being the maximum number of awards committed before accounting for expected staff attrition and vesting conditions

During the year ended 31 December 2018, awards under the SIP H115 and H215 schemes and the DFSS 2015 schemes vested. The total number of awards vesting for each scheme is as follows.

Number of free share awards vesting during the year ended 31 December 2018

	Original awards	Awards vested
SIP H115 scheme	536,613	419,655
SIP H215 scheme	636,612	491,511
DFSS 2015 scheme 1st award	190,275	124,313
DFSS 2015 scheme 2nd award	2,828,913	2,147,684

The difference between the original and vested awards reflects employee attrition (SIP schemes) and both employee attrition and the vesting outcomes based on performance conditions noted above (DFSS schemes). The vesting percentages for the 2015 DFSS scheme was 87.1%.

The weighted average market share price at the date of exercise for shares exercised during the year was £20.05 (2017: £18.51).

10. Taxation

10a. Accounting policy

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

10b. Taxation

	31 December 2018 £m	31 December 2017 £m
Current tax		
Corporation tax on profits for the year	**81.4**	68.8
Under/ (Over) provision relating to prior periods	**0.2**	(3.7)
Current tax charge	**81.6**	65.1
Deferred tax		
Current period deferred taxation movement	**3.8**	3.1
Under provision relating to prior periods	**0.3**	3.7
Total tax charge per Consolidated Income Statement	**85.7**	71.9

Factors affecting the total tax charge are:

	31 December 2018 £m	31 December 2017 £m
Profit before tax	**476.2**	403.5
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2017: 19.25%)	**90.5**	77.7

Expenses and provisions not deductible for tax purposes	**0.7**	0.9
Non-taxable income	**(6.0)**	(5.7)
Impact of change in UK tax rate on deferred tax balances	**0.5**	0.3
Adjustments relating to prior periods	**0.6**	(0.8)
Impact of different overseas tax rates	**(8.2)**	(7.6)
Unrecognised deferred tax	**4.7**	5.2
Movement on deferred tax asset on US losses	**2.9**	1.9
Total tax charge for the period as above	**85.7**	71.9

The outstanding corporation tax payable as at 31 December 2018 was £49.3 million (2017: £23.8 million).

10c. Deferred income tax asset

Analysis of deferred tax asset

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2017	**5.7**	**(2.4)**	**4.9**	**(0.5)**	**0.7**	**8.4**
Tax treatment of share scheme charges through income or expense	(2.4)	-	-	-	-	(2.4)
Tax treatment of share scheme charges through reserves	2.8	-	-	-	-	2.8
Capital allowances	-	(2.1)	-	-	-	(2.1)
Carried forward losses	-	-	(2.0)	-	-	(2.0)
Movement in fair value reserve	-	-	-	(4.1)	-	(4.1)
Other difference	-	-	-	-	(0.3)	(0.3)
Balance carried forward at 31 December 2017	**6.1**	**(4.5)**	**2.9**	**(4.6)**	**0.4**	**0.3**
Tax treatment of share scheme charges through income or expense	(2.2)	-	-	-	-	(2.2)
Tax treatment of share scheme charges through reserves	3.3	-	-	-	-	3.3
Capital allowances	-	0.9	-	-	-	0.9
Carried forward losses	-	-	(2.9)	-	-	(2.9)
Movement in fair value reserve	-	-	-	0.7	-	0.7
Other difference	-	-	-	-	0.1	0.1
Balance carried forward at 31 December 2018	**7.2**	**(3.6)**	**-**	**(3.9)**	**0.5**	**0.2**

Positive amounts presented above relate to a deferred tax asset position.

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The average effective rate of tax for 2018 is 19.0% (2017: 19.25%). 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 31 December 2018 has been calculated based on the rate at which each timing difference is most likely to reverse.

The deferred tax asset in relation to carried forward losses has been reduced to £nil following the impairment of Admiral Group's investment in Compare.

At 31 December 2018 the Group had unused tax losses amounting to £217.5 million (2017: £198.8 million), relating to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognised.

11. Other assets and other liabilities

11a. Accounting policy

(i) Property and equipment, and depreciation

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

Improvements to short leasehold buildings	-four to ten years
Computer equipment	-two to four years
Office equipment	-four years
Furniture and fittings	-four years
Motor vehicles	-four years

(ii) Impairment of property and equipment

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

(iii) Leased assets

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

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

(iv) Intangible assets

Goodwill

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

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.

The goodwill held on the balance sheet at 31 December 2018 is allocated solely to the UK Car Insurance segment.

Impairment of goodwill

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

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

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation.

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

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

Deferred acquisition costs

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

Software

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

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

(iv) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when a legal or constructive obligation arises as a result of an event that occurred before the balance sheet date, when a cash-outflow relating to this obligation is probable and when the amount can be estimated reliably.

Where a material obligation exists, but the likelihood of a cash out-flow or the amount is uncertain, or where there is a possible obligation arising from a past event that is contingent on a future event, a contingent liability is disclosed.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of future events. Where it is probable that a cash-inflow will arise from a contingent asset, this is disclosed.

11b. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2017	27.6	52.1	17.0	9.4	106.1
Additions	1.1	5.4	2.6	0.6	9.7
Disposals	-	(0.1)	-	(0.1)	(0.2)
Foreign exchange movement	-	(0.2)	0.1	(0.1)	(0.2)
At 31 December 2017	28.7	57.2	19.7	9.8	115.4
Depreciation					
At 1 January 2017	12.4	40.5	14.1	7.1	74.1
Charge for the year	2.5	5.6	1.0	1.0	10.1
Disposals	-	(0.1)	-	-	(0.1)
Foreign exchange movement	-	(0.1)	0.1	-	-
At 31 December 2017	14.9	45.9	15.2	8.1	84.1
Net book amount					
At 1 January 2017	15.2	11.6	2.9	2.3	32.0
Net book amount					
At 31 December 2017	13.8	11.3	4.5	1.7	31.3
Cost					
At 1 January 2018	28.7	57.2	19.7	9.8	115.4
Additions	3.1	4.9	1.9	0.1	10.0
Disposals	(0.7)	(0.1)	(0.2)	(0.2)	(1.2)
Transfers	(1.2)	-	-	-	(1.2)
Foreign exchange movement	(0.1)	0.1	-	0.1	0.1
At 31 December 2018	29.8	62.1	21.4	9.8	123.1
Depreciation					
At 1 January 2018	14.9	45.9	15.2	8.1	84.1
Charge for the year	2.8	6.5	1.9	0.8	12.0
Disposals	(0.7)	(0.1)	(0.1)	(0.1)	(1.0)
Foreign exchange movement	(0.2)	-	-	0.1	(0.1)
At 31 December 2018	16.8	52.3	17.0	8.9	95.0
Net book amount					
At 31 December 2018	**13.0**	**9.8**	**4.4**	**0.9**	**28.1**

The net book value of assets held under finance leases is £nil (2017: £nil).

11c. Intangible Assets

	Goodwill £m	Deferred acquisition costs £m	Software*1 £m	Total £m
At 1 January 2017	62.3	23.4	76.6	162.3
Additions	-	46.0	13.0	59.0
Amortisation charge	-	(48.4)	(13.8)	(62.2)
Disposals	-	-	-	-

Foreign exchange movement	-	(0.4)	0.7	0.3
At 31 December 2017	62.3	20.6	76.5	159.4
Additions	-	53.1	13.9	67.0
Amortisation charge	-	(50.5)	(15.5)	(66.0)
Disposals	-	-	-	-
Transfers	-	-	1.2	1.2
Foreign exchange movement	-	0.2	0.2	0.4
At 31 December 2018	**62.3**	**23.4**	**76.3**	**162.0**

*1 Software additions relating to internal development are immaterial in both 2018 and 2017

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK Car Insurance segment. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill for further information.

11d. Trade and other payables

	31 December 2018 £m	31 December 2017 £m
Trade payables	**37.9**	39.8
Amounts owed to co-insurers	**153.2**	130.7
Amounts owed to reinsurers	**1,122.7**	1,026.8
Other taxation and social security liabilities	**60.4**	62.0
Other payables	**196.0**	140.9
Accruals and deferred income (see below)	**231.3**	241.4
Total trade and other payables	**1,801.5**	1,641.6

Of amounts owed to co-insurers and reinsurers, £1,022.7 million (2017: £938.4 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2018 £m	31 December 2017 £m
Premium receivable in advance of policy inception	**127.2**	150.3
Accrued expenses	**64.8**	48.8
Deferred income	**39.3**	42.3
Total accruals and deferred income as above	**231.3**	241.4

11e. Obligations under finance leases

At 31 December 2018, there was £nil (2017: £ni) obligations in respect of finance leases.

11f. Financial commitments

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

	31 December 2018 £m	31 December 2017 £m

Minimum payments due on operating leases		
Within one year	**14.8**	12.1
Within two to five years	**54.3**	40.8
Over five years	**116.8**	113.7
Total commitments	**185.9**	166.6

Operating lease payments represent rentals payable by the Group for its office properties.

11g. Contingent liabilities

Rastreator.com Limited, the Group's Spanish Price comparison business, is currently undergoing a tax audit in respect of the 2013 and 2014 financial years. The Spanish Tax Authority is disputing the VAT exemption relating to insurance intermediary services which Rastreator.com has applied to its supplies.

Rastreator.com believes its application of the exemption is justifiable in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe. No formal assessment has been received from the Spanish Tax Authority as at the date of these financial statements, however should a formal assessment be received at a future date Rastreator will immediately appeal and is confident of a successful outcome.

The potential liability for the financial years subject to audit is approximately €5 million, though if the exemption is also disallowed in respect of years 2015 to date, the liability could increase up to €18 million. No provision has been made in these financial statements in relation to this matter.

12. Share capital

The Group's capital includes share capital and the share premium account, other reserves which are comprised of the fair value reserve and foreign exchange reserve, and retained earnings.

12a. Accounting policies

(i) Share capital

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

(ii) Dividends

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

12b. Dividends

Dividends were declared and paid as follows:

	31 December 2018 £m	31 December 2017 £m
March 2017 (51.5 pence per share, paid June 2017)	-	**143.7**
August 2017 (56.0 pence per share, paid October 2017)	-	**156.6**
March 2018(58.0 pence per share, paid June 2018)	**163.3**	-
August 2018 (60.0 pence per share, paid October 2018)	**169.4**	-
Total dividends	**332.7**	**300.3**

The dividends declared in March represent the final dividends paid in respect of the 2016 and 2017 financial years. The dividends declared in August are interim distributions in respect of 2017 and 2018.

A final dividend of 66.0 pence per share (£188 million) has been proposed in respect of the 2018 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

12c. Earnings per share

	31 December 2018 £m	31 December 2017 £m
Profit for the financial year after taxation attributable to equity shareholders	**395.1**	334.2
Weighted average number of shares - basic	**288,197,247**	285,164,396
Unadjusted earnings per share - basic	**137.1p**	117.2p
Weighted average number of shares - diluted	**288,845,845**	285,751,149
Unadjusted earnings per share - diluted	**136.8p**	117.0p

The difference between the basic and diluted number of shares at the end of 2018 (being 648,598; 2017: 586,753) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 9 for further detail.

12d. Share capital

	31 December 2018 £m	31 December 2017 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5
Issued, called up and fully paid		
290,502,737 ordinary shares of 0.1 pence	**0.3**	-
287,214,262 ordinary shares of 0.1 pence	**-**	0.3
	0.3	0.3

During 2018 3,288,475 (2017: 2,861,992) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

988,475 (2017: 811,992) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at 31 December 2018 of 10,745,389 (31 December 2017: 9,756,914). These shares are entitled to receive dividends.

2,300,000 (2017: 2,050,000) shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at 31 December 2018 of 21,161,948 (31 December 2017: 18,861,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

The number of shares in issue at flotation was 258,595,400. There is one class of share with no unusual restrictions.

12e. Objectives, policies and procedures for managing capital

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

The Group's dividend policy is to make distributions after taking into account capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further buffer against unforeseen events. This policy gives the Directors flexibility in managing the Group's capital.

The Group's regulatory capital requirements are discussed in the Group Financial Review within the Strategic Report.

12f. Group related undertakings

The Parent Company's subsidiaries are as follows:

Subsidiary	Class of shares held	% Ownership	Principal Activity
Incorporated in England and Wales			
Registered office: 9th Floor Brunel House, Fitzalan Road, Cardiff, CF24 0EB			
Admiral Law Limited	Ordinary	90	Legal company
Registered office: Admiral House, Queensway, Newport, NP20 4AG			
BDE Law Limited	Ordinary	90	Legal company
Registered office: Ellipse Ground Floor, Padley Road, Swansea, SA1 8AN			
Able Insurance Services Limited	Ordinary	100	Insurance Intermediary
Registered office: Greyfriars House, Greyfriars Road, Cardiff, CF10 3AL			
Inspop.com (France) Limited	Ordinary	100	Insurance Intermediary
Inspop.com Limited	Ordinary	100	Insurance Intermediary
Rastreator.com Limited	Ordinary	75	Insurance Intermediary
Registered office: Ty Admiral, David Street, Cardiff, CF10 2EH			
EUI Limited	Ordinary	100	Insurance Intermediary
Admiral Insurance Company Limited	Ordinary	100	Insurance company
Admiral Life Limited	Ordinary	100	Dormant*
Admiral Syndicate Limited	Ordinary	100	Dormant*
Admiral Syndicate Management Limited	Ordinary	100	Dormant*
Bell Direct Limited	Ordinary	100	Dormant*
Confused.com Limited	Ordinary	100	Dormant*
Diamond Motor Insurance Services Limited	Ordinary	100	Dormant*
Elephant Insurance Services Limited	Ordinary	100	Dormant*
Admiral Financial Services Limited	Ordinary	100	Financial services company
EUI (France) Limited	Ordinary	100	Insurance Intermediary
Preminen Price Comparison Holdings Limited	Ordinary	50	Insurance Intermediary
Preminen Dragon Price Comparison Limited	Ordinary	50 (indirect)	Insurance Intermediary
Incorporated in Gibraltar			
Registered office: 1st Floor, 24 College Lane, Gibraltar, GX11 1AA			
Admiral Insurance (Gibraltar) Limited	Ordinary	100	Insurance company
Incorporated in Spain			
Registered office: Paseo Castellana 163 4 Izq, 28046 Madrid			
Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal	Ordinary	75 (indirect)	Insurance Intermediary
Admiral Europe Compañía de Seguros, S.A.	Ordinary	100	Insurance company
Registered office: Calle Albert Einstein, 10 41092 Sevilla			
Admiral Intermediary Services S.A.	Ordinary	100	Insurance Intermediary

Incorporated in the United States of America			
Registered office: Deep Run 1; Suite 400, 9950 Mayland Drive, Henrico, VA 23233			
Elephant Insurance Company	Ordinary	100	Insurance company
Elephant Insurance Services LLC	Ordinary	100	Insurance Intermediary
Grove General Agency Inc	Ordinary	100	Insurance Intermediary
Platinum General Agency Inc	Ordinary	100	Insurance Intermediary
Registered office: 140 East Shore Drive, Suite 300, Glen Allen, VA 23059			
compare.com Insurance Agency LLC	Ordinary	59.25 (indirect)	Insurance Intermediary
Inspop USA LLC	Ordinary	59.25	Insurance Intermediary
Incorporated in Mexico			
Registered office: Varsovia, 36, 5th floor, office 501, Colonia Juárez, Cuauhtemoc, Ciudad de Mexico			
Preminen Mexico Sociedad Anonima de Capital Variable		51.25 (indirect)	Insurance intermediary
Incorporated in Turkey			
Registered address: Esentepe MAH. Harman1 SK. Harmanci Giz Plaza 5 1 Sisli/ Istanbul			
Preminen Online Fiyat Karsilastirma Hizmetleri Anonim Sirketi		50 (indirect)	Insurance intermediary
Incorporated in China			
Registered address: Room 1806, 15th Floor, Block 16, No. 39 East 3rd Ring Middle Road, Chaoyang District, Beijing			
Long Yu Science and Technology (Beijing) Co., Ltd		20.25 (indirect)	Insurance Intermediary
Subsidiaries by virtue of control			
The related undertakings below are subsidiaries in accordance with IFRS 10, as Admiral can exercise dominant influence or control over them:			
Registered office: Level 37, 25 Canada Square, Canary Wharf, London, England, E14 5LQ			
Seren One Limited	n/a	0	Special purpose entity

* Exempt from audit under S479A of Companies Act 2006

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

12g. Related party transactions

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

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

12h. Post balance sheet events

As a result of the Group's preparations for Brexit, on 1 January 2019, as outlined in the Strategic Report, the assets and liabilities of Admiral Seguros, ConTe and L'Olivier were transferred to a new European intermediary, AIS, and European underwriter, AECS, from EUI Limited and Admiral Insurance Company Limited and Admiral Insurance (Gibraltar) Limited respectively. The operations of the businesses have not been impacted and there is no material impact on the Group's reported results either in 2018, or as a result of the transition in 2019.

13. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report to items included in the financial statements.

13a. Reconciliation of turnover to reported gross premiums written and Other Revenue as per the financial statements

	31 December 2018 £m	31 December 2017 £m
Gross premiums written after co-insurance per note 5b of financial statements	**2,166.7**	1,927.7
Premiums underwritten through co-insurance arrangements and true up of 2017 gross written premium	**587.4**	571.7
Total premiums written before co-insurance arrangements	**2,754.1**	2,499.4
Other Revenue	**449.2**	399.9
Admiral loans interest income and other fee income	**15.4**	1.6
	3,218.7	2,900.9
UK vehicle commission*1	**(0.4)**	(1.0)
Other*2	**45.3**	38.5
Turnover as per note 4b of financial statements	**3,263.6**	2,938.4
Intra-group income elimination*3	**19.3**	19.8
Total turnover	**3,282.9**	2,958.2

*1 During 2012 Admiral ceased earning Other Revenue from the sale of non-optional legal protection policies. At the same point, the Group began charging its panel of co- and reinsurers a vehicle commission. The substance of these changes meant that the total premiums written increased by the amount of revenue that was previously earned from the sale of non-optional legal protection policies. The vehicle commission included within Other Revenue is therefore eliminated from the turnover measure to avoid double counting.
*2 Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance.
*3 Intra-group income elimination relates to price comparison income earned in the Group from other Group companies.

13b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance

December 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims	189.2	29.3	24.0	**242.5**	104.1	3.5	**107.6**	**350.1**
Deduct claims handling costs	(11.3)	(0.5)	-	**(11.8)**	-	-	**-**	**(11.8)**
Prior year release/strengthening - net original share	111.4	1.4	-	**112.8**	13.5	-	**13.5**	**126.3**

Prior year release/strengthening - commuted share	109.6	-	-	**109.6**	-	-	**-**	**109.6**
Impact of reinsurer caps	-	-	-	**-**	4.5	-	**4.5**	**4.5**
Impact of weather events (Home)	-	(3.5)	-	**(3.5)**	-	-	**-**	**(3.5)**
Impact of subsidence (Home)	-	(2.5)	-	**(2.5)**	-	-	**-**	**(2.5)**
Attritional current period claims	**398.9**	**24.2**	**24.0**	**447.1**	**122.1**	**3.5**	**125.6**	**572.7**
Net earned premium	**452.5**	**31.2**	**40.2**	**523.9**	**141.7**	**6.2**	**147.9**	**671.8**
Loss ratio - current period attritional	88.1%	77.6%	-	**85.3%**	86.1%	-	-	**85.2%**
Loss ratio - current period weather events	-	11.2%	-	-	-	-	-	-
Loss ratio - current period subsidence events	-	7.9%	-	-	-	-	-	-
Loss ratio - prior year release/strengthening (net original share)	(24.6%)	(4.4%)	-	**(21.5%)**	(9.5%)	-	-	**(18.8%)**
Loss ratio - reported	**63.5%**	**92.3%**	-	**63.8%**	**76.6%**	-	-	**66.4%**

December 2017	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance claims	214.2	17.4	18.5	**250.1**	94.1	2.9	**97.0**	**347.1**
Deduct claims handling costs	(10.7)	(0.4)	-	**(11.1)**	-	-	**-**	**(11.1)**
Prior year release/strengthening - net original share	92.1	0.5	-	**92.6**	9.5	-	**9.5**	**102.1**
Prior year release/strengthening - commuted share	73.8	-	-	**73.8**	-	-	**-**	**73.8**
Impact of reinsurer caps	-	-	-	**-**	(0.1)	-	**(0.1)**	**(0.1)**
Impact of weather events (Home)	-	-	-	**-**	-	-	**-**	**-**
Attritional current period claims	**369.4**	**17.5**	**18.5**	**405.4**	**103.5**	**2.9**	**106.4**	**511.8**
Net earned premium	**433.2**	**23.1**	**35.3**	**491.6**	**123.0**	**4.5**	**127.5**	**619.1**
Loss ratio - current period attritional	85.3%	75.6%	-	**82.5%**	84.2%	-	-	**82.7%**
Loss ratio - current period weather events	-	-	-	-	-	-	-	-
Loss ratio - prior year release/strengthening (net original share)	(21.2%)	(2.1%)	-	**(18.8%)**	(7.8%)	-	-	**(16.5%)**
Loss ratio - reported	**64.1%**	**73.5%**	-	**63.7%**	**76.4%**	-	-	**66.2%**

13c. Reconciliation of expenses related to insurance contracts to reported expense ratios

December 2018	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses	59.7	7.4	5.6	**72.7**	49.7	2.6	**52.3**	**125.0**
Claims handling costs	11.3	0.5	**-**	**11.8**	**-**	**-**	**-**	**11.8**
Intra-group expenses elimination[*1]	12.3	0.8	**-**	**13.1**	6.2	**-**	**6.2**	**19.3**
Impact of reinsurer caps	**-**	**-**	**-**	**-**	0.2	**-**	**0.2**	**0.2**
Other adjustment[*2]	**-**	**-**	**-**	**-**	**-**	(2.6)	**(2.6)**	**(2.6)**
Adjusted net insurance expenses	**83.3**	**8.7**	**5.6**	**97.6**	**56.1**	**-**	**56.1**	**153.7**
Net earned premium	**452.5**	**31.2**	**40.2**	**523.9**	**141.7**	**6.2**	**147.9**	**671.8**

Expense ratio - reported	18.4%	28.1%		**18.6%**	39.6%		**37.9%**	**22.9%**

December 2017	UK Motor £m	UK Home £m	UK Other £m	**UK Total £m**	Int. Car £m	Int. Other £m	**Int. Total £m**	**Group £m**
Net insurance expenses	47.8	5.8	1.7	**55.3**	50.8	1.6	**52.4**	**107.7**
Claims handling costs	10.7	0.4	**-**	**11.1**	**-**	**-**	**-**	**11.1**
Intra-group expenses elimination*1	11.8	0.7	**-**	**12.5**	7.3	**-**	**7.3**	**19.8**
Impact of reinsurer caps	**-**	**-**	**-**	**-**	(3.7)	**-**	**(3.7)**	**(3.7)**
Other adjustment*2	**-**	**-**	**-**	**-**	**-**	(1.6)	**(1.6)**	**(1.6)**
Adjusted net insurance expenses	**70.3**	**6.9**	**1.7**	**78.9**	**54.4**	**-**	**54.4**	**133.3**
Net earned premium	433.2	23.1	35.3	**491.6**	123.0	4.5	**127.5**	**619.1**
Expense ratio - reported	16.2%	30.0%		**16.1%**	44.2%		**42.6%**	**21.5%**

[*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 expense ratios.

13d. Reconciliation of statutory profit before tax to Group's share of profit before tax

	31 December 2018 £m	31 December 2017 £m
Reported profit before tax per the Consolidated Income Statement	**476.2**	403.5
Non-controlling interest share of profit before tax	**3.1**	1.9
Group's share of profit before tax	**479.3**	405.4

14. Statutory Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2018 or 2017. Statutory accounts for 2017 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.

Consolidated financial summary (unaudited)

Basis of preparation

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

Income statement

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m

Total premiums	**2,766.4**	2499.4	2,193.9	1,805.2	1,675.6
Net insurance premium revenue	**671.8**	619.1	548.8	467.0	464.9
Other Revenue	**460.6**	401.1	360.6	319.8	332.5
Profit commission	**93.2**	67.0	54.3	85.4	71.8
Investment and interest income	**36.0**	41.7	53.1	32.6	15.4
Net revenue	**1,261.6**	1,128.9	1,016.8	904.8	884.6
Net insurance claims	**(350.1)**	(347.1)	(394.6)	(226.5)	(259.1)
Net expenses	**(424.0)**	(366.9)	(332.4)	(298.5)	(270.2)
Operating profit	**487.5**	414.9	289.8	379.8	355.3
Finance costs	**(11.3)**	(11.4)	(11.4)	(11.1)	(4.6)
Profit before tax	**476.2**	403.5	278.4	368.7	350.7

Balance sheet

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Property and equipment	**28.1**	31.3	32.0	34.9	32.3
Intangible assets	**162.0**	159.4	162.3	142.3	107.2
Deferred income tax	**0.2**	0,3	8.4	20.6	22.9
Reinsurance assets	**1,883.5**	1,637.6	1,126.4	878.7	829.8
Insurance and other receivables	**1,082.0**	939.7	784.9	537.1	435.3
Loans and advances to customers	**300.2**	66.2			
Financial investments	**2,969.7**	2,697.8	2,420.2	2,323.5	2,194.1
Cash and cash equivalents	**376.8**	326.8	326.6	265.3	255.9
Total assets	**6,802.5**	5,859.1	4,860.8	4,202.4	3,877.5
Equity	**771.1**	655.8	581.7	632.9	580.9
Insurance contracts	**3,736.4**	3,313.9	2,749.5	2,295.0	2,097.4
Subordinated and other financial liabilities	**444.2**	244.0	224.0	223.9	203.8
Trade and other payables	**1,801.5**	1,641.6	1,292.2	1,015.0	965.8
Current tax liabilities	**49.3**	23.8	13.4	35.6	29.6
Total equity and total liabilities	**6,802.5**	5,859.1	4,860.8	4,202.4	3,877.5

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 Annual Report and 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), other revenue and income from

	Admiral loans. It is reconciled to financial statement line items in note 13a to the financial statements. 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 revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. 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 reinsurance 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 Annual Report 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 total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 13a to the financial statements. This measure has been presented by the Group in every Annual 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 13d 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 2018, Group's share of Profit before Tax is presented on a '-0.75%' and a '0%' Ogden basis. -0.75% represents the Group's share of estimated profit before tax at an Ogden rate of -0.75%, before the impact of the change in actuarial best estimate to an Ogden rate of 0% following Royal Assent of the Civil Liability Bill in 2018.
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 13b to the accounts and explanation is as follows. UK reported motor loss ratio: Within the UK insurance segment the Group separately presents 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 13c to the accounts and explanation is as follows. UK reported motor expense ratio: Within the UK insurance segment the Group separately presents 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 motor loss ratio, the international insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor 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 13b and 13c.
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 reflect the total number of cars, households and vans on cover at the end of the year, across 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. The Group typically commutes UK car insurance quota share contracts after 24 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable on an ultimate basis, the margin held in the financial statement claims reserves means that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
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.
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).
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limited around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which the policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results relate to the 2018 underwriting year, are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.