Admiral Group plc Results for the Year Ended 31 December 2013

05 Mar 2014

Admiral Group announces profit before tax of £370 million for the year to December 2013, an increase of 7% over the previous year. The Board is proposing a final dividend for 2013 of 50.6 pence per share, to be paid on 30 May 2014.

2013 Preliminary Results Highlights

- Group profit before tax up 7% at £370 million (2012: £345 million)
- Earnings per share up 10% at 104.6 pence (2012: 95.1 pence)
- Final dividend of 50.6 pence per share bringing the 2013 total dividend to 99.5 pence per share, up 10% (2012: 90.6 pence per share)
- Group turnover down 8% at £2.03 billion (2012: £2.22 billion)
- Group vehicle count up 4% to 3.70 million (2012: 3.55 million)
- Positive UK claims development led to an increase in reserve releases whilst reserve conservatism was maintained
- 7,000 staff will share £10.5 million of shares through the employee share scheme

Comment from Henry Engelhardt, Group Chief Executive Officer

"2013 was the year of the baked potato. It was a good, solid year, something on the plate that is appreciated but doesn't really grab the spotlight. This is a comfort food set of results.

"Why the baked potato? Because the year was solid, but not flashy. We made more money than ever before, we grew customer numbers a little bit, we launched one new overseas business (comparenow.com), but there was no growth surge, there were no claims shocks; we just went about our business.

"I was thrilled that our UK staff voted us the 2nd best place to work in the UK. Happy staff means happy customers and I thank all our staff for their hard work."

Dividend

The Directors have proposed a final dividend of 50.6 pence (24.4 pence normal and 26.2 pence special) per share, to be paid on 30 May 2014. The ex-dividend date is 30 April 2014 and the record date 2 May 2014.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 08:30 GMT on Wednesday 5 March 2014 by dialling + 44 (0)203 059 8125. A copy of the presentation slides will be available at www.admiralgroup.co.uk

Chairman's Statement

Our Business

I am frequently asked what it is that makes Admiral different. What is it that has made it possible for this business to grow in 10 years from a private company with a 3% share of the UK private car insurance market and making pre-tax profits of £57 million in 2003 to a member of the FTSE-100, one of the largest in the UK private car market, and with profits of £370 million today?

My answer is that there is no one thing that if you lifted it out of Admiral and put it into a competitor would immediately transform that company's fortunes. Rather, there are a set of attributes that together make Admiral what it is, a combination that would be very hard to replicate as you would need each and every element to come together to the right degree and in the right way. To pick out the top 10:

- Management: the combination of the enormous experience and proven track record in this sector of our founding executives with the capability of those of our senior managers who have successfully developed their careers inside the business
- Our culture: many companies document their culture at length - the best way to understand Admiral's culture is to spend a day in one of our offices to appreciate the depth of staff engagement with a business of which they all own a part; the vibrancy of the working environment; the commitment to the customer; and the engrained desire to deliver a quality output and continuously improve that quality
- Our employees: we believe that if people enjoy what they do, they do a better job - in 2013 Admiral was voted the 2nd Best Large Workplace in the UK and the 2nd Best Multinational Workplace in the Great Place to Work Institute awards; Admiral has been in the Sunday Times 100 Best Companies to Work For in the UK every year the list has been compiled.
- Focus: Admiral has spent 20 years refining how best to provide the service people look for from their car insurer, and the last 13 years developing Price Comparison, in particular for car insurance. It is only with the advent of Admiral Household Insurance in the last year that we have dedicated any material effort outside private motor insurance and price comparison
- Pricing: data analysis lies at the heart of our pricing algorithms. With three million customers and substantial amounts of data, our experienced pricing team is excellently placed to derive competitive advantage in the UK, and to inject that experience into our new businesses overseas as they build the scale from which one can derive meaningful analysis
- Claims management: our experience, culture and focus all combine to deliver a claims result that speaks for itself with market-leading loss ratios, sustained reserve releases and high levels of profit commission earned under our reinsurance arrangements, as well as consistent positive feedback from customers on the claims service they receive
- Controlled test and learn: everything that Admiral is now has been built from the ground up, taking measured steps to test how well we understand the challenge ahead and the effectiveness of our solutions, and then to learn from that experience and from the experience of those who have tried other strategies. That is how the Admiral team has set about building private motor businesses in five countries, Price Comparison businesses in four, and now a Household Insurance business in the UK. While slower than growth by acquisition, it is much lower risk and enables one to construct, in all respects, the platform one wants for the future
- Low cost: the results speak for themselves - an expense ratio in our established UK business of 15%, almost half the market average. Cost consciousness has to be engrained to be effective, a core part of the way in which we do things. It is everyone's responsibility, not just that of the Finance team
- Low capital employed: probably because everyone at Admiral is, or becomes, a shareholder, we regard our shareholders' money as our own, seeking to use it as efficiently as we can. Hence our model based on reinsurance relationships underpinned by strong underwriting results, with Admiral itself only providing the capital backing for a minority of its business. Hence our commitment to give back to shareholders whatever surplus we do not need to support our current business. The result in 2013 - a 58% return on equity and a 95% pay-out ratio giving rise to a 8% dividend yield
- Low risk: Admiral has always sought to protect its downside characterised by our reinsurance model; an approach to claims reserving that is prudent in the early stages and releases only when justified by experience; an organic growth strategy; a test and learn approach of taking measured steps before investing further; sticking to what we understand well; and a conservative approach to investment management

It is the sum of these elements that gives me confidence in Admiral's sustained competitive success across the insurance cycle. In 2013, as in 2012, the cycle was not at the right point to justify growth. Market rates fell again last year, probably by around 13%. It made no sense to chase the market down, particularly for a player such as Admiral that has a significant combined ratio advantage over the market as a whole and can, therefore, afford to raise rates less quickly than the market when the cycle turns up. Our strategy in the UK was to hold our book at its existing level, recognising that this would result in a fall in UK Car Insurance turnover. At the same time, our claims results were excellent, supporting significant reserve releases from prior years.

We continued to apply our test and learn approach to our young businesses, particularly those overseas. For example, in Europe, Admiral Seguros in Spain launched its second brand, Qualitas Auto, to broaden its market appeal. In the USA, our auto insurer, Elephant Auto, grew its vehicle base by 34%, and we started test-marketing comparenow.com, bringing the successful European model of insurance price comparison to the USA. We will progressively increase our investment in this business as justified by the performance of its marketing. Price comparison businesses typically turn profitable much earlier than insurance businesses as they have lower fixed overheads. LeLynx, our French Price Comparison business, returned a profit in 2013, its third full year of operation, and Rastreator has been profitable since 2011, its second full year.

We have also been encouraged by our launch of Household Insurance in the UK and the potential this demonstrates. Admiral's overall result is, and will for some time remain, inevitably dominated by our UK Car Insurance business and, therefore, by the UK private motor insurance cycle. And it is equally inevitable in a cyclical industry that there will be periods when profit growth is more muted, derived from a balance between lower prices and consequently lower volume growth and the positive development of prior years' claims.

So it was in 2013, with group pre-tax profits up 7% at £370 million. Taken together with our capital efficient model this made possible full year dividends of 99.5 pence per share, 10% higher than last year. Whilst the level of dividend is something we reassess regularly, we continue to believe it is right for Admiral to retain the flexibility derived from the distinction between a normal dividend based on a 45% pay-out ratio, this year amounting to 46.9 pence per share, and the special dividend we are able to afford because of our low capital model. In 2013 this special dividend again exceeded the normal dividend at 52.6 pence per share, representing our available surplus, after taking into account our required solvency, and a margin for contingencies.

Our Board

We say goodbye at the forthcoming Annual General Meeting (AGM) to John Sussens, our Senior Independent Director (SID) and Chair of Remuneration, and Martin Jackson, our Chair of Risk. Both joined the Board in 2004 in anticipation of our flotation and are, therefore, at the end of their nine year term, beyond which they are no longer regarded as independent under the UK Corporate Governance Code. Both will be much missed for their wise counsel, energy and commitment to our business, and their teamwork. I thank them on behalf of the Board and our shareholders for all they have contributed to Admiral. I am grateful to Colin Holmes for assuming the mantle of SID and to Annette Court for taking on the Chair of Remuneration.

Balancing endings with beginnings, I am delighted to welcome Jean Park to the Board. Following the AGM she will succeed Martin as Chair of Risk and will join the Remuneration Committee. Jean has extensive knowledge of risk governance and risk management frameworks in an insurance context having been, until June 2013, Group Chief Risk Officer for Phoenix Group, the UK's largest specialist closed life and pension fund consolidator.

2013 was the year for an external review of our Board and committee effectiveness, following two successive years of internal review. Overall, the review found that the Board had continued to work very effectively in relation to most of the required dimensions and that good progress had been achieved in many of the areas identified for action in the last independent review at the end of 2010, in particular in the areas of succession planning and risk management on which I commented at the time. With a new Chair of Risk and a newly appointed Director of Risk, the review recognised the extent of change that would take place within risk governance and the role of the Group Risk Committee in exercising effective oversight during this process. It also focused on the sustained need for effective succession planning to look well ahead of the time Directors need or plan to step down. It recognised that there are practical challenges of a larger Board resulting from the policy of providing a reasonably long period of overlap to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board as a team. In addition to our Directors we also have three senior managers as permanent contributors to our Board process as part of their personal development.

Thank you

May I start by thanking our customers both for their business and for all the feedback we get from them as to how we can improve what we do. Then our shareholders for their continued support and the time many of them take to understand our business and its drivers. Above all, may I thank our people - our staff, our management team, and our Board - for everything they do to build such a successful, and sustainably different, business.

Alastair Lyons
Chairman
4 March 2014

Chief Executive's Statement

2013 was the year of the baked potato. It was a good, solid year, something on the plate that is appreciated but doesn't really grab the spotlight. This is a comfort food set of results.

Why the baked potato? Because the year was solid, but not flashy. We made more money than ever before, we grew customer numbers a little bit, we launched one new overseas business (comparenow.com), but there was no growth surge, there were no claims shocks; we just went about our business.

I'm not going to dwell on the past and review all the numbers of all the businesses which appear in copious detail later in this document. What I will do is look at the future and explain why today's baked potato is tomorrow's steak dinner.

As investors, I believe you all would like the answers to at least one of these three questions and possibly all three: Why do I believe that Admiral will be successful in the short term? In the medium term? In the long term?

In the short term, it's about reserve releases from the UK business. In the medium term, it's about a turn in the UK cycle that will trigger price increases and provide an opportunity for growth. In the long term it's about our non-UK businesses, Household Insurance and the future leaders of this organisation.

Let me explain. Currently our bottom line is dominated by the results in UK Car Insurance. As has been well publicised, prices have fallen some 25% in the UK market in the last two years or so. This drop in prices has been in parallel with a drop in claims costs but few experts believe that they are in perfect sync. During 2013 the projected outcome for our claims reserves improved materially. As always we hold a significant margin in booked reserves above these projected results and although we made large reserve releases during the year this margin was bigger at the end of 2013 than at the start. Over time, if the claims situation does not show adverse patterns, these reserves will be released.

If the UK market doesn't turn soon, some people might say it will hurt Admiral. That might be true. But it will hurt our competitors earlier and harder, as they are largely unable to match our combined ratio. A slower turn will only mean a sharper turn when the turn turns.

Some people might say that our results are dependent on 'Other revenue' and that this income is under regulatory threat. It's true, we do make good money from 'Other revenue', but so does the rest of the UK market. If you took away all 'Other revenue' tomorrow it might surprise you to know that I'd be the happiest guy in town. Why? Because it means that all any firm has left is its combined ratio, forcing a battle for survival of the fittest and we are, arguably, the fittest. Remember, the market average combined ratio is quite a bit above 100%. Our combined ratio is under 90%.

Medium-term profitability will be greatly influenced by the eventual turn in the UK cycle and what we can do with it. We've made it clear that we don't think the current declining price environment is the optimal time to grow the business. It becomes an optimal time when competitors start putting their rates up. We too will put our rates up, just as we've taken our rates down in the current, declining price, part of the cycle. But in both instances, our move is/will be more gradual than the competition. Very simply, this means that we don't grow when rates are falling but we should grow when rates are rising.

All of that sounds quite good for the short- and medium-terms, but what really gets me excited about this business is its long-term future. Behind that statement is the secret of the baked potato. Did you know that potatoes have more potassium than bananas? They are very low in saturated fats (although I must admit, I like mine with butter or sour cream and I suspect that can't be good. Did anyone mention salt?) and they are a good source of vitamin C, vitamin B6 and magnesium. The point is, you don't look at a baked potato and think nutrients. Just as you might not look at Admiral's 2013 results and see the progress made by our non-UK operations and UK Household. But for both Admiral and the potato, they are there.

It's not just the businesses we've set up in Spain, Italy, France, the US and UK Household that give me confidence, it's the people we've got running them. They, along with a number of others, are the future.

Success for the businesses themselves rests on a fundamental change in the delivery of insurance around the globe. The internet is an irresistible force and the world is changing from face-to-face and phone distribution to internet distribution (and in some places our Price Comparison businesses are helping to accelerate that change). The markets we've chosen to enter are all very large, agent-led markets. We like large markets because, well, because they're large: billions and billions large. It means you can quietly take a dollop of market share and have a successful business. We also see that the big competitors in these markets often have channel conflict problems, as it's their agents who are covering their overheads and, in trying to switch to internet distribution, they face the problem of alienating these agents. They are also markets of legacy. Things are done very much the way they've been done over the last few decades. Our modus operandi of making many changes in a test and learn environment should allow us to capture advantage in these markets.

But to create success stories akin to Admiral in the UK takes time and that's why these businesses come under the heading of long term. Each market is unique, with its own characteristics and idiosyncrasies and each must be approached as a local business; there is no cookie-cutter mould to success. Saying that, there are many techniques we successfully apply in the UK that can be shared across geographies and we are working to ensure best practice around the Group.

So the markets themselves are huge and interesting. But it's the people running these businesses who, although not huge, are all interesting. Here's a fact: the average age of the three Executive Directors in Admiral is 52.6. All of us are on the north side of 50. The average age of the CEOs of the other seven businesses plus the five key managers in the UK is 37.4. Nine of the 12 are still on the south side of 40. There are certainly other talented people in the Group who will also be a big part of the future, some older, some younger, but these statistics are very clear and are meant to show you the depth and talent Admiral is cultivating. These younger managers have learned the business from the ground up. They are talented, intelligent and ambitious. Working with them makes me glad that I'm a shareholder and not a competitor!

But hold the bus. The future isn't now. The future is the future. And there's a lot of work to do between now and the future to make it successful. And I'm pleased to say that the aforementioned, well-wrinkled executives are still here, still ambitious and, hopefully, still talented and intelligent.

Our strategy, once again like a baked potato, is simple: to make measured progress in the UK car insurance market while taking what we know and do well, which is internet and telephone delivery of insurance, to create growing, profitable, sustainable businesses outside the UK and in UK Household Insurance.

2013 was yet another good year for Admiral, but it wasn't a flashy year. It was the year of the baked potato, not brown bread ice cream.

Henry Engelhardt
Chief Executive Officer
4 March 2014

Group Financial Review

Chief Financial Officer's Review

2013 was a good year for the Group with further increases in profit, customer numbers and dividends. Our UK Car Insurance business remains the main source of profits but pleasing contributions have also been made by our Price Comparison businesses in the UK, Spain and France.

We continue to invest in our overseas car insurance operations in Spain, Italy, USA and France and have seen strong growth in turnover and customer numbers, even if the businesses have not yet reached break-even. That's to be expected though, given their age.

We're also pleased with the progress of our two newest businesses - the UK Household Insurance operation, and brand new USA Price Comparison business, comparenow.com. More details on those operations will come through as they grow.

We remain committed to delivering shareholder returns whilst remaining prudently financed with a strong, liquid balance sheet. Our return on equity remains very high at 58%, testament to the strength and success of Admiral's business model.

We have maintained our strong track record for increasing dividends and in total will pay over 99 pence per share (£272 million) back to shareholders for the 2013 year. This brings the total dividends returned to shareholders since listing to nearly £1.5 billion.

Kevin Chidwick
Chief Financial Officer
4 March 2014

Group results and dividend

- Admiral Group grew pre-tax profits in 2013 by 7% to £370.2 million (2012: £344.6 million).
- UK Car Insurance profit increased by 6% to £393.9 million (2012: £372.8 million).
- International Car Insurance losses totalled £22.1 million (2012: £24.5 million).
- Price Comparison profit increased by 13% to £20.4 million (2012: £18.0 million).
- Other Group Items, including the employee share schemes, amounted to a cost of £22.0 million (£21.7 million).

Further details by segment are set out below.

Earnings per share increased by 10% to 104.6 pence (2012: 95.1 pence). The increase is higher than the 7% increase in pre-tax profit due to the lower effective rate of corporation tax in 2013. Customer numbers were 4% higher at the end of 2013 at 3.70 million (2012: 3.55 million).

Total dividends paid and proposed for the financial year amount to 99.5 pence per share (£272 million), an increase of 10% on the previous year (2012: 90.6 pence; £245 million). This is equal to 95% of earnings per share. The final dividend proposed is 50.6 pence per share (11% higher than the final 2012 dividend of 45.5 pence).

The final dividend is made up of a 24.4 pence normal element, based on the stated dividend policy of distributing 45% of post-tax profits, and a further special element of 26.2 pence. The special dividend is calculated with reference to distributable reserves after taking into account required solvency and a margin for contingencies.

The payment date is 30 May 2014, the ex-dividend date is 30 April and the record date is 2 May.

Divisional Performance Highlights

The Group's UK Car Insurance business accounts for 84% of Group turnover (2012: 87%) and 82% of customers (2012: 85%). In 2013, in the face of very strong competition in the UK market, the business continued to focus on margin rather than growth and held the number of vehicles insured steady at just over three million. Supported by strong releases from prior year claims reserves on the back of continued positive development in projected claims costs, the combined ratio improved to 81.0% (2012: 89.1%) and profit before tax was £393.9 million - up 6% on 2012's result of £372.8 million.

A focus on lower premium, lower risk business, alongside a growing contribution to the total from renewal customers, contributed to a reduction in UK turnover of 12% to £1,698.9 million (2012: £1,936.2 million).

Outside of the UK, Admiral's International Car Insurance businesses continue to develop, with combined turnover rising 15% to £187.8 million (2012: £162.9 million) and customer numbers surpassing 515,000 - an increase of 18% on a year earlier. The combined loss from the operations was lower at £22.1 million (2012: £24.5 million), primarily due to improved claims experience.

Confused.com, the Group's UK Price Comparison business, reported a pre-tax profit of £21.7 million - over £3 million higher than 2012's result. Outside the UK, Admiral's other European Price Comparison businesses (Rastreator in Spain and LeLynx in France) made a combined profit of £2.4 million (2012: loss of £0.2 million). During the year the Group invested £3.7 million in comparenow.com, a new car insurance comparison business being built in the USA.

Other Group key performance indicators include:

- Group loss ratio 69.2% (2012: 79.2%) (an improved UK loss ratio resulting from higher reserve releases and an improved international loss ratio);
- Group expense ratio 19.9% (2012: 17.7%) (a slight increase in the UK ratio due to lower average premiums and an improved but high international ratio); and
- Group combined ratio 89.1% (2012: 96.9%).

Investments and cash

Investment strategy

Admiral maintained a low-risk investment strategy throughout the year, with a broadly consistent allocation of funds to the three main asset categories (cash at bank, cash deposits and money market funds) as in recent years.

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

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

Cash and Investments Analysis

	31 December 2013				
	UK Car Insurance £m	**International Car Insurance £m**	**Price Comparison £m**	**Other £m**	**Total £m**
Money market funds and short-dated debt securities	1,480.6	98.4	-	29.5	1,608.5
Cash deposits	286.0	2.4	-	-	288.4
Cash	101.6	35.7	38.7	11.9	187.9
Total	**1,868.2**	**136.5**	**38.7**	**41.4**	**2,084.8**

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

The only notable change in asset allocation during 2013 was a higher proportion invested in money market funds and short-dated debt securities and a move away from cash deposits compared to 2012.

Money market funds and short-dated debt securities comprise the majority of the total; 77% at 31 December 2013, up from 67% at 31 December 2012.

Investment and interest income in 2013 was £14.3 million, down 10% on 2012 (£15.9 million). The reduction was due to the rate of return being slightly lower at 0.7% than in 2012 (0.9%).

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

£m	2011	2012	2013
Operating cash flow, before transfers to investments	779.1	742.0	616.8
Transfers to financial investments	(493.9)	(441.9)	(295.3)
Operating cash flow	285.2	300.1	321.5
Tax and interest payments	(95.3)	(79.7)	(88.5)
Investing cash flows (capital expenditure)	(13.2)	(10.9)	(10.1)
Financing cash flows (largely dividends)	(197.8)	(214.8)	(250.3)
Foreign currency translation impact	(1.0)	(2.7)	(1.3)
Net cash movement	(22.1)	(8.0)	(28.7)
Net increase in cash and financial investments	473.8	434.5	266.6

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

£m	2011	2012	2013
Profit after tax	**221.3**	**258.4**	**286.9**
Change in net insurance liabilities	244.3	200.0	186.2
Net change in trade receivables and liabilities	203.7	163.0	22.3
Non-cash income statement items	32.0	34.4	38.1
Tax and net interest expense	77.8	86.2	83.3

Operating cash flow, before transfers to investments	**779.1742.0616.8**

The key features to note are:

- Total cash plus investments increased by £267 million or 15% (2012: £435 million, 31%), the lower rate of growth resulted from lower growth in the UK business; somewhat offset by higher growth internationally.
- The net change in actual cash balances was small, as funds were transferred into investments.

Capital Structure and Financial Position
Admiral's capital-efficient and profitable business model led to return on capital employed of 58% (2012: 60%). A key feature of the business model is the extensive use of co- and reinsurance across the Group. During 2013 and in early 2014 Admiral announced extensions to its UK co- and reinsurance arrangements with capacity fully allocated until at least the end of 2016 and Munich Re committed to underwriting 40% until at least the end of 2018. Similar long-term arrangements are in place in the Group's international insurance operations and UK Household business.

The Group continues to manage its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding Company in the form of dividends on a regular basis. Capital continues to be held in equity form, with no debt.

The majority of the Group's capital requirement is derived from its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). The minimum capital requirements and surplus position at the end of 2013 for those companies, along with the overall Group position was as follows:

£m	AIGL AICL Group
Net assets less goodwill	£167m£73m£453m
Minimum capital requirement	£74m£27m£120m
Surplus over minimum requirement	**£93m£46m£333m**
Total regulatory capital requirement	£283m
Surplus over regulatory capital requirement*1	**£170m**

[*1] Before accounting for the 2013 Final Dividend of £139.6 million.

The Directors note that during 2013 further guidance was issued on implementing the Solvency II regulatory regime in the EU. In September 2013 guidelines were issued for the preparatory phase leading to full introduction, assuming an effective date of 1 January 2016. Solvency II aims to provide an EU-wide set of capital requirement and risk management standards. Key themes include risk-based capital, market consistent balance sheets and Own Risk and Solvency Assessments (ORSA). As previously noted, the Directors do not believe, based on guidance issued to date, that there will be a material change in the level of the Group's capital surplus under the new regime. The Group continues, and remains on track with its Solvency II implementation plan to ensure compliance with the full requirements and preparatory guidelines.

Taxation
The tax charge reported in the income statement is £83.3 million (2012: £86.2 million), which equates to 22.5% (2012: 25.0%) of profit before tax. The lower effective rate of taxation compared to 2012 predominantly results from reductions in the rate of UK Corporation Tax in 2012 and 2013. The average rate of UK Corporation Tax in 2013 was 23.25% (2012: 24.5%). The average rate will fall to 21.5% in 2014 and 20.25% in 2015.

UK Car Insurance Review - David Stevens, Chief Operating Officer

A little over a decade ago, the UK's first car insurance price comparison site, Confused.com, was launched. The repercussions for the car insurance industry as a whole have been profound - disturbing the established order as dramatically as the earlier "direct" revolution initiated by Direct Line 15 years earlier.

Admiral, with its low expense ratio and higher quality of risk selection, grew and prospered. In the years Prior to Price Comparison (PPC), the marginal media cost of exposing your prices to an extra motorist was way above the average media cost. But in the PC world, the marginal cost is the same as the average cost, and that allowed us to grow from 2% to 11% of the UK market, while still maintaining a great expense ratio. To do so required rate structures good enough to withstand the merciless scrutiny of near total price transparency. So, as well as offering customers an unbeatable combination of convenience and cost effectiveness, price comparison sites also helped Admiral to grow rapidly.

However, that "merciless price transparency" has had the less fortunate side effect of exacerbating the cyclicality of the market. The energetic shopping of the UK customer and the dominance of price comparison as a method of distribution mean that uncompetitive insurers not only write little or no new business, but also see their existing customers desert them en masse. Deviation from collective behaviour on prices means extreme feast or famine, depending on the direction of deviation. This encourages the homogeneity in pricing moves and the herd-like shifts, upwards or downwards, that characterise cyclical markets.

Threatened with dramatic shrinkage, along with the redundancies and office closures that go with it, many insurers at the end of the last decade waited far too long to raise prices in the face of record high combined ratios and then, with 40% plus price increases in 2010-11, increased them excessively. The subsequent overshoot on rates was then corrected in a stampede in the opposite direction, with new business rates down around 26% over the last two years.

Admiral tries to mitigate the effects of this heightened cyclicality, both for its customers and its investors. In the great inflation of 2010-11 our increases lagged the market and we declined to participate in others' large scale withdrawal from higher risk segments. As a result, we grew by nearly 60% in the two years - and quite rightly. It's now clear that the business written at the time was very profitable. Conversely, as prices have fallen, we've lagged the market and reduced our share of new business volumes, particularly in the higher premium segments, currently (temporarily?) attractive to some of our competitors.

Meanwhile, our investors benefit from our conservative approach to reserving. This means that profits earned are, to a large extent, not recognised immediately, but rather spread over a number of subsequent years. A large proportion of car insurance claims costs relate to bigger bodily injury claims whose final cost can be impossible to predict accurately in the year they occur - so delaying recognition until there is a high degree of certainty makes sense. This is particularly appropriate for a company like Admiral which pays out the majority of profits as dividends. This policy means that attractive profits earned in cyclically profitable times are only fully reflected in subsequent years - typically during cyclically less profitable times.

This conservative policy means that reserve releases have been a long term feature of Admiral's results. This year our releases account for 14% of profits and equate to 13% of premium earned. Bizarrely, some commentators discount the value of reserve releases as somehow generating lower quality profits. I say "bizarrely" for two reasons. Firstly, to my mind, underwriting profits derived from releases on older, more developed, more predictable years cannot be lower quality than underwriting profits reported on current, undeveloped, years. Secondly, in Admiral's case, profits from reserve releases can't be considered "one-off" - we have released reserves every year since our flotation in 2004, at an average of 12% of premium earned.

The market's marked cyclicality, with its yo-yo pricing, makes for more of a white knuckle ride for investors in car insurance than in most sectors. Happily, for Admiral, relatively reduced profit volatility is both a welcome side effect of our justified caution in only recognising underwriting profits with some delay and an equally welcome outcome of our consciously counter-cyclical growth strategy.

David Stevens

Chief Operating Officer
4 March 2014

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

£m	2011	2012	2013
Turnover*2	1,966.0	1,936.2	1,698.9
Total premiums written*3	1,728.8	1,748.7	1,553.0
Net insurance premium revenue	418.6	455.6	425.1
Investment income	10.6	13.9	12.4
Net insurance claims	(335.5)	(355.1)	(251.3)
Net insurance expenses	(46.7)	(50.0)	(52.1)
Underwriting profit	**47.0**	**64.4**	**134.1**
Profit commission	61.8	108.4	99.3
Underwriting profit plus profit commission	**108.8**	**172.8**	**233.4**
Net other income	181.5	170.9	136.8
Instalment income	23.3	29.1	23.7
UK Car Insurance profit before tax	**313.6**	**372.8**	**393.9**

[*1] GAAP = Generally Accepted Accounting Practice.
[*2] Turnover (a non-GAAP measure) comprises total premiums written and Other revenue. Refer to note 12 for a reconciliation to financial statement line items.
[*3] Total premiums written (non-GAAP) includes premium underwritten by co-insurers.

Split of underwriting profit

£m	2011	2012	2013
Motor	47.0	59.6	121.8
Additional products	-	4.8	12.3
Underwriting profit	**47.0**	**64.4**	**134.1**

Key performance indicators

	2011	2012	2013
Reported motor loss ratio*1	77.9%	76.4%	68.0%
Reported motor expense ratio*2	14.0%	13.6%	15.0%
Reported motor combined ratio	91.9%	90.0%	83.0%
Written basis motor expense ratio	13.2%	13.0%	14.5%
Reported total combined ratio*3	91.9%	89.1%	81.0%
Claims reserve releases - original net share*4	£7.8m	£16.3m	£53.3m
Claims reserve releases - commuted reinsurance*5	£2.5m	£1.3m	£40.9m
Total claims reserve releases	£10.3m	£17.6m	£94.2m
Vehicles insured at year end	2.97m	3.02m	3.02m
Other revenue per vehicle	£84	£79	£67

[*1] Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 12b.
[*2] Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs. Reconciliation in note 12b.

[*3] Reported total combined ratio includes additional products underwritten by Admiral.
[*4] Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.
[*5] Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting and not profit commission.

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

The two principal advantages of the arrangements are:

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

Arrangements for 2013 to 2016
In early 2014 the Group was pleased to announce extensions to its arrangements such that capacity is fully placed until the end of 2016. The underwriting splits can be summarised as follows:

	2013	**2014**	**2015**	**2016**
Admiral	25.00%	25.00%	25.00%	25.00%
Great Lakes (Munich Re)	40.00%	40.00%	40.00%	40.00%
New Re	13.25%	13.25%	12.25%	12.25%
Hannover Re	8.75%	8.75%	8.75%	8.75%
Swiss Re	7.50%	9.00%	9.00%	9.00%
Mapfre Re	3.00%	4.00%	5.00%	5.00%
XL Re	2.50%	-	-	-
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The proportion underwritten by Great Lakes (a UK subsidiary of Munich Re) is on a co-insurance basis, such that 40% of all motor premium and claims for the 2013 year accrues directly to Great Lakes and does not appear in the Group's income statement. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

Great Lakes will underwrite 40% of the UK business until at least the end of 2018. Admiral has agreed to retain at least 25% for the duration, whilst the allocation of the balance is at Admiral's discretion.

All other agreements are quota share reinsurance.

Admiral has options to commute quota share reinsurance contracts and typically does so after two or three years of an underwriting year's development when there is a reasonably certain view on the year's outcome. There is little or no impact on profit or the timing of profit recognition from commutation.

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

At 31 December 2013, all material UK quota share reinsurance contracts for underwriting years up to and including 2010 have been commuted. For the 2011 year, of the original 32.5% of the business that was reinsured, contracts covering 27.5% of the business have been commuted. All reinsurance for the 2012 and

2013 years remains in effect.

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

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

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

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

UK Car Insurance Financial Performance
As noted in the Group's interim 2013 results, after significant rate increases in 2010 and 2011, the UK Car Insurance market is now in its second year of being more price competitive. Admiral's UK business has maintained a stable vehicle count and has focused on margin rather than seeking to grow market share.

Profit
Profit from UK Car Insurance increased 6% to £393.9 million (2012: £372.8 million). Profit from underwriting and profit commission increased 35% to £233.4 million (2012: £172.8 million), resulting largely from an improved combined ratio. The combined ratio improvement was largely due to higher reserve releases that resulted from positive claims development. The increase in profit from underwriting and profit commission was offset by a 20% reduction in net other income and instalment income to £160.5 million (2012: £200.0 million).

Turnover and premiums
UK turnover of £1,698.9 million decreased by 12% (2012: £1,936.2 million) primarily due to reductions in average premiums which led to a 11% reduction in total premiums written to £1,553.0 million (2012: £1,748.7 million). The closing vehicle count was stable at 3.02 million (2012: 3.02 million). Average written premium for the year was around £505, down 13% on 2012 (2012: £580). The reduction in average premium was largely a result of rate cuts of around 10% (year-on-year) on average across new business and renewal business combined with portfolio mix changes.

Underwriting result and profit commission
The UK Car Insurance motor combined ratio improved by around seven percentage points in 2013 as follows:

UK Car Insurance Motor combined ratio	**2012**	**2013**
Loss ratio excluding reserve releases from original net share and commuted reinsurance	80.1%	81.2%
Reserve releases - original net share	3.7%	13.2%
Loss ratio net of releases - original net share[*1]	**76.4%**	**68.0%**
Expense ratio	13.6%	15.0%
Combined ratio - original net share[*1]	**90.0%**	**83.0%**

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

There was an improvement in the reported motor combined ratio, which reduced to 83.0% (2012: 90.0%) (both figures exclude the impact of reserve releases from commuted reinsurance contracts). The improvement was driven by a reduction in the reported loss ratio to 68.0% (2012: 76.4%), which was due to materially higher reserve releases (£53.3 million v £16.3 million). These higher releases were possible due to the positive claims experience during 2012 and 2013 which resulted in improvements in the projected ultimate loss ratios, especially for the 2010 to 2012 underwriting years.

Excluding reserve releases, the loss ratio increased slightly to 81.2% (2012: 80.1%), largely due to the impact of falling premiums.

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

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

The earned motor expense ratio increased to 15.0% from 13.6% due to the reduction in average written premium. The reduction in average written premiums was also the main reason the written basis expense ratio increased to 14.5% from 13.0%.

The projected ultimate loss ratio for Admiral for the 2013 accident year is 71%, in line with 2012. During 2013, falling premiums were offset by a reduction in claims costs.

The projected ultimate combined ratio (ultimate loss ratio plus written expense ratio) for Admiral for the 2013 accident year is 85%, compared to 84% for 2012, resulting from an increased expense ratio. The reported combined ratio for the whole UK market (excluding Admiral) for 2012, excluding reserve releases, was 108%.

Profit commission
Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the business. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In 2013 Admiral recognised profit commission revenue of £99.3 million (2012: £108.4 million) and reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted of £40.9 million (2012: £1.3 million). Total income from both of the above, therefore increased by 28% to £140.2 million (2012: £109.7 million) due to improvements in prior year claims costs and the earning of the 2012 underwriting year. Note 5c to the financial statements analyses profit commission income by underwriting year.

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

Total profit from car insurance underwriting of £121.8 million and profit commission of £99.3 million increased significantly, by 32% to £221.1 million from £168.0 million in 2012.

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

The most material contributors to net Other revenue are:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers;
- Profit from other insurance products, not underwritten by Admiral;
- Vehicle Commission (see below);
- Fees - administration fees and referral income (see below); and

- Instalment income - interest charged to customers paying for cover in instalments.

Other revenue (net of costs and including contribution from additional products underwritten by Admiral) decreased by 16% to £172.8 million (2012: £204.8 million). This was equivalent to £67 per vehicle (gross of costs) - down from £79 at the end of 2012.

The £12 reduction in Other revenue per vehicle from full year 2012 to full year 2013 was due to changing accounting recognition and treatment (-£6) and true economic changes (-£6) as follows:

Changing accounting recognition and treatment

- Change to accounting recognition and treatment of Motor Legal Expenses Insurance (MLEI) and vehicle commission (-£6), where profit has been reallocated from Other revenue to Underwriting.

True economic changes

- Reduction in income earned from personal injury referral fees (-£4).
- Reduction in instalment income reflecting lower average premiums (-£2).

UK Car Insurance Other revenue - analysis of contribution:

£m	**2011**	**2012**	**2013**
Contribution from additional products and fees	213.9	205.2	170.4
Contribution from additional products underwritten by Admiral*1	-	4.8	12.3
Instalment income	23.3	29.1	23.7
Other revenue	**237.2**	**239.1**	**206.4**
Internal costs	(32.4)	(34.3)	(33.6)
Net Other revenue	**204.8**	**204.8**	**172.8**
Other revenue per vehicle*2	**£84**	**£79**	**£67**

[*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.

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

During 2013 the intra-group element of vehicle commission totalling £18.4 million was eliminated (from the insurance expenses and Other revenue lines in the income statement). This reduced Other revenue per vehicle by approximately £6 during 2013. There is no profit impact of the elimination as profit is reallocated from Other revenue to Underwriting. Further details are provided in note 4b.

Referral fees
As reported in the 2012 Annual Report, personal injury referral fees were banned with effect from 1 April 2013. The ban reduced Admiral's Other revenue per vehicle by £4 per vehicle during 2013. Admiral expects this reduction in revenue will be offset by reductions in claims costs.
Admiral notes that in December 2013 the UK Competition Commission released its provisional findings on its review of the car insurance market. Admiral welcomes action aimed at curbing the compensation culture that currently exists in the UK motor insurance market. A potential outcome of the review is regulatory change resulting in a reduction or elimination of credit hire referral fees and a reduction in associated claims costs.

Admiral expects any such reduction in revenue from credit hire referral fees would be offset by reductions in claims costs. In 2013, Admiral earned £14 million in credit hire referral fees.

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

Bringing the provision of legal services into the Group will allow Admiral to administer a claim throughout the process and offer a materially better quality of service. New and proposed reforms to the handling of bodily injury claims mean that the businesses are not expected to make a material contribution to Group profits in the foreseeable future.

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

Contribution from these products underwritten by Admiral during 2013 was £12.3 million and this is included in underwriting profit in the income statement, but reallocated to Other revenue for the purpose of management key performance indicators.

Instalment income
Instalment income is interest charged to customers paying for their insurance in instalments. During 2013 Admiral earned £23.7 million from instalment income, down 19% on the prior period (2012: £29.1 million). This reduced Admiral's Other revenue per vehicle by around £2 compared to the end of 2012. Instalment charges are calculated as a percentage of premium and therefore a reduction in average premium leads to a reduction in instalment income.

International Car Insurance Review

Spain - Cristina Nestares - CEO, Admiral Seguros

The Spanish market has enjoyed over 10 years of profitability, and 2013 was probably no different. The market combined ratio in 2012 (including ancillaries) was 97% (up 1 point on 2011), reflecting loss ratios remaining relatively flat and expense ratios increasing a little with a fall in average premiums. That said, the effects of the challenging economic backdrop are being felt: gross written premium (GWP) shrank 6%, and media spend is falling with competitors paying more attention to retention rather than attracting new business. Pricing remains highly competitive; premiums have now fallen 19% since 2008.

Admiral Seguros has had a strong year of growth. Despite the difficult market conditions noted above we grew turnover by nearly 25%. During the year we successfully launched a new brand, Qualitas Auto, which grew quickly in awareness propelled by a TV campaign starring Pierce Brosnan. If economic conditions improve in Spain we would expect to see more serious growth from Admiral Seguros; however, we will be patient and not accelerate growth in difficult market conditions.

Italy - Milena Mondini - CEO, ConTe

2013 was dominated by the reactions to the market's 2012 92% combined ratio, an improvement of 9 points on 2011. After five consecutive years of price increases coupled with a large stock of reserves, prices unsurprisingly fell, by c.5% in the first three quarters, but this was not coupled with a reversion of the insurance cycle. In fact, there was a minor decrease in the loss ratio at the end of the first half caused by a 3% reduction in claim frequency due to the ongoing financial crisis reducing car usage and fuel consumption.

Although the difficult economic climate has resulted in a reduction in the total number of vehicles insured in Italy, it has perhaps also encouraged people to shop for their car insurance (the percentage has almost tripled since our 2008 launch), supported by the abolition of automatic renewals. Distribution through the internet keeps growing steadily and price comparison websites, four of which are now advertising on TV, are becoming an integral part of the buying process.

After five consecutive years of growth, 2013 was a year of consolidation for ConTe. Turnover grew £4 million and the number of customers grew by 14,000. The main driver of this consolidation was the aforementioned reduction of prices, and therefore margins, in the market. But the timing of this was good for ConTe, as the organisation was able to step back, review processes, implement better IT, give more training to staff and generally improve the quality of the operation. However, if prices in the market continue to decline it implies limited growth for ConTe in 2014. Patience, is once again, a key word.

USA - Kevin Chidwick - CEO, Elephant Auto

The US car insurance market is the largest in the world, representing 200 million vehicles and $170 billion of premium. Roughly a quarter of the USA market is direct, and this is growing, with record media spend encouraging consumers to shop around for their quotes. What is perhaps surprising is that European-style price comparison has not yet established in the USA, and in the meantime the direct writers are engaged in a fierce media battle for customers.

In terms of pricing and claims inflation, the USA car insurance market is much less volatile than the UK. The nature of USA car insurance claims are two thirds car repairs and only one third bodily injury, the opposite of the UK market. As at March 2014, overall market numbers are not yet available for 2013, but claims inflation remains very benign and premium inflation has followed suit. So overall profitability for the market remains relatively stable with a combined ratio, including investment income, in the high 90%'s.

Elephant Auto gained some good momentum in 2013. Elephant Auto trades in four states: Virginia, Maryland, Illinois and Texas. Combined, there are some 34 million vehicles, about 25% more than the entire UK market, in just these four states. Elephant's customer numbers grew by 34% and in Texas this figure was 41%. This growth was achieved at what, for the USA market, was a reasonable cost. However, that cost is still high relative to other markets Admiral trades in. The USA market presents a huge challenge to the Group, but it is also a huge potential prize. Clearly creating a valuable franchise in the USA will take, yes, you may have guessed it: patience.

France - Christophe Sanchez - CEO, L'olivier Assurances

The French motor market was one of the few European markets where premiums grew in 2013. Despite frequency improvements, the industry combined ratio increased by 4 points to 105% on the back of increasing bodily injury claims costs. We expect this trend to continue increasing pressure on claims costs and on the market's combined ratio in 2014. Customer switching is an accelerating trend with the expansion of the price comparison market and ongoing investment by LesFurets and Admiral's LeLynx. Additionally, there are regulatory changes in discussion that will substantially simplify switching insurers for consumers.

L'olivier Assurances, our French operation, had a busy year of growth in 2013. We no longer know all our customers by first name. But 2014 promises to be even busier, as we in-source operations and build an IT system with which to service our customers. For these reasons we don't expect much growth in France in 2014 but we are building a platform from which we can expand in the future. The Hamon Law, passed by the Senate, should go into effect later in 2014 and this will remove many of the physical barriers consumers currently face when trying to change car insurers. However, we do not think this law will lead to revolution and a huge shift in distribution but, rather, evolution and the beginning of a continual change in consumer behaviour.

International Car Insurance Financial Performance

Non-GAAP format income statement

£m	2011	2012	2013
Turnover	122.1	162.9	187.8
Total premiums written	112.5	148.5	168.3
Net insurance premium revenue	27.2	43.3	54.1
Investment income	0.2	0.1	-
Net insurance claims	(28.3)	(49.4)	(49.1)
Net insurance expenses	(16.2)	(27.4)	(32.9)
Underwriting result	(17.1)	(33.4)	(27.9)
Net other income	8.0	8.9	5.8
Other revenue and charges	(0.4)	-	-
International Car Insurance result	**(9.5)**	**(24.5)**	**(22.1)**

Note - Pre-launch costs excluded

Key performance indicators

	2011	2012	2013
Reported loss ratio	104%	114%	91%
Reported expense ratio	60%	63%	61%
Reported combined ratio*1	164%	177%	152%
Reported combined ratio, net of Other revenue*2	134%	157%	141%
Vehicles insured at period-end	306,000	436,000	515,300

[*1] Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other revenue.
[*2] Reported combined ratio, net of Other revenue is calculated on Admiral's net share of premiums and includes Other revenue.

Geographical analysis

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

2012	Spain	Italy	France	USA	Total
Vehicles insured at period end	104,300	265,800	13,450	52,450	436,000
Turnover (£m) *1	32.8	89.6	6.4	30.4	159.2

[*1] Turnover includes total premium written and income generated by the sale of additional products and services and fees. In 2012 £3.7 million of turnover from Admiral Direkt is included to bring the total to £162.9 million.

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

For the 2013 year Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively.

The arrangements for 2014 will remain the same, other than in Italy, where Munich Re will retain 40% of the risk, down from 65% in 2013, and Swiss Re will reinsure the remaining 25%.

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

International Car Insurance Financial Performance

Admiral's international insurance businesses (in aggregate and individually) continued to grow, adding over 79,000 customers and ending 2013 18% larger than a year earlier. Turnover grew 15% to £187.8 million (2012: £162.9 million). Vehicles and turnover from these businesses represent 14% and 9% of the Group totals respectively, up from 12% and 7% in 2012.

Improved prior year claims development in the more mature operations, led to a lower combined ratio, which decreased from 177% to 152%. This improvement, in conjunction with higher net insurance premium revenue led to a lower loss, of £22.1 million in 2013, down from £24.5 million in 2012. The lower combined ratio was a result of a 23 percentage point improvement in the loss ratio to 91% (2012: 114%) whilst the expense ratio improved by 2 percentage points to 61% (2012: 63%). The expense ratio is high in comparison to Admiral's UK business because all of the international operations need to grow to achieve economies of scale. In addition, there are market specific reasons why the expense ratios are higher, for example high acquisition costs in the USA.

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

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. During the first half of the year, Admiral Seguros launched a second brand (Qualitas Auto) to complement its original Balumba brand. The business insured 136,500 customers at the end of 2013, 30% more than a year earlier.

The Group's largest international operation is ConTe in Italy which had 279,900 vehicles at the end of 2013, up 5% year-on-year. ConTe was launched in 2008 and has benefited from a period of generally favourable market conditions which has recently come to an end. ConTe is focused on improving underwriting margin and during 2013 ConTe's claims experience was significantly better than in prior years.

Admiral's youngest and smallest international insurance business is L'olivier Assurances, launched in 2010 in France. L'olivier insured 28,600 vehicles at the end of 2013, up over 125% on a year earlier. L'olivier was initially established with a different start-up model to Admiral's other operations, with certain functions outsourced to keep expenses low in the initial phases of development. During 2014 L'olivier will bring a number of these functions in-house, therefore, management focus on vehicle count growth is expected to be lower.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £11.7 million, the same as 2012. The combined ratio[*1] improved to 138% from 155% primarily due to improved claims experience.

In the USA, Admiral operates in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched in 2009. At the end of 2013, Elephant Auto insured over 70,000 vehicles, up around 34% year-on-year. Elephant Auto's expense ratio is currently high as the business is spending significant amounts on advertising to develop the Elephant Auto brand and grow the portfolio. Elephant Auto's written combined ratio[*1] improved from 175% in 2012 to 152% in 2013 primarily resulting from an improved expense ratio due to vehicle count growth.

[*1] European combined ratio is calculated on the earned basis, and Elephant Auto combined ratio is calculated on the written basis due to market claims patterns. Both combined ratios are calculated on 100%

of underwritten premium (including co- and reinsurer's share) and include the results from the sale of additional products and services and fees.

Price Comparison Review

UK - Martin Coriat - CEO, Confused.com

The UK car insurance price comparison market is one of the, if not the most, mature in Europe, with around 65% of new business sales in the market originating via price comparison. Even though there was a constant stream of rate reductions for car insurance in 2013, which typically will be a brake on consumer shopping, price comparison as a whole actually grew by nearly 10% in the year.

The UK market is characterised by four main players, of which Confused.com is one, and another four or five minor players. There is great competition within this market, as evidenced by the high levels of advertising spend.

Confused.com had a good year in 2013, growing profits by 19% to £21.7 million. This profit growth was down to the success of the 'BRIAN the Robot' TV campaign, careful and efficient use of advertising money and a myriad of operational improvements. Even though the competition has increased its advertising spend levels, Confused.com maintained market share. Beyond the comparison of car insurance Confused.com continues to extend its product line, finding success for example with the comparison of life insurance and credit cards.

During the year the price comparison sector has come under incremental scrutiny from the Financial Conduct Authority (FCA). There is currently a review taking place to examine the true customer benefit of price comparison. The results of this review are expected later this year.

Spain - Elena Betes - CEO, Rastreator

Four and a half years after Rastreator's launch, it is now the leading price comparison website in Spain, with brand recognition of 74%. Price comparison continues to grow in Spain but the rate of growth slowed in 2013 compared to previous years because of lower advertising spend.

Many more customers now shop for car insurance, largely down to the influence of price comparison, than ever before. This is particularly heartening considering there are not large price increases in the market, nor are there large volumes of cars being bought or sold, both of which are typical shopping triggers. Rastreator is profitable due to the growth in the core business and is now beginning to leverage the good experience consumers have had on the site by extending its search services beyond insurance.

France - Diane Larramendy - CEO, Lelynx

The French car insurance market is poised for change. Price comparison is growing quickly, with quote volumes up over 25% in 2013 from 2012. In the background lies the Hamon Law, which will simplify the current complicated process of changing insurer.

LeLynx was launched four years ago and now enjoys a market-leading position and is a profitable business in its own right. However, there are new entrants into the market that will both stimulate more French consumers to shop but also put pressure on LeLynx for the market leadership position.

USA - Andrew Rose - CEO, comparenow.com

Typically, Americans are good shoppers for most things. However, up until now, they haven't been particularly good shoppers for car insurance. comparenow.com is positioned to change that by bringing European-style price comparison to the world's largest car insurance market. European-style price comparison means the customer can get a price on the website that will be honoured by the insurance company. Until the arrival of comparenow.com, this was not a feature of the US car insurance market.

comparenow.com's test launch, which began in March 2013, has been followed by a regional advertising campaign in January 2014. Rollout across the US will take place slowly during 2014. Response to the initial TV campaign has exceeded expectations, but it is very early days.

Price Comparison Financial Performance

Non-GAAP format income statement

£m	**2011**	**2012**	**2013**
Revenue:			
Car insurance price comparison	72.2	82.5	87.2
Other	18.2	21.0	25.5
Total Revenue	90.4	103.5	112.7
Operating expenses	(79.9)	(85.5)	(92.3)
Operating profit	**10.5**	**18.0**	**20.4**
Confused.com profit	16.1	18.2	21.7
International Price Comparison result*1	(5.6)	(0.2)	(1.3)
	10.5	**18.0**	**20.4**

[*1] Excludes pre-launch costs. Figures include results of Chiarezza.it, which was sold in April 2012. The disposal did not have material impact on the income statement.

UK Price Comparison - Confused.com
Confused.com produced an improved result, with revenue 6% higher at £87.7 million (2012: £82.7 million) and profit up 19% to £21.7 million (2012: £18.2 million).

Revenue from non-car insurance comparison sources increased in actual terms, and now represents nearly one quarter of total revenue. Confused.com's operating margin improved to 25% (2012: 22%).

International Price Comparison
Following the sale of the Italian Price Comparison operation (Chiarezza) during H1 2012 and the launch in Q1 2013 of a new operation in the USA, Admiral now operates three Price Comparison businesses outside the UK: in Spain (Rastreator), France (LeLynx) and the USA (comparenow.com).

The combined revenue from the European operations in 2013 increased by 20% to £25.0 million, with 19% more quotes provided. Both Rastreator and LeLynx have strong positions and brands in their respective markets. The combined result for Rastreator and LeLynx was a profit of £2.4 million (2012: £0.2 million loss) reflecting increased quote volumes and improved conversion rates. Admiral Group owns 75% of Rastreator, whilst the remaining 25% is owned by Mapfre.

In March 2013, Admiral launched a new Price Comparison operation in the USA (based in Virginia), trading as comparenow.com. During the year the operation has incurred staff and IT costs and some initial marketing expenses totalling £3.7 million. Admiral Group owns 67.8% of comparenow.com, White Mountains Insurance Group Ltd owns 21.1% and Mapfre USA owns 11.1%.

The combined result for International Price Comparison was, therefore, a loss of £1.3 million - the profit from Rastreator and LeLynx offset by investment in comparenow.com.

Other Group Items

£m	**2011**	**2012**	**2013**
UK Household Insurance underwriting result	-	-	(0.1)
UK Commercial Vehicle operating profit	2.8	2.5	2.5
Group net interest income	2.9	1.9	1.9
Share scheme charges	(18.6)	(20.6)	(22.5)

Business development costs	(0.8)	(2.1)	(0.3)
Other central overhead	(1.8)	(3.4)	(3.5)

UK Household Insurance
UK Household Insurance was launched in December 2012 under the Admiral brand. The product is underwritten within the Group and in common with other businesses it is supported by proportional reinsurance covering 70% of the risk (shared between Munich Re, 40% and Swiss Re, 30%). In addition the Group has purchased excess of loss reinsurance to mitigate the impact of catastrophe event claims. At the end of the first 12 months of trading, Admiral Household total loss before tax was £0.1 million.

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

UK Commerical Vehicle operating profit in the year remained in line with 2012 at £2.5 million, and customer numbers increased from 94,800 at the end of 2012 to 117,900 at the end of 2013.

Interest income
Interest income in 2013 was £1.9 million, in line with 2012.

Share scheme charges
These costs relate to the Group's two employee share schemes, further detail on which is set out in the notes to the financial statements. The increase in the charge is due to a combination of a higher share price at the end of 2013 compared to 2012 and an increase in the number of awards across the Group resulting from headcount growth.

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

Consolidated income statement

	Note:	Year ended: 31 December 2013 £m	31 December 2012 £m
	3		Restated
Insurance premium revenue		1,136.4	1,156.5
Insurance premium ceded to reinsurers		(653.4)	(657.6)
Net insurance premium revenue	5	**483.0**	**498.9**
Other revenue	7	327.8	361.1
Profit commission	5	99.3	108.4
Investment and interest income	6	14.3	15.9
Net revenue		**924.4**	**984.3**
Insurance claims and claims handling expenses		(826.7)	(929.1)
Insurance claims and claims handling expenses recoverable from reinsurers		523.7	524.6
Net insurance claims		**(303.0)**	**(404.5)**
Operating expenses and share scheme charges	3, 8	(467.0)	(443.2)

Operating expenses and share scheme charges recoverable from co- and reinsurers	3, 8	215.8	208.0
Net operating expenses and share scheme charges		**(251.2)**	**(235.2)**
Total expenses		**(554.2)**	**(639.7)**
Profit before tax		**370.2**	**344.6**
Taxation expense	9	(83.3)	(86.2)
Profit after tax		**286.9**	**258.4**
Profit after tax attributable to:			
Equity holders of the parent		287.0	258.4
Non-controlling interests (NCI)		(0.1)	-
		286.9	**258.4**
Earnings per share:			
Basic	11	104.6p	95.1p
Diluted	11	104.4p	94.9p
Dividends declared and paid (total)	11	255.8	219.3
Dividends declared and paid (per share)	11	94.4p	81.6p

Consolidated statement of comprehensive income

	Year ended: 31 December 2013 £m	31 December 2012 £m
Profit for the period	**286.9**	**258.4**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1.3)	(2.7)
Other comprehensive income for the period, net of income tax	**(1.3)**	**(2.7)**
Total comprehensive income for the period	**285.6**	**255.7**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	286.1	255.9

Non-controlling interests		(0.5)	(0.2)
		285.6	**255.7**

Consolidated statement of financial position

	Note:	As at: 31 December 2013 £m	31 December 2012 £m
ASSETS			
Property and equipment	10	12.4	16.5
Intangible assets	10	92.8	92.5
Deferred income tax	9	17.0	15.2
Reinsurance assets	5	821.2	803.0
Trade and other receivables	6, 10	77.5	55.3
Financial assets	6	2,265.0	2,005.1
Cash and cash equivalents	6	187.9	216.6
Total assets		**3,473.8**	**3,204.2**
EQUITY			
Share capital	11	0.3	0.3
Share premium account		13.1	13.1
Other reserves		(0.2)	0.7
Retained earnings		502.6	443.0
Total equity attributable to equity holders of the parent		**515.8**	**457.1**
Non-controlling interests		8.3	3.6
Total equity		**524.1**	**460.7**
LIABILITIES			
Insurance contracts	5	1,901.3	1,696.9
Trade and other payables	6, 10	1,013.7	1,006.5
Current tax liabilities		34.7	40.1
Total liabilities		**2,949.7**	**2,743.5**
Total equity and total liabilities		**3,473.8**	**3,204.2**

These financial statements were approved by the Board of Directors on 4 March 2014 and were signed on its behalf by:

Kevin Chidwick
Director
Admiral Group plc

Company Number: 03849958

Consolidated cash flow statement

	Note	31 December 2013 £m	31 December 2012 £m
Profit after tax		**286.9**	**258.4**
Adjustments for non-cash items:			
- Depreciation		7.3	6.6
- Amortisation of software		4.9	4.1
- Change in unrealised gains on investments		-	(0.6)
- Other gains and losses		0.2	0.6
- Share scheme charges	8	25.7	23.7
Change in gross insurance contract liabilities		204.4	363.2
Change in reinsurance assets		(18.2)	(163.2)
Change in trade and other receivables, including from policyholders		14.3	13.1
Change in trade and other payables, including tax and social security		8.0	149.9
Taxation expense		83.3	86.2
Cash flows from operating activities, before movements in investments		**616.8**	**742.0**
Net cash flow into investments		(295.3)	(441.9)
Cash flows from operating activities, net of movements in investments		321.5	300.1
Taxation payments		(88.5)	(79.7)
Net cash flow from operating activities		**233.0**	**220.4**
Cash flows from investing activities:			
Purchases of property, equipment and software		(10.1)	(10.9)
Net cash used in investing activities		**(10.1)**	**(10.9)**
Cash flows from financing activities:			

Non-controlling interest capital contribution		6.4	4.6
Repayment of finance lease liabilities		(0.9)	(0.1)
Equity dividends paid	11	(255.8)	(219.3)
Net cash used in financing activities		**(250.3)**	**(214.8)**
Net decrease in cash and cash equivalents		**(27.4)**	**(5.3)**
Cash and cash equivalents at 1 January		216.6	224.6
Effects of changes in foreign exchange rates		(1.3)	(2.7)
Cash and cash equivalents at end of period	6	**187.9**	**216.6**

Consolidated statement of changes in equity

	Attributable to the owners of the company						
	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2012	0.3	13.1	3.2	377.3	**393.9**	0.5	**394.4**
Profit for the period	-	-	-	258.4	**258.4**	-	**258.4**
Other comprehensive income							
Currency translation differences	-	-	(2.5)	-	**(2.5)**	(0.2)	**(2.7)**
Total comprehensive income for the period	-	-	(2.5)	258.4	**255.9**	(0.2)	**255.7**
Transactions with equity-holders							
Dividends	-	-	-	(219.3)	**(219.3)**	-	**(219.3)**
Share scheme credit	-	-	-	23.7	**23.7**	-	**23.7**
Deferred tax charge on share scheme credit	-	-	-	1.5	**1.5**	-	**1.5**
Contributions by NCIs	-	-	-	1.4	**1.4**	3.3	**4.7**
Total transactions with equity-holders	-	-	-	(192.7)	**(192.7)**	**3.3**	**(189.4)**
As at 31 December 2012	0.3	13.1	0.7	443.0	**457.1**	3.6	**460.7**
At 1 January 2013	0.3	13.1	0.7	443.0	**457.1**	3.6	**460.7**
Profit for the period	-	-	-	287.0	**287.0**	(0.1)	**286.9**

Other comprehensive income							
Currency translation differences	-	-	(0.9)	-	**(0.9)**	(0.4)	**(1.3)**
Total comprehensive income for the period	-	-	(0.9)	287.0	**286.1**	(0.5)	**285.6**
Transactions with equity-holders							
Dividends	-	-	-	(255.8)	**(255.8)**	-	**(255.8)**
Share scheme credit	-	-	-	25.7	**25.7**	-	**25.7**
Deferred tax credit on share scheme credit	-	-	-	2.1	**2.1**	-	**2.1**
Contributions by NCIs	-	-	-	0.3	**0.3**	5.5	**5.8**
Changes in ownership interests without a change in control	-	-	-	0.3	**0.3**	(0.3)	**-**
Total transactions with equity-holders	-	-	-	(227.4)	**(227.4)**	5.2	**(222.2)**
As at 31 December 2013	0.3	13.1	(0.2)	502.6	**515.8**	8.3	**524.1**

Notes to the financial statements

1. General information and basis of preparation

General information

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

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

Adoption of new and revised standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2013, including all amendments to extant standards that are not effective until later accounting periods. This is inclusive of:

- Presentation of Items of Other Comprehensive Income (OCI)
  As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its consolidated statement of changes in equity, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.
- IFRS 13 Fair Value Measurement
  IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements. IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. In accordance with the transitional provisions of IFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and the Company's assets and liabilities.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2013 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. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- IFRIC Interpretation 21 Levies
- IFRS 9 Financial Instruments

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The standard has not yet been endorsed for use in the EU and the effective date is to be confirmed. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes.

The Group is currently assessing the impact of the above new pronouncements on its results, financial position and cash flows.

Basis of preparation

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

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

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the financial review above. Further information regarding the financial position of the company, its cash flows, liquidity position and borrowing facilities are described on pages 8 to 11. In addition, the Group's 2013 annual report will include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as at fair value through profit or loss.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed if this revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

2. Critical accounting judgements and estimates

Judgements:

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

Estimation techniques used in calculation of claims provisions and profit commission:

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

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

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

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

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

The Group's independent actuarial advisors project best estimate claims reserves using a variety of recognised actuarial techniques. The Group's reserving policy requires Management to reserve within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development.

The Group's 2013 Annual Report will contain further detail on objectives, policies and procedures for managing insurance risk.

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.

3. Re-presentation of comparative information

Comparative amounts within the Consolidated Income Statement relating to expenses have been re-presented. Net expenses of £235.2 million reported in the prior period, have been analysed into gross operating expenses and share scheme charges and operating expenses and share scheme charges recoverable from co- and reinsurers. There is no impact on reported net expenses or profit before tax in the period.

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The consolidated financial statements comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2013 and comparative figures for the year ended 31 December 2012. The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its principal subsidiaries, except Rastreator.com Limited, Inspop USA LLC, Admiral Law Limited, BDE Law Limited and the indirect holding in comparenow.com Insurance Agency LLC.

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

(ii) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

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

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

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

4b. Segment reporting

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

UK Car Insurance

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

International Car Insurance

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

Price Comparison

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

Other

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

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

An analysis of the Group's revenue and results for the year ended 31 December 2013, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the financial statements for the Group.

						31 December 2013
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover*1	1,698.9	187.8	112.7	30.8	-	2,030.2
Net insurance premium revenue	425.1	54.1	-	3.8	-	483.0
Other revenue and profit commission	293.4	6.6	112.7	14.4	-	427.1
Investment and interest	12.4	-	-	-	-	12.4

income						
Net revenue	730.9	60.7	112.7	18.2	-	922.5
Net insurance claims	(251.3)	(49.1)	-	(2.6)	-	(303.0)
Expenses	(85.7)	(33.7)	(92.3)	(13.2)	-	(224.9)
Segment profit / (loss) before tax	**393.9**	**(22.1)**	**20.4**	**2.4**	**-**	**394.6**
Other central revenue and expenses, including share scheme charges						(26.3)
Interest income						1.9
Consolidated profit before tax						**370.2**
Taxation expense						(83.3)
Consolidated profit after tax						**286.9**
Other segment items:						
Capital expenditure	3.2	2.2	4.0	0.7	-	10.1
Depreciation and Amortisation	28.5	50.4	1.3	0.8	-	81.0

[*1] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and Other revenue. Refer to note 12 for further information.

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

						31 December 2012
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover*1	1,936.2	162.9	103.5	12.5	-	2,215.1
Net insurance	455.6	43.3	-	-	-	498.9

premium revenue						
Other revenue and profit commission	342.7	10.8	103.5	12.5	-	469.5
Investment and interest income	13.9	0.1	-	-	-	14.0
Net revenue	812.2	54.2	103.5	12.5	-	982.4
Net insurance claims	(355.1)	(49.4)	-	-	-	(404.5)
Expenses	(84.3)	(29.3)	(85.5)	(10.0)	-	(209.1)
Segment profit / (loss) before tax	**372.8**	**(24.5)**	**18.0**	**2.5**	**-**	**368.8**
Other central revenue and expenses, including share scheme charges						(26.1)
Interest income						1.9
Consolidated profit before tax						**344.6**
Taxation expense						(86.2)
Consolidated profit after tax						**258.4**
Other segment items:						
Capital expenditure	6.1	3.1	0.9	0.1	-	10.2
Depreciation and Amortisation	28.8	26.2	1.0	0.3	-	56.3

[*1] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and Other revenue. Refer to note 12 for further information.

Segment revenues

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

The total of Price Comparison revenues from transactions with other reportable segments is £10.8 million (2012: £13.0 million). These amounts have not been eliminated on consolidation as the Directors consider that not doing so results in a better overall presentation of the financial statements. The impact on the financial statements in the current and prior period is not material. There are no other transactions between reportable segments.

Within the UK Car Insurance segment, transactions between the Group's intermediary and the Group's insurance companies relating to vehicle commission totalling £18.4 million have been eliminated (from the insurance expenses and Other revenue lines in the income statement) on the basis that the non-elimination would have materially distorted the presentation of key performance indicators. The equivalent amounts in the prior period have not been eliminated as there is no resulting material distortion of key performance indicators.

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

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country are shown within the International Car Insurance reportable segment shown above. The revenue and results of the three International Price Comparison businesses; Rastreator, LeLynx and comparenow.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 2013 are as follows.

						31 December 2013
	UK Car Insurance £m	International car insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Property and equipment	8.2	2.6	1.0	0.6	-	12.4
Intangible assets	76.5	13.1	2.6	0.6	-	92.8
Reinsurance assets	705.0	111.4	-	4.8	-	821.2
Trade and other receivables	104.1	(11.0)	7.1	35.1	(57.8)	77.5
Financial assets	2,113.4	122.2	-	-	-	2,235.6
Cash and cash equivalents	101.6	35.7	38.7	8.6	-	184.6

Reportable segment assets	3,108.8	274.0	49.4	49.7	(57.8)	3,424.1
Insurance contract liabilities	1,690.4	198.5	-	12.4	-	1,901.3
Trade and other payables	959.9	36.0	6.5	11.3	-	1,013.7
Reportable segment liabilities	2,650.3	234.5	6.5	23.7	-	2,915.0
Reportable segment net assets	458.5	39.5	42.9	26.0	(57.8)	509.1
Unallocated assets and liabilities						15.0
Consolidated net assets						524.1

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

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

Eliminations represent inter-segment funding and balances included in trade and other receivables.
The segment assets and liabilities at 31 December 2012 are as follows.

						31 December 2012
	UK Car Insurance £m	International car insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Property and equipment	11.6	2.8	1.7	0.4	-	16.5
Intangible assets	77.6	13.8	1.0	0.1	-	92.5
Reinsurance assets	717.1	85.9	-	-	-	803.0

Trade and other receivables	98.7	(20.6)	9.1	9.5	(41.4)	55.3
Financial assets	1,833.2	97.3	-	-	-	1,930.5
Cash and cash equivalents	125.0	50.2	25.4	5.6	-	206.2
Reportable segment assets	2,863.2	229.4	37.2	15.6	(41.4)	3,104.0
Insurance contract liabilities	1,543.0	153.9	-	-	-	1,696.9
Trade and other payables	961.8	31.9	6.5	6.3	-	1,006.5
Reportable segment liabilities	2,504.8	185.8	6.5	6.3	-	2,703.4
Reportable segment net assets	358.4	43.6	30.7	9.3	(41.4)	400.6
Unallocated assets and liabilities						60.1
Consolidated net assets						460.7

5. Premium, Claims and Profit Commissions

5a. Accounting policies

(i) Revenue - premiums:

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

(ii) Revenue - profit commission:

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

(iii) Insurance contracts and reinsurance assets:

- **Premiums**

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

- **Claims**

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

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

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

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

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

- **Co-insurance**

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

- **Reinsurance assets**

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

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

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

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

5b. Net insurance premium revenue

	31 December 2013 £m	31 December 2012 £m
Total motor insurance premiums written before co-insurance	1,737.6	1,897.2
Group gross premiums written after co-insurance	1,088.4	1,167.2
Outwards reinsurance premiums	(620.2)	(679.1)
Net insurance premiums written	468.2	488.1
Change in gross unearned premium provision	48.0	(10.7)
Change in reinsurers' share of unearned premium provision	(33.2)	21.5
Net insurance premium revenue	483.0	498.9

The Group's share of the car insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited and Elephant Insurance Company. All contracts are short-term in duration, lasting for 10 or 12 months.

5c. Profit commission

	31 December 2013 £m	31 December 2012 £m
Underwriting year:		
2009 & prior	3.1	(2.3)
2010	24.9	9.4
2011	26.7	98.1
2012	44.6	3.2
Total profit commission	99.3	108.4

5d. Reinsurance assets and insurance contract liabilities

(i) Sensitivity of recognised amounts to changes in assumptions:

The following table sets out the impact on equity and profit or loss at 31 December 2013 that would result from a 1 per cent movement in the UK loss ratios used for each underwriting year for which material amounts remain outstanding.

Underwriting year
2010201120122013

Booked loss ratio	70%	72%	78%	85%
Impact of 1% change (£m)	8.3	12.0	12.0	1.5

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

(ii) Analysis of recognised amounts:

	31 December 2013 £m	31 December 2012 £m
Gross:		
Claims outstanding	1,400.4	1,147.7
Unearned premium provision	500.9	549.2
Total gross insurance liabilities	1,901.3	1,696.9
Recoverable from reinsurers:		
Claims outstanding	537.4	487.3
Unearned premium provision	283.8	315.7
Total reinsurers' share of insurance liabilities	821.2	803.0
Net:		
Claims outstanding	863.0	660.4
Unearned premium provision	217.1	233.5
Total insurance liabilities - net	1,080.1	893.9

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

	< 1 Year £m	1 - 3 years £m	> 3 years £m
Claims outstanding	419.9	478.0	502.5
Unearned premium provision	500.9	-	-
Total gross insurance liabilities	920.8	478.0	502.5

The maturity profile of gross insurance liabilities at the end of 2012 was as follows:

	< 1 Year £m	1 - 3 years £m	> 3 years £m

Claims outstanding	344.1	391.7	411.9
Unearned premium provision	549.2	-	-
Total gross insurance liabilities	893.3	391.7	411.9

(iii) Analysis of UK claims incurred:

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

	Financial year ended 31 December					
Analysis of claims incurred (Net amounts):	2009	2010	2011	2012	2013	Total
	£m	£m	£m	£m	£m	£m
Underwriting year (UK only):						
2009 & prior	(132.4)	(53.9)	8.7	(5.5)	5.0	(178.1)
2010	-	(130.2)	(128.6)	8.4	36.7	(213.7)
2011	-	-	(203.7)	(151.1)	39.7	(315.1)
2012	-	-	-	(191.3)	(139.6)	(330.9)
2013	-	-	-	-	(175.4)	(175.4)
UK net claims incurred (excluding claims handling costs)	**(132.4)**	**(184.1)**	**(323.6)**	**(339.5)**	**(233.6)**	
International net claims incurred	(13.6)	(15.9)	(28.3)	(54.2)	(59.9)	
Claims handling costs and other amounts	(5.7)	(8.5)	(11.9)	(10.8)	(9.5)	
Total net claims incurred	**(151.7)**	**(208.5)**	**(363.8)**	**(404.5)**	**(303.0)**	

	Financial year ended 31 December				
UK loss ratio development:	2009	2010	2011	2012	2013
Underwriting year (UK only):					
2009	84%	75%	77%	77%	76%
2010	-	78%	77%	75%	70%
2011	-	-	82%	76%	72%
2012	-	-	-	84%	78%
2013	-	-	-	-	85%

(iv) Analysis of net claims reserve releases (UK business only):

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

	Financial year ended 31 December				
	2009	2010	2011	2012	2013
	£m	£m	£m	£m	£m
Underwriting year:					
2009 & prior	31.3	23.5	8.7	(5.5)	5.0
2010	-	-	1.6	8.4	36.7
2011	-	-	-	14.7	39.7
2012	-	-	-	-	12.8
Total net release	31.3	23.5	10.3	17.6	94.2
Net releases on Admiral net share	31.3	23.1	7.8	16.3	53.3
Releases on commuted quota share reinsurance contracts*1	-	0.4	2.5	1.3	40.9
Total net release as above	31.3	23.5	10.3	17.6	94.2

[*1]Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. £40.9 million of releases on commuted quota share contracts is split as follows: 2011: £19.8 million; 2010: £18.4 million; 2009 & prior: £2.7 million.

Profit commission is analysed in note 5c.

(v) Reconciliation of movement in net claims provision:

	31 December 2013	31 December 2012
	£m	£m
Net claims reserve at start of period	660.4	446.9
Net claims incurred (excluding releases)	387.7	411.3
Net reserve releases	(94.2)	(17.6)
Movement in net claims reserve due to commutation	208.7	102.2
Net claims paid	(299.6)	(282.4)
Net claims reserve at end of period*1	863.0	660.4

[*1] The increase in net claims reserve from £660.4 million at 31 December 2012 to £863.0 million is partly as a result of the increase in the size of gross claims reserves but largely due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

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

	31 December 2013 £m	31 December 2012 £m
Net unearned premium provision at start of period	233.5	247.0
Written in the period	468.2	488.1
Earned in the period	(484.6)	(501.6)
Net unearned premium provision at end of period	217.1	233.5

6. Investments

6a. Accounting policies

(i) Investment income:

Investment income from financial assets comprises interest income and net gains (both realised and unrealised) on financial assets classified as fair value through profit and loss and interest income on term deposits.

(ii) Financial assets - investments and receivables:

- **Initial recognition**

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

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

The Group's investments in money market liquidity funds and short-term debt securities are designated as financial assets at fair value through profit or loss (FVTPL) at inception.

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

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

- **Subsequent measurement**

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

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

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

- **Impairment of financial assets**

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

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

- **Derecognition of financial assets**

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

- **Cash and cash equivalents**

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

6b. Investment and interest income

	31 December 2013 £m	31 December 2012 £m
Net investment return	12.4	14.0
Interest receivable	1.9	1.9
Total investment and interest income	14.3	15.9

Interest received during the year was £1.9m (2012: £1.9m).

6c. Financial assets and liabilities

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

Financial assets:	31 December 2013 £m	31 December 2012 £m
Investments held at fair value	1,406.1	1,025.4
Short dated debt securities held at fair value	202.4	-
Term deposits with credit institutions	288.4	375.8
Term deposits short dated debt securities	-	200.4
Receivables - amounts owed by policyholders	368.1	403.5
Total financial assets per consolidated statement of financial position	2,265.0	2,005.1

Trade and other receivables	77.5	55.3
Cash and cash equivalents	187.9	216.6
	2,530.4	2,277.0
Financial liabilities:		
Trade and other payables	1,013.7	1,006.5

All investments held at fair value are invested in AAA-rated money market liquidity funds. These funds target a short term cash return with capital security and low volatility and continue to achieve these goals.

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

Short term debt securities have been reclassified to fair value through profit and loss at the start of the period to align with the treatment of the money market fund holdings.

The deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level 2 valuation is used. The book value of term deposits is £288.4 million (2012: £375.8 million).

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

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

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

The maturity profile of financial assets and liabilities at 31 December 2012 was as follows:

	On demand	< 1 Year	Between 1 and 2	> 2 Years

Financial assets:	£m	£m	years £m	£m
Investments held at fair value	1,025.4	-	-	-
Term deposits with credit institutions	-	213.8	162.0	-
Short term debt securities	-	200.4	-	-
Receivables - amounts owed by policyholders	-	403.5	-	-
Total financial assets	1,025.4	817.7	162.0	-
Trade and other receivables	-	55.3	-	-
Cash and cash equivalents	216.6	-	-	-
	1,242.0	873.0	162.0	-
Financial liabilities:				
Trade and other payables	-	1,006.5	-	-

6d. Cash and cash equivalents

	31 December 2013 £m	31 December 2012 £m
Cash at bank and in hand	187.9	216.6
Total cash and cash equivalents	187.9	216.6

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

7. Other Revenue

7a. Accounting policy

(i) Contribution from additional products and fees, and other revenue

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

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

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

	31 December 2013 £m	31 December 2012 £m
Contribution from additional products and fees	177.0	215.7
Price comparison revenue	112.7	103.5
Other revenue	38.1	41.9
Total Other revenue	327.8	361.1

8. Expenses

8a. Accounting policies

(i) Acquisition costs and operating expenses

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

(ii) Employee benefits

Pensions

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

Employee share schemes

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

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

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

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

Refer to note 8f for further details on share schemes.

8b. Operating expenses and share scheme charges

31 December 2013

	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	85.5	(51.8)	33.7
Administration and other marketing costs (Insurance contracts)	203.5	(150.5)	53.0
Insurance contract expenses	289.0	(202.3)	86.7
Administration and other marketing costs (Other)	142.0	-	142.0
Share scheme charges	36.0	(13.5)	22.5
Total expenses and share scheme charges	467.0	(215.8)	251.2

	31 December 2012		
	Gross	Recoverable from co- and reinsurers	Net
	£m	£m	£m
Acquisition of insurance contracts	95.3	(44.7)	50.6
Administration and other marketing costs (Insurance contracts)	178.2	(151.4)	26.8
Insurance contract expenses	273.5	(196.1)	77.4
Administration and other marketing costs (Other)	137.2	-	137.2
Share scheme charges	32.5	(11.9)	20.6
Total expenses and share scheme charges	443.2	(208.0)	235.2

The £53.0 million (2012: £26.8m) 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 2013	31 December 2012
	£m	£m
Expenses relating to additional products and fees	34.4	35.9
Price comparison operating expenses	92.3	85.5
Other expenses	15.3	15.8
Total	142.0	137.2

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

8c. Staff costs and other expenses

	31 December 2013 Gross £m	31 December 2013 Net £m	31 December 2012 Gross £m	31 December 2012 Net £m
Salaries	148.5	49.2	137.1	44.3
Social security charges	16.7	5.7	13.8	4.4
Pension costs	4.1	1.4	1.0	0.3
Share scheme charges (see note 8f)	36.0	9.0	32.5	8.1
Total staff expenses	205.3	65.3	184.4	57.1

Depreciation charge:				
- Owned assets	7.2	2.6	5.4	2.2
- Leased assets	0.1	-	1.2	0.3
Amortisation charge:				
- Software	4.9	1.9	4.1	1.2
- Deferred acquisition costs	68.8	18.6	48.0	11.7
Operating lease rentals:				
- Buildings	11.4	3.6	10.5	3.3
Auditor's remuneration (including VAT):				
- Fees payable for the audit of the Company's annual accounts	-	-	-	-
- Fees payable for the audit of the Company's subsidiary accounts	0.3	0.2	0.3	0.2
- Fees payable for other services	0.3	0.1	0.3	0.1
Net foreign exchange losses	1.5	1.5	-	-

	31 December 2013 Gross £m	31 December 2013 Net £m	31 December 2012 Gross £m	31 December 2012 Net £m

Analysis of fees paid to the auditor for other services:				
Tax compliance services	0.1	-	0.1	-
Tax advisory services	0.2	0.1	0.2	0.1
Other services	-	-	-	-
Total as above	0.3	0.1	0.3	0.1

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

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. The ratio of non-audit fees to audit fees in 2013 was 108% (2012: 124%).

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

8d. Staff numbers (including Directors)

	Average for the year 2013 Number	2012 Number
Direct customer contact staff	5,145	4,991
Support staff	1,420	1,231
Total	6,565	6,222

8e. Directors' Remuneration

(i) Directors' Remuneration

	31 December 2013 £m	31 December 2012 £m
Directors' emoluments	2.0	2.1
Amounts receivable under long term incentive schemes	0.8	0.7
Company contributions to money purchase pension plans	-	-
Total	2.8	2.8

(ii) Number of Directors

	2013 Number	2012 Number

Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	-	-

8f. Staff share schemes

Analysis of share scheme costs (per income statement):

	31 December 2013 £m	31 December 2012 £m
SIP charge (note i)	7.6	6.6
DFSS charge (note ii)	14.9	14.0
Total share scheme charges	22.5	20.6

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in note 8c. (2013: £36.0 million, 2012: £32.5 million) and the gross credit to reserves reported in the consolidated statement of changes in equity (2013: £25.7 million, 2012: £23.7 million).

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

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

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

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

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

Under the DFSS, details of which are contained in the remuneration policy section of the 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 2013 scheme is 2,344,321 (2012 scheme: 2,149,566).

The amount of award that actually vests is based on the growth in the Company's earnings per share (EPS) relative to a risk free return (RFR), for which LIBOR has been selected as a benchmark. This performance is measured over the three-year period the award applies to. For the 2013 and 2012 schemes, 50% of the shares awarded at the start of the three year vesting period are subject to these performance conditions.

The range of awards is as follows:

- If the growth in EPS is less than the RFR, no awards vest
- EPS growth is equal to RFR - 10% of maximum award vests

- To achieve the maximum award, EPS growth has to be 36 points higher than RFR over the three year period

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

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

Number of free share awards committed at 31 December 2013

	Awards outstanding (*1)	Vesting date
SIP H210 scheme	346,590	March 2014
SIP H111 scheme	489,280	September 2014
SIP H211 scheme	598,400	March 2015
SIP H112 scheme	617,778	September 2015
SIP H212 scheme	533,792	March 2016
SIP H113 scheme	603,084	September 2016
DFSS 2011 scheme 1st award	1,634,732	April 2014
DFSS 2011 scheme 2nd award	157,312	September 2014
DFSS 2012 scheme 1st award	181,668	March 2015
DFSS 2012 scheme 2nd award	1,977,452	October 2015
DFSS 2013 scheme 1st award	173,348	March 2016
DFSS 2013 scheme 2nd award	2,170,973	October 2016
Total awards committed	9,484,409	

[*1] - being the maximum number of awards expected to be made before accounting for expected staff attrition.

During the year ended 31 December 2013, awards under the SIP H209 and H110 schemes and the DFSS 2010 scheme vested. The total number of awards vesting for each scheme is as follows.

Number of free share awards vesting during the year ended 31 December 2013

	Original Awards	Awards vested
SIP H209 scheme	377,641	314,358
SIP H110 scheme	352,100	287,000

DFSS 2010 scheme, 1st award	1,542,453	1,380,210
DFSS 2010 scheme, 2nd award	121,051	70,973

9. Taxation

9a. Accounting policy

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

(i) Current tax

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

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

(ii) Deferred tax

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The principal temporary differences arise from 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.

9b. Taxation

	31 December 2013 £m	31 December 2012 £m
Current tax		
Corporation tax on profits for the year	83.4	88.4
Under provision relating to prior periods	0.4	1.2
Current tax charge	83.8	89.6
Deferred tax		
Current period deferred taxation movement	0.1	(2.8)
(Over) provision relating to prior periods - deferred tax	(0.6)	(0.6)
Total tax charge per income statement	83.3	86.2

Factors affecting the total tax charge are:

	31 December 2013 £m	31 December 2012 £m
Profit before tax	370.2	344.6
Corporation tax thereon at effective UK corporation tax rate of 23.25% (2012: 24.5%)	86.1	84.4
Expenses and provisions not deductible for tax purposes	0.2	1.4
Impact of change in UK tax rate on deferred tax balances	2.7	0.7
Adjustments relating to prior periods	(0.2)	(0.4)
Impact of different overseas tax rates	(5.6)	-
Other differences	0.1	0.1
Total tax charge for the period as above	83.3	86.2

9c. Deferred income tax (asset)

Analysis of deferred tax (asset)	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Other differences £m	Total £m
Balance brought forward at 1 January 2012	(3.6)	(1.5)	(2.6)	(2.6)	**(10.3)**
Tax treatment of share scheme charges through income or expense	1.3	-	-	-	**1.3**
Tax treatment of share scheme charges through reserves	(1.5)	-	-	-	**(1.5)**
Capital allowances	-	(0.4)	-	-	**(0.4)**
Carried forward losses	-	-	(3.1)	-	**(3.1)**
Other difference	-	-	-	(1.2)	**(1.2)**
Balance carried forward 31	(3.8)	(1.9)	(5.7)	(3.8)	**(15.2)**

December 2012					
Tax treatment of share scheme charges through income or expense	1.8	-	-	-	**1.8**
Tax treatment of share scheme charges through reserves	(2.1)	-	-	-	**(2.1)**
Capital allowances	-	(1.4)	-	-	**(1.4)**
Carried forward losses	-	-	(2.1)	-	**(2.1)**
Other difference	-	-	-	2.0	**2.0**
Balance carried forward 31 December 2013	(4.1)	(3.3)	(7.8)	(1.8)	**(17.0)**

The UK corporation tax rate reduced from 24% to 23% on 1 April 2013. The average effective rate of tax for 2013 is 23.25% (2012: 24.5%). It will fall to 21% in April 2014, and to 20% in April 2015. Deferred tax has therefore been calculated at 20% where the temporary difference is expected to reverse after this date.

10. Other assets and other liabilities

10a. Accounting policy

(i) Property and equipment, and depreciation

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

Motor vehicles	-4 years
Fixtures, fittings and equipment	-4 years
Computer equipment	-2 to 4 years
Improvements to short leasehold properties	-4 years

(ii) Impairment of property and equipment

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

(iii) Leased assets

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

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

(iv) Intangible assets

Goodwill

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

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

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

The goodwill held on the balance sheet at 31 December 2013 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 CGU's) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

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

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cash flow projections in the value in use calculations is 9.8% (2012: 9.0%), based on the Group's weighted average cost of capital, which is in line with the market (source: Bloomberg).

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

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

Deferred acquisition costs

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

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term). The carrying value is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

10b. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2012	6.7	28.3	11.4	4.9	51.3
Additions	0.6	3.4	1.5	0.1	5.6
Disposals	-	(0.1)	-	-	(0.1)
At 31 December 2012	7.3	31.6	12.9	5.0	56.8
Depreciation					
At 1 January 2012	4.4	19.0	7.2	3.1	33.7
Charge for the year	0.9	3.6	1.5	0.6	6.6
Disposals	-	-	-	-	-
At 31 December 2012	5.3	22.6	8.7	3.7	40.3
Net book amount					
At 1 January 2012	2.3	9.3	4.2	1.8	17.6
Net book amount					
At 31 December 2012	2.0	9.0	4.2	1.3	16.5
Cost					
At 1 January 2013	7.3	31.6	12.9	5.0	56.8
Additions	1.2	1.7	0.1	0.3	3.3
Disposals	-	(0.5)	-	-	(0.5)
At 31 December 2013	8.5	32.8	13.0	5.3	59.6

Depreciation					
At 1 January 2013	5.3	22.6	8.7	3.7	40.3
Charge for the year	1.0	3.9	1.7	0.7	7.3
Disposals	-	(0.4)	-	-	(0.4)
At 31 December 2013	6.3	26.1	10.4	4.4	47.2
Net book amount					
At 31 December 2013	2.2	6.7	2.6	0.9	12.4

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

	31 December 2013 £m	31 December 2012 £m
Computer equipment	-	3.0

10c. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
At 1 January 2012	62.3	16.4	8.8	87.5
Additions	-	51.9	5.5	57.4
Amortisation charge	-	(48.0)	(4.1)	(52.1)
Disposals	-	-	(0.3)	(0.3)
At 31 December 2012	62.3	20.3	9.9	92.5
Additions	-	67.7	6.8	74.5
Amortisation charge	-	(68.8)	(4.9)	(73.7)
Disposals	-	-	(0.5)	(0.5)
At 31 December 2013	62.3	19.2	11.3	92.8

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

10d. Trade and other receivables

	31 December 2013 £m	31 December 2012 £m
Trade receivables	73.9	54.8
Prepayments and accrued income	3.6	0.5
Total trade and other receivables	77.5	55.3

10e. Trade and other payables

	31 December 2013 £m	31 December 2012 £m
Trade payables	16.9	13.0
Amounts owed to co-insurers and reinsurers	785.3	723.5
Finance leases due within 12 months	0.1	0.8
Other taxation and social security liabilities	20.6	22.9
Other payables	90.1	71.5
Accruals and deferred income (see below)	100.7	174.8
Total trade and other payables	1,013.7	1,006.5

Of amounts owed to co-insurers and reinsurers, £629.3 million (2012: £609.6 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2013 £m	31 December 2012 £m
Premium receivable in advance of policy inception	60.7	115.4
Accrued expenses	22.0	41.4
Deferred income	18.0	18.0
Total accruals and deferred income as above	100.7	174.8

10f. Obligations under finance leases

Analysis of finance lease liabilities:

	At 31 December 2013	At 31 December 2012

	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	£m	£m	£m	£m	£m	£m
Less than one year	0.1	-	0.1	0.8	-	0.8
Between one and five years	-	-	-	-	-	-
More than five years	-	-	-	-	-	-
	0.1	-	0.1	0.8	-	0.8

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

10g. Financial commitments

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

Minimum payments due on operating leases:	31 December 2013	31 December 2012
	£m	£m
Within one year	5.3	8.0
Within two to five years	8.2	11.4
Over five years	1.8	0.1
Total commitments	15.3	19.5

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

In 2014, the Group will enter into new operating lease commitments for premises in Newport and Cardiff which are currently under construction. The annual charge for these leases totals £3.4m and both lease terms exceed 5 years.

11. Share capital

11a. Accounting policies

(i) Share capital

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

(ii) Dividends

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

11b. Dividends

Dividends were declared and paid as follows.

	31 December 2013 £m	31 December 2012 £m
March 2012 (36.5p per share, paid June 2012)	-	98.0
August 2012 (45.1p per share, paid October 2012)	-	121.3
March 2013 (45.5p per share, paid June 2013)	123.1	-
August 2013 (48.9p per share, paid October 2013)	132.7	-
Total dividends	255.8	219.3

The dividends declared in March represent the final dividends paid in respect of the 2011 and 2012 financial years. The dividends declared in August are interim distributions in respect of 2012 and 2013.

A final dividend of 50.6p per share (£139.6m) has been proposed in respect of the 2013 financial year. Refer to the Group financial review on page 7.

11c. Earnings per share

	31 December 2013 £m	31 December 2012 £m
Profit for the financial year after taxation attributable to equity shareholders (£m)	286.9	258.4
Weighted average number of shares - basic	274,311,039	271,714,535
Unadjusted earnings per share - basic	104.6p	95.1p
Weighted average number of shares - diluted	274,813,144	272,403,242
Unadjusted earnings per share - diluted	104.4p	94.9p

The difference between the basic and diluted number of shares at the end of 2013 (being 502,105; 2012: 688,707) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 8 for further detail.

11d. Share capital

	31 December 2013	31 December 2012

	£m	£m
Authorised:		
500,000,000 ordinary shares of 0.1p	0.5	0.5
Issued, called up and fully paid:		
276,141,432 ordinary shares of 0.1p	0.3	-
273,523,594 ordinary shares of 0.1p	-	0.3
	0.3	0.3

During 2013 2,617,838 (2012: 2,797,519) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

917,838 (2012: 1,177,519) 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 2013 of 6,484,084 (31 December 2012: 5,566,246). These shares are entitled to receive dividends.

1,700,000 (2012: 1,620,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at 31 December 2013 of 11,061,948 (31 December 2012: 9,361,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

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

11e. Objectives, policies and procedures for managing capital

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

The Group's dividend policy is to 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 prudent buffer against unforeseen events. This policy gives the Directors flexibility in managing the Group's capital.

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

11f. Group subsidiary companies

The Parent Company's subsidiaries are as follows:

Subsidiary	**Country of incorporation**	**Class of shares held**	**% Ownership**	**Principal activity**
Able Insurance Services Limited	England and Wales	Ordinary	100	Insurance Intermediary
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	100	Insurance Company
Admiral Insurance Company Limited	England and Wales	Ordinary	100	Insurance Company
Admiral Law Limited	England and Wales	Ordinary	90	Legal Company
Admiral Life Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Management Limited	England and Wales	Ordinary	100	Dormant

BDE Law Limited	England and Wales	Ordinary 90	Legal Company
Bell Direct Limited	England and Wales	Ordinary 100	Dormant
comparenow.com Insurance Agency LLC	United States of America	Ordinary 67.79 (Indirect)	Insurance Intermediary
Confused.com Limited	England and Wales	Ordinary 100	Dormant
Diamond Motor Insurance Services Limited	England and Wales	Ordinary 100	Dormant
Elephant Insurance Company	United States of America	Ordinary 100	Insurance Company
Elephant Insurance Services Limited	England and Wales	Ordinary 100	Dormant
Elephant Insurance Services LLC	United States of America	Ordinary 100	Insurance Intermediary
EUI (France) Limited	England and Wales	Ordinary 100	Insurance Intermediary
EUI Limited	England and Wales	Ordinary 100	Insurance Intermediary
Inspop Technologies Private Limited	India	Ordinary 100	Internet technology supplier
Inspop USA LLC	United States of America	Ordinary 67.79	Insurance Intermediary
Inspop.com (France) Limited	England and Wales	Ordinary 100	Insurance Intermediary
Inspop.com Limited	England and Wales	Ordinary 100	Insurance Intermediary
Rastreator.com Limited	England and Wales	Ordinary 75	Insurance Intermediary

11g. Related party transactions

Details relating to the remuneration and shareholdings of key management personnel will be set out in the Directors' Remuneration Report within the Group's 2013 Annual Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

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

12. Reconciliations

The following tables reconcile significant KPIs and non-GAAP measures included in the financial review above to items included in the financial statements.

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

	31 December 2013 £m	31 December 2012 £m
Total Premiums Written before co-insurance arrangements per note 5b of financial statements	1,737.6	1,897.2
Other revenue per note 7b of financial statements	327.8	361.1
	2,065.4	2,258.3
UK vehicle commission*1	(48.1)	(46.8)
Other*2	12.9	3.6
Turnover as per note 4b of financial statements	2,030.2	2,215.1

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

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

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

	31 December 2013		31 December 2012	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance claims	243.3	303.0	350.3	404.5
Less: net claims handling expenses	(9.5)	(9.5)	(10.8)	(10.8)
Add back reserve releases on commuted reinsurance	40.9	40.9	1.3	1.3
Adjusted net claims	274.7	334.4	340.8	395.0
Net insurance premium revenue	403.9	483.0	445.9	498.9
Reported loss ratio	68.0%	69.2%	76.4%	79.2%

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

	31 December 2013		31 December 2012	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance expenses	51.2	86.7	49.8	77.4
Add: net claims handling expenses	9.5	9.5	10.8	10.8
Adjusted net expenses	60.7	96.2	60.6	88.2
Net insurance premium revenue	403.9	483.0	445.9	498.9
Reported expense ratio	15.0%	19.9%	13.6%	17.7%

13. Statutory information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2013 or 2012. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Consolidated financial summary

Basis of preparation:

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

Income statement

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Total premiums	**1,737.6**	**1,897.2**	**1,841.3**	**1,308.6**	**847.7**
Net insurance premium revenue	483.0	498.9	445.8	288.1	211.9
Other revenue	327.8	361.1	349.0	276.2	232.6
Profit commission	99.3	108.4	61.8	67.0	54.2
Investment and interest income	14.3	15.9	13.7	9.5	8.8
Net revenue	**924.4**	**984.3**	**870.3**	**640.8**	**507.5**
Net insurance claims	(303.0)	(404.5)	(363.8)	(208.5)	(151.7)
Net expenses	(251.2)	(235.2)	(207.4)	(166.8)	(140.0)
Operating profit	**370.2**	**344.6**	**299.1**	**265.5**	**215.8**

Balance sheet

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Property and equipment	12.4	16.5	17.6	13.6	12.1
Intangible assets	92.8	92.5	87.5	82.9	77.0
Deferred income tax	17.0	15.2	10.3	12.4	-
Reinsurance assets	821.2	803.0	639.8	357.0	212.9
Trade and other receivables	77.5	55.3	52.1	47.9	32.7
Financial assets	2,265.0	2,005.1	1,583.0	1,004.7	630.9
Cash and cash equivalents	187.9	216.6	224.6	246.7	211.8
Assets held for sale	-	-	-	1.5	-
Total assets	**3,473.8**	**3,204.2**	**2,614.9**	**1,766.7**	**1,177.4**
Equity	**524.1**	**460.7**	**394.4**	**350.7**	**300.8**
Insurance contracts	1,901.3	1,696.9	1,333.7	806.6	532.9
Deferred income tax	-	-	-	-	5.7
Trade and other payables	1,013.7	1,006.5	856.6	561.0	306.8
Current tax liabilities	34.7	40.1	30.2	48.4	31.2
Total liabilities	**3,473.8**	**3,204.2**	**2,614.9**	**1,766.7**	**1,177.4**