Admiral Group plc Final Results 2011

7 March 2012 7:00 AM GMT

Admiral Group plc Results for the Year Ended 31 December 2011
7 March 2012

Admiral Group plc ("Admiral" or "the Group") today announces a strong annual result with a profit before tax of £299 million for the year to December 2011, an increase of 13% over the previous year. Turnover, comprising total premiums and other revenue, rose 38% to £2.19 billion. The Board is proposing a final dividend for 2011 of 36.5 pence per share, to be paid on 1 June 2012.

2011 Preliminary Results Highlights

- Group profit before tax up 13% at £299 million (2010: £266 million)
- Record total dividend of 75.6p (2010: 68.1p)
- Return on capital of 59% (2010: 59%)
- Group turnover* up 38% at £2.19 billion (2010: £1.58 billion)
- Number of customers up 22% to 3.36 million (2010: 2.75 million)
- International car insurance turnover* up 57% to £122 million with customers up 57% to 306,000
- Group full year reserve release £10.3 million
- Nearly 5,500 staff will receive free shares worth £3,000 in the Employee Share Scheme based on the 2011 result

** Turnover is defined as total premiums written (including co-insurers' share) and other revenue*

Comment from Alastair Lyons, Group Chairman

"We are very pleased once again to be able to report a profit before tax up 13% at £299 million and to propose an increase in total dividends for the year of 11% to 75.6 pence per ordinary share. This represents 92% of after-tax earnings, testament to the strength of, and our confidence in, Admiral's capital-efficient and cash generative business model."

Comment from Henry Engelhardt, Group Chief Executive Officer

"For the eighth consecutive year Admiral Group has reported record profits and record turnover. We have now exceeded £2.1 billion turnover, within 19 years of a standing start, which is a fantastic achievement. Profits are up 13%.

"We enter 2012 with confidence. We can continue to grow profitably and have a business full of committed and motivated people who work hard every day to ensure Admiral's continued success well into the future."

Dividend

The Directors have proposed a final dividend of 36.5 pence (17.4 pence normal and 19.1 pence special) per share, to be paid on 1 June 2012. The ex-dividend date is 2 May 2012 and the record date 4 May 2012.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 09:00 GMT on Wednesday 7 March 2012 by dialling + 44 (0)20 3059 8125. A copy of the presentation slides will be available at www.admiralgroup.co.uk.

Chairman's statement

Each year since we floated in 2004 Admiral has increased its turnover, its profitability, and its dividends to shareholders. 2011 was no exception, with our turnover growing by 38%, our pre-tax profits by 13%, and our dividends by 11%. Admiral now insures 3.36 million vehicles across all its operations and has an estimated 11% share of the UK private motor market.

A lot has been written about Admiral over the past six months, not all of which I recognise as accurately reflecting the business I have chaired for the past eleven years. I think it is, therefore, appropriate to restate the clear and straightforward strategy that determines our direction and our priorities and remains, we believe, as relevant now as when we first listed:-

- Grow profitably our share of the UK private motor insurance market
- Exploit the knowledge, skills and resources attaching to our established UK businesses to promote our expansion overseas in both private motor and price comparison
- Learn by taking relatively small and inexpensive steps to test different approaches and identify the best way forward
- Operate a "capital-light" business model transferring a significant proportion of our underwriting risk to reinsurance partners, which in turn allows Admiral to distribute the majority of our earnings as dividends
- Give all our staff a stake in what they create by making them shareholders
- Recognise the responsibility we have to the communities of which we are a part

With our staff, management and directors as shareholders we have all shared directly the disappointment of our broader shareholder base at the need in November to caution that our result for 2011 was likely to be somewhat lower than the prevailing analyst consensus. This mainly arose from the UK insurance business earned during 2011 which, whilst remaining very satisfactory at a 91% combined ratio, was not as profitable as we had previously expected.

It is important to underline that this did not result from inadequate booked reserves on prior years but from a higher than anticipated projected cost of bodily injury claims on a part of the business written during our recent rapid growth. The effect of our reinsurance agreements is that we receive a substantial share of emerging profit on all the business we write, while only bearing the risk of loss arising on a portion of that business. Changes to co- and reinsurance arrangements over the past few years give Admiral an even greater share of profits, meaning relatively small changes in the loss ratio have a material impact on our results.

The energies of our UK team have been focussed on taking the appropriate action as regards pricing and risk selection to put this issue behind us, re-establish the same broad confidence in the future potential of our business that we ourselves have, and restore lost shareholder value. Knowing as well as I do the quality of our management and our staff I am very confident that 2012 will demonstrate their capability and commitment to achieve this.

When all is said and done, Admiral's group pre-tax profits for 2011 at £299m represent a 13% growth on the previous year and deliver a 59% return on capital employed. They support total dividends for the year of 75.6 pence per share which represents a distribution of 92% of our earnings. Our normal dividend, growing in line with our growth in profits based on a 45% pay-out ratio, amounted to 36.8 pence per share, whilst our available surplus, after taking into account our required solvency, provision for our overseas expansion plans, and a margin for contingencies, made possible a further special dividend of 38.8 pence per share. In addition to this margin, we retain a significant buffer within our booked loss reserves against any future development, such as periodic payment orders, that might increase the cost of claims beyond what we currently project to be their ultimate cost.

This level of distribution, which sets Admiral apart from its peers, is made possible by our sharing the underwriting of our business with our reinsurance partners, and we have already announced the further extension of our current rolling quota share reinsurance contracts to cover the 2014 underwriting year.

We are very conscious of the impact on our customers of the significant increases in motor insurance premiums that the market has had to impose over the last two years to reflect the increasing cost of claims, in particular those relating to bodily injury. As the second largest player in the UK private motor market with 2.9 million customers we, therefore, fully support any action that will drive down the cost of claims. We also believe in open fair competition as we gain market share by pricing competitively and offering covers that meet the needs of our customers, such as Admiral MultiCar, which is now in its 7th year.

Our international expansion continues to make good progress across both car insurance and price comparison notwithstanding the impact on our customers of the challenging economic environment, particularly in southern Europe. In line with our strategy, we have advanced over the last five years in relatively small steps supported by a cautious level of investment. We now have over 300,000 customers outside the UK and last year we provided close to 4 million quotes across our non-UK price comparison sites. Nowhere demonstrates better our test and learn approach than the US where we are now writing business in 4 states as we build our understanding of market dynamics and consumer buying behaviour. With this growth, Kevin Chidwick has moved his commercial focus, alongside his CFO responsibilities, from oversight of Confused.com to that of our US insurance operations.

Let me finish by thanking all our people for the contribution they have individually made to a year where we have extended our business still further whether measured by revenue, profit, market share, or geography. It is their ownership of their objectives, their commitment to their delivery, and the creativity of their thinking, that underpin the delivery of our strategy and the sustained profitable growth that I am confident we shall continue to be able to report.

Alastair Lyons CBE
Chairman

Chief Executive's Statement

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way."

How did Mr. Dickens know, nearly 200 years ago, that his words could be used to describe Admiral's 2011 year? (Or at least the way some pundits would see the year.)

Based on some of the hyperbole you might have heard during the year, what, you may be wondering, happened to Admiral in 2011? When last we left this narrative the company was flying along at great pace; able to leap tall buildings in a single bound. The market was raising rates and Admiral, lagging neatly just a tad behind those rate hikes, was winning loads of new customers. Admiral was starting from a combined ratio of 84% and so 2011 was looking like it would be a giant winner.

Fast forward a year. Profits are up 13%, and in most situations you'd call this a giant winner. But this is less than most people thought they would be. Far less than I thought they would be, that's for sure. It has been a disappointing year. Not because it was a bad year, but because so much more was expected.

Is Admiral broken? Not at all. Our ratios in the UK are still first rate. Simply put, the problem is that we've increased our volatility by increasing our profit commissions. So if our combined ratio moves up or down just a couple of points it adds or subtracts tens of millions from our bottom line. This was not the case in years past because we didn't get as much of the profits. So there's a penalty to pay for greater profits: greater volatility.

Meanwhile, we continue to grow our businesses outside the UK to ensure continued prosperity for Admiral Group well into the future. It was a good year for these operations, although all of the markets we're in present their own individual challenges.

In short, 2011 was the year of the chameleon: quite useful (they eat insects!) but changeable and a bit fickle. As we enter 2012 I feel confident. If there was any complacency developing in our operation it is certainly gone now. I know we've got lots of people who work hard every day to ensure Admiral's continued success well into the future.

For the eighth consecutive year, in fact every year since we became a public company, Admiral Group has reported record turnover and record profits with a return on capital of 59%. If this is, as Dickens put it, the winter of despair, then I say: Please, Sir, may I have some more?

Henry Engelhardt CBE
Chief Executive Officer

Business Review
Group financial highlights and key performance indicators

	2009	**2010**	**2011**
Turnover	£1,077.4m	£1,584.8m	£2,190.3m
Net revenue	£507.5m	£640.8m	£870.3m
Number of customers	2.08m	2.75m	3.36m
Loss ratio	69.0%	69.4%	78.9%
Expense ratio	23.1%	19.9%	16.8%
Combined ratio	92.1%	89.3%	95.7%
Profit before tax	£215.8m	£265.5m	£299.1m
Earnings per share	59.0p	72.3p	81.9p

Turnover comprises total premiums written and other revenue

Once again in 2011, the Group grew significantly, with turnover increasing by 38% to £2,190.3 million (2010: £1,584.8 million) and the number of customers served around the Group reaching 3.36 million - a rise of 22% (2010: 2.75 million).

Pre-tax profit increased by 13% to £299.1 million from £265.5 million and earnings per share rose similarly to 81.9 pence (2010: 72.3 pence). Dividends for the 2011 financial year total 75.6 pence (including a 36.5 pence recommended final dividend) - up 11% on the 68.1 pence paid in respect of 2010.

The Group's core UK Car Insurance operation again accounted for 90% of Group turnover and a similar proportion of customers. The business continued to grow market share over the year, closing with 2.97 million vehicles insured. Though it contributed £37.8 million to the total Group profit increase of £33.6 million, a higher combined ratio than in 2010 (resulting predominantly from lower reserve releases) and lower profit commissions meant that the growth in profit was more modest than in recent years, increasing by 14% to £313.6 million from £275.8 million last year.

The Group's International Car Insurance operations insured a total of 306,000 vehicles at year-end, an increase of 88% over the end of 2010. Turnover for the businesses rose by 79% to £115.0 million (comparatives here exclude the AdmiralDirekt business in Germany which was sold in January 2011). Good progress continues to be made in all locations, and each grew market share over the year. The combined result from these young businesses was a loss of £9.5 million (up from £8.0 million in 2010).

In UK Price Comparison, Confused.com performed well in a tough environment, generating profit of £16.1 million - marginally down on 2010 (£16.9 million). Market share in the core car insurance product was stable. Sustained investment in developing International Price Comparison grew revenue and quotes significantly, resulting in a loss of £5.6 million (2010: £4.8 million).

Other Group key performance indicators include:

- Group combined ratio at 95.7%, against 89.3% in 2010
- Net revenue up 36% to £870.3 million
- Return on average equity at 59% - in line with 2010

Total dividends paid and proposed for the financial year amount to 75.6 pence per share (£203 million), an increase of 11% on the previous year (68.1 pence; £181 million).

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

UK Car Insurance
Non-GAAP*1 format income statement

£m	**2009**	**2010**	**2011**
Turnover*2	939.1	1,419.7	1,966.0
Total premiums written*3	804.7	1,237.6	1,728.8
Net insurance premium revenue	199.1	269.4	418.6
Investment income	7.5	8.3	10.6
Net insurance claims	(138.7)	(192.6)	(335.5)
Net insurance expenses	(30.3)	(32.4)	(46.7)
Underwriting profit	37.6	52.7	47.0
Profit commission	54.2	67.0	61.8
Net ancillary income	106.3	142.4	181.5
Instalment income	8.8	13.7	23.3
UK Car Insurance profit before tax	**206.9**	**275.8**	**313.6**

*1 GAAP = Generally Accepted Accounting Practice
*2 Turnover (a non-GAAP measure) comprises total premiums written and other revenue
*3 Total premiums written (non-GAAP) includes premium underwritten by co-insurers

Key performance indicators

	2009	2010	2011
Reported loss ratio	66.9%	68.3%	77.3%
Reported expense ratio	18.0%	15.2%	14.0%
Reported combined ratio	84.9%	83.5%	91.3%
Written basis expense ratio	16.9%	14.4%	13.2%
Claims reserve releases	£31.3m	£23.5m	£10.3m
Vehicles insured at year-end	1.86m	2.46m	2.97m
Ancillary contribution per vehicle	£72	£77	£76
Other revenue (including ancillary contribution) per vehicle	£77	£84	£84

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 though co-insurance or reinsurance contracts. These arrangements include attractive 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, the return on Group capital is higher than in an insurance company with a standard business model

- Underwriting risk mitigation - The co-insurer and reinsurers bear their proportional shares of claims expenses and hence provide protection should results worsen substantially

Arrangements for 2011 to 2014

In early 2012 the Group was pleased to announce extensions to its arrangements such that capacity is fully placed until the end of 2014. The underwriting splits can be summarised as follows:

	2011	2012	2013	2014
Admiral	27.50%	25.00%	25.00%	25.00%
Great Lakes (Munich Re)	40.00%	40.00%	40.00%	40.00%
New Re	11.25%	13.25%	13.25%	13.25%
Hannover Re	8.75%	8.75%	8.75%	8.75%
Swiss Re	7.50%	7.50%	7.50%	9.00%
Mapfre Re	2.50%	3.00%	3.00%	4.00%
XL Re	2.50%	2.50%	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 2011 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.

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

All other agreements are quota share reinsurance.

The European and US arrangements are explained below in the International Car Insurance section.

UK Car Insurance Financial Performance

Further commentary on the UK business and market conditions is provided by David Stevens, in his Chief Operating Officer's Review.

In line with expectations, the UK business again grew significantly during 2011, though the rate of growth slowed in the second half of the year. Admiral's price changes over the course of 2011 have run ahead of the market (according to price surveys and internal data) and this contributed to the slow-down in growth in the second half of the year (vehicle count in H2 grew by 5%). Admiral's rates ended 2011 around 15% higher than a year earlier. Average written premium increased by around 12%.

Total premiums written in the UK increased by 40% to £1,728.8 million (2010: £1,237.6 million) whilst the number of vehicles insured at year-end increased 21% to 2.97 million (2010: 2.46 million).

Claims experience in 2011

The reported loss ratio for 2011 is 77.3%, up from 68.3% in 2010. A significant proportion of the increase relates to a lower level of releases from prior year reserves, which in 2011 only equated to 2.5% of net premium revenue, compared to 8.7% in 2010. The loss ratio excluding the impact of releases was 79.8% in 2011, up from 77.0% in 2010.

The two main factors contributing to the higher loss ratio are:

- Disappointing development in the number of 2009 and 2010 bodily injury claims that emerged as higher value (typically in excess of £100,000) claims than previously anticipated; and
- The proportion of new 2011 claims that were reported and reserved as higher value claims

The above experience was of particular note in quarters two and three of 2011. Experience in the first quarter of the year was in line with prior years, and in quarter four was better than quarter three.

Development during 2011 of underwriting years prior to 2009 was more positive in the second half of the year than in the first and was in line with past patterns.

To better understand and address the above claims experience, management has undertaken various actions including:

- Detailed claims review (including additional independent actuarial analysis and independent expert reviews of higher value claims files)
- Higher relative price increases, slowing the rate of growth in the second half of 2011
- Pricing action to shift the portfolio away from high bodily injury claims frequency segments
- Accelerating initiatives to further improve risk selection

Claims reserving

There has been no change in Admiral's reserving policy, which is initially to reserve conservatively, above independent and internal projections of ultimate loss ratios. This is designed to create a significant margin held in reserves to allow for unforeseen adverse development in open claims and would typically result in Admiral making above industry average reserve releases.

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

In determining the quantum of releases from prior years, we seek to maintain a consistent level of prudence in reserves based on actuarial projections of ultimate loss ratios.

The attractiveness of the profit commission arrangements under Admiral's co- and reinsurance contracts also results in a level of volatility in the income statement, as, despite only underwriting around one quarter of the risk on its own books, Admiral earns the majority of the profit achieved on the whole book.

The effect of the higher booked loss ratio in 2011 (despite a 55% increase in net premium revenue) was a reduction in the level of profit commission, which fell to £61.8 million (15% of premium) from £67.0 million (25% of premium).

The expense ratio benefited from increased average premiums, and fell to 14.0% from 15.2% in 2010. Admiral's expense ratio continues to run at around half the market average.

As a result of the higher loss ratio, only slightly offset by the improved expense ratio, the combined ratio in 2011 increased to 91.3% from 83.5%. Although the ratio has worsened, the business remains highly profitable and management currently estimate the ultimate combined ratio on the business earned in 2011 will be between 85% and 90%.

Other revenue (including net ancillary contribution and instalment income) increased by 31% to £204.8 million from £156.1 million. This increase is in line with the increase in the average number of vehicles insured over the period. Ancillary contribution per vehicle was £76 in 2011, broadly consistent with 2010. Other revenue (which includes ancillaries and instalment income) per vehicle was £84 in both 2011 and 2010.

Ancillary income - analysis of contribution:

£m	2009	2010	2011
Ancillary contribution	125.6	168.3	213.9
Instalment income	8.8	13.7	23.3
Other revenue	**134.4**	**182.0**	**237.2**
Internal costs	(19.3)	(25.9)	(32.4)
Net other revenue	**115.1**	**156.1**	**204.8**
Ancillary contribution per vehicle	**£72**	**£77**	**£76**
Other revenue per vehicle	**£77**	**£84**	**£84**

Overall, despite the higher combined ratio, pre-tax profit grew by 14% to £313.6 million (2010: £275.8 million).

UK Car Insurance Review - David Stevens, Chief Operating Officer

For both ourselves and the market as a whole, 2011 was a year of two halves.

For the market as a whole, the middle of the year marked the point when the dramatic premium inflation that kicked off in late 2009 ground to a halt. Over the 21 months to mid-2011 market price surveys suggested new business rate increases of almost 50%. These surveys significantly overstate the level of premium increases actually achieved, but it was undoubtedly a period of rapid premium inflation. In contrast, in the following six months the market drifted down by 1% as the shedders slowed their rate of market share decline and the growers, including ourselves, continued to add share.

A combination of benign weather, higher policy excesses, higher petrol prices and lower disposable income led to a fall in claims frequency of over 10% for the market as a whole. This also tempered insurers' appetite for price increases, and helped slow the relentless rise in the cost of bodily injury claims in the UK market.

The rapid increase in premiums put car insurance unusually high on the political agenda during 2011. The legislation following the Jackson recommendations, Jack Straw's private members' bill, scrutiny by the House of Commons Transport Committee and then, towards the end of the year, the OFT exploration of a wide range of issues to do with the car insurance market, all took car insurance from the personal finance sections of the press to the front pages. Hopefully, the result will be some much needed reform of an often dysfunctional system to the benefit of customers and ultimately insurers.

For ourselves 'the game of two halves' was more about the rate of policy growth than the rate of premium increases. In the first half of 2011 our vehicle count grew 15%, in the second half 5% . Our competitiveness on price comparison sites peaked in March and fell month on month thereafter as we deliberately maintained the pace of price increases above and beyond the increases being put through by our competitors.

Our relatively higher price increases through most of 2011 were, in part, a response to a disappointing bodily injury claims experience in quarters two and three. The main source of the disappointment was in the proportion of 2009 and 2010 claims that were emerging as potentially bigger, costlier claims than anticipated and the proportion of new, 2011 claims that were being identified as potentially big claims, and reserved accordingly. The development of earlier years remained reassuringly stable with small improvements in expected ultimate loss ratios across most years.

Disappointment should perhaps be set in context. The currently anticipated combined ratio for 2011 is in the late eighties, a pretty attractive outcome both absolutely and relative to the combined ratio of the market as a whole. However, given our price increases and our established history of substantial over performance versus market, the outcome, if confirmed by the subsequent development of these claims, would qualify as a 'disappointment'. There remain, however, many opportunities that we have identified to continue to do things better, and avoid some of the issues we encountered in 2011, notably in terms of risk selection. After the rapid growth in 2010 and 2011, our focus in 2012 will be very much on realising these opportunities.

International Car Insurance
Non-GAAP format income statement*1

£m	2009	2010	2011
Turnover	47.2	77.6	122.2
Total premiums written	43.0	71.0	112.5
Net insurance premium revenue	12.8	18.7	27.2
Investment income	0.2	0.1	0.2
Net insurance claims	(13.0)	(15.9)	(28.3)
Net insurance expenses	(13.0)	(16.5)	(16.2)
Underwriting result	**(13.0)**	**(13.6)**	**(17.1)**
Net ancillary income	3.3	5.3	8.0
Other revenue and charges	0.2	0.3	(0.4)
International Car Insurance result	**(9.5)**	**(8.0)**	**(9.5)**

Note - Pre-launch costs excluded

Key Performance Indicators*1

£m	2009	2010	2011
Reported loss ratio	102%	85%	104%
Reported expense ratio	102%	88%	60%
Reported combined ratio	**204%**	**173%**	**164%**
Vehicles insured	121,000	195,000	306,000
Ancillary contribution per vehicle	£32	£33	£31
Other revenue per vehicle	£35	£34	£32

**1 Figures include AdmiralDirekt (sold in January 2011)*

International Car Insurance Co-insurance and Reinsurance

Significant use of reinsurance is also a feature of the Group's insurance operations outside the UK.

In Spain and Italy, Admiral retains 35% of the risks, with the remaining 65% underwritten by Munich Re. In France, Admiral retains 30%, with 70% reinsured among three reinsurers.

Following the sale of AdmiralDirekt in early 2011, all premiums written and earned in 2011 in Germany are 100% reinsured to the acquirer. The only risk retained by the Group relates to the development of open claims on accidents prior to 1 January 2011. The total exposure is insignificant.

In the USA, the Group retains one third of the underwriting, with the remainder shared between two reinsurers. Both bear their proportional share of expenses and underwriting, subject to certain caps on the reinsurers' total exposures.

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 in place for Italy, France and the USA include proportional sharing of ancillary profits.

International Car Insurance Financial Performance

The Group operates four car insurers outside the UK - Admiral Seguros (Spain), ConTe (Italy), Elephant Auto (USA) and L'olivier Assurances (France).

The combined businesses continued to develop and increase market share during 2011, ending the year with a combined total of over 300,000 vehicles insured. This represents an increase of over 140,000 (around 90%) on the end of 2010 (AdmiralDirekt figures excluded).

Combined turnover reached £115.0 million (2010: £77.6 million, again excluding AdmiralDirekt) and in aggregate, the combined ratio improved to 164% from 173%.

The overall underwriting loss of £17.1 million (2010: £13.6 million) was mitigated by net other revenue of £7.6 million (£5.6 million) to give an overall loss of £9.5 million, up from £8.0 million in 2010.

Each market the Group operates in provides different challenges, but the Group is satisfied with the progress made in each business during 2011.

Price Comparison
Non-GAAP format income statement

£m	2009	2010	2011

Revenue:			
Motor	62.2	59.6	72.2
Other	18.3	16.1	18.2
Total	80.5	75.7	90.4
Operating expenses	(55.6)	(63.6)	(79.9)
Operating profit	**24.9**	**12.1**	**10.5**
Confused.com profit	25.7	16.9	16.1
International Price Comparison result	(0.8)	(4.8)	(5.6)
	24.9	**12.1**	**10.5**

UK Price Comparison - Confused.com

2011 was a much more stable year for Confused than 2010, with a broadly flat profit of £16.1 million on the prior year (2010: £16.9 million). This was a strong achievement in a market that has become yet more competitive, with ever higher amounts spent on media by the main competitors.

Revenue grew by around 8% to £77.6 million (2010: £71.8 million), though the competitive market required greater media investment and resulted in a fall in operating margin to 21% (24% in 2010).

Market share in car insurance comparison ended the year broadly in line with the end of 2010.

Revenue from other products contributed around 22% of revenue - in line with 2010.

International Price Comparison

The Group operates three price comparison businesses outside the UK - in Spain (Rastreator.com), France (LeLynx.fr) and Italy (Chiarezza.it).

The combined operations grew strongly in 2011, delivering revenue of £12.8 million, a substantial increase on 2010 (£3.9 million). Momentum built through the year, with £7.8 million of the full year total generated in the second half of the year.

Total quotes provided across all products also rose substantially, to 3.8 million in 2011 from 1.7 million last year.

The three businesses made a combined loss of £5.6 million, up from £4.8 million in 2010.

Other Group Items

£m	**2009**	**2010**	**2011**
Gladiator operating profit	2.4	2.7	2.8
Group net interest income	1.1	1.1	2.9
Share scheme charges	(9.2)	(15.0)	(18.6)
Expansion costs	(2.0)	(1.1)	(0.8)
Other central overhead	(1.7)	(2.1)	(1.8)

Gladiator

Gladiator is a commercial vehicle insurance broker offering van insurance and associated products, typically to small businesses. Distribution is via telephone and internet (including price comparison websites).

Non-GAAP income statement and key performance indicators

£m	**2009**	**2010**	**2011**
Revenue	10.6	11.8	11.7
Expenses	(8.2)	(9.1)	(8.9)
Operating profit	**2.4**	**2.7**	**2.8**
Operating margin	23%	23%	24%
Customer numbers	93,400	94,500	87,900

Gladiator faced a challenging market in 2011 with significant price competition. Revenue was lower than in 2010 as a result of lower sales resulting from the increased competition.

Expenses were also lower than in 2010, and consequently operating profit increased modestly to £2.8 million from £2.7 million, whilst the operating margin percentage also moved up slightly to 24% from 23%.

Share scheme charges

The charge in the income statement increased to £18.6 million from £15.0 million for two key reasons:

- Higher share price at award: The weighted average share price for shares awarded in 2011 was £15.60 compared to £13.40 in 2010 (+16%)
- Higher number of shares awarded: In 2011, a total of 2.6 million shares were awarded under the Group's schemes - 10% higher than in 2010 (2.4 million), reflecting growth in Group headcount

Investments and Cash
Investment Strategy

There was no change in investment strategy, and the Group's funds continue to be held either in money market funds, term deposits or as cash at bank. The Group's Investment Committee continues to perform regular reviews of the strategy to ensure it remains appropriate.

The key focus of the Group's investment strategy is capital preservation, with an additional priority being a focus on low volatility of investment return.

Cash and investments analysis

	31 December 2011				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	761.1	66.0	-	35.0	862.1
Long-term cash deposits	290.7	6.3	-	-	297.0
Cash	117.8	38.9	8.8	59.1	224.6
Total	**1,169.6**	**111.2**	**8.8**	**94.1**	**1,383.7**

	31 December 2010				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds	333.8	29.8	-	-	363.6

Long-term cash deposits	283.0	6.6	-	10.0	299.6
Cash	90.6	40.3	11.2	104.6	246.7
Total	**707.4**	**76.7**	**11.2**	**114.6**	**909.9**

The main change in the allocation of funds between the two main investment types (money market funds and term deposits) was an increase in the proportion allocated to money market funds (to 62% of total cash plus investments, from 40%). This was in order to reduce relative exposure to deposit counterparties. All investment objectives continue to be met. The Group's holding of non-UK sovereign debt is insignificant.

Average balances held during 2011 continued to grow substantially, in line with the growth of the business in the UK and internationally. Total investment and interest income rose to £13.7 million from £9.5 million in 2010. With little or no change in benchmark or market interest rates, the average rate of return on invested sterling funds (composing the large majority of total balances) was just over 1% in 2011 (up marginally on 2010).

The Group continues to generate substantial amounts of cash, and the 'capital-light' business model enables the distribution of the majority of post-tax profits.

£m	**2009**	**2010**	**2011**
Operating cash flow, before transfers to investments	286.4	522.0	779.1
Transfers to financial investments	(10.5)	(240.8)	(493.9)
Operating cash flow	275.9	281.2	285.2
Tax and interest payments	(49.1)	(69.5)	(95.3)
Investing cash flows	(11.8)	(11.1)	(12.9)
Financing cash flows (largely dividends)	(142.2)	(164.9)	(198.1)
Foreign currency translation impact	(5.3)	(0.8)	(1.0)
Net cash movement	**67.5**	**34.9**	**(22.1)**
Net increase in cash and financial investments	**77.8**	**276.9**	**473.8**

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

£m	**2009**	**2010**	**2011**
Profit after tax	**156.9**	**193.6**	**221.3**
Change in net insurance liabilities	51.1	129.7	244.3
Net change in trade receivables and liabilities	(4.6)	101.4	203.7
Non-cash income statement items	24.1	25.4	32.0
Tax and net interest expense	58.9	71.9	77.8
Operating cash flow, before transfers to investments	**286.4**	**522.0**	**779.1**

The key features to note are:

- Total cash plus investments increased by £474 million (52%), largely driven by significant growth in the UK Car Insurance business. A higher portion of the cash inflow was transferred into investments, resulting in a small decrease in the amount of cash held at 31 December 2011
- Operating cashflow, before transfers into investments, was £779 million (an increase of 49%) - consistent with the increase noted above

Other financial items

Taxation

The taxation charge reported in the income statement is £77.8 million (2010: £71.9 million), which equates to 26.0% (2010: 27.1%) of profit before tax. The lower effective rate of taxation results from the lower average rate of UK corporation tax in 2011.

Earnings per share

Basic earnings per share rose by 13% to 81.9 pence from 72.3 pence. The change is in line with pre- and post-tax profit growth.

Dividends

The Directors have proposed a final dividend for the financial year of 36.5 pence per share. Total dividends for the year amount to 75.6 pence per share, 11% higher than the 68.1 pence distributed in respect of 2010.

The final dividend is made up of a 17.4 pence normal element based on the stated dividend policy of distributing 45% of post tax profits, and a further special element of 19.1 pence. The special dividend is calculated with reference to distributable reserves after considering capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further prudent buffer against unforeseen events.

The payment date is 1 June 2012, ex-dividend date 2 May and record date 4 May.

Consolidated income statement

	Note:	31 December 2011 £m	Year ended: 31 December 2010 £m
Insurance premium revenue		959.7	574.6
Insurance premium ceded to reinsurers		(513.9)	(286.5)
Net insurance premium revenue	5	**445.8**	**288.1**
Other revenue	6	349.0	276.2
Profit commission	7	61.8	67.0
Investment and interest income	8	13.7	9.5
Net revenue		**870.3**	**640.8**
Insurance claims and claims handling expenses		(785.9)	(416.7)
Insurance claims and claims handling expenses recoverable from reinsurers		422.1	208.2
Net insurance claims		**(363.8)**	**(208.5)**
Operating expenses	9,10	(188.8)	(151.8)
Share scheme charges	9, 24	(18.6)	(15.0)
Total expenses		**(571.2)**	**(375.3)**
Profit before tax		**299.1**	**265.5**
Taxation expense	12	(77.8)	(71.9)
Profit after tax		**221.3**	**193.6**

Profit after tax attributable to:

Equity holders of the parent		221.2	193.8
Non-controlling interests		0.1	(0.2)
		221.3	**193.6**
Earnings per share:			
Basic	14	81.9p	72.3p
Diluted	14	81.7p	72.2p
Dividends declared and paid (total)	13	198.8	164.7
Dividends declared and paid (per share)	13	74.6p	62.4p

Consolidated statement of comprehensive income

	31 December 2011 £m	Year ended: 31 December 2010 £m
Profit for the period	**221.3**	**193.6**
Other comprehensive income		
Exchange differences on translation of foreign operations	(1.0)	(0.8)
Other comprehensive income for the **period, net of income tax**	**(1.0)**	**(0.8)**
Total comprehensive income **for the period**	**220.3**	**192.8**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	220.2	193.0
Non-controlling interests	0.1	(0.2)
	220.3	**192.8**

Consolidated statement of financial position

	Note:	31 December 2011 £m	As at: 31 December 2010 £m
ASSETS			
Property and equipment	15	17.6	13.6
Intangible assets	16	87.5	82.9
Deferred income tax	23	10.3	12.4
Reinsurance assets	18	639.8	357.0
Trade and other receivables	17, 19	52.1	47.9
Financial assets	17	1,583.0	1,004.7
Cash and cash equivalents	17, 20	224.6	246.7
Assets held for sale		-	1.5
Total assets		**2,614.9**	**1,766.7**
EQUITY			
Share capital	24	0.3	0.3
Share premium account		13.1	13.1
Other reserves		3.2	4.2
Retained earnings		377.3	332.7
Total equity attributable to equity holders of the parent		**393.9**	**350.3**
Non-controlling interests		0.5	0.4
Total equity		**394.4**	**350.7**
LIABILITIES			
Insurance contracts	18	1,333.7	806.6
Trade and other payables	17, 21	856.6	561.0
Current tax liabilities		30.2	48.4
Total liabilities		**2,220.5**	**1,416.0**
Total equity and total liabilities		**2,614.9**	**1,766.7**

Consolidated cash flow statement

	Note	31 December 2011 £m	31 December 2010 £m
Profit after tax		**221.3**	**193.6**
Adjustments for non-cash items:			
- Depreciation		6.1	4.6
- Amortisation of software		3.3	2.7
- Change in unrealised gains on investments		(1.9)	(1.3)
- Other gains and losses		0.9	0.9
- Share scheme charge	24	23.6	18.5
Change in gross insurance contract liabilities		527.1	273.7
Change in reinsurance assets		(282.8)	(144.0)
Change in trade and other receivables, including from policyholders		(88.4)	(152.9)
Change in trade and other payables, including tax and social security		292.1	254.3
Taxation expense		77.8	71.9
Cash flows from operating activities, before movements in investments		**779.1**	**522.0**
Net cash flow into investments		(493.9)	(240.8)
Cash flows from operating activities, net of movements in investments		285.2	281.2
Taxation payments		(95.3)	(69.5)

	Note	2011	2010
Net cash flow from operating activities		**189.9**	**211.7**
Cash flows from investing activities:			
Proceeds from investing activities		3.9	-
Purchases of property, equipment and software		(16.8)	(11.1)
Net cash used in investing activities		**(12.9)**	**(11.1)**
Cash flows from financing activities:			
Capital element of new finance leases		1.0	0.4
Repayment of finance lease liabilities		(0.3)	(0.6)
Equity dividends paid	13	(198.8)	(164.7)
Net cash used in financing activities		**(198.1)**	**(164.9)**
Net (decrease) /increase in cash and cash equivalents		**(21.1)**	**35.7**
Cash and cash equivalents at 1 January		246.7	211.8
Effects of changes in foreign exchange rates		(1.0)	(0.8)
Cash and cash equivalents at end of period	20	**224.6**	**246.7**

Consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Non-controlling interests £m	Total equity £m
At 1 January 2010	0.3	13.1	5.0	281.8	0.6	300.8
Profit for the period	-	-	-	193.8	(0.2)	193.6
Other comprehensive income						
Currency translation differences	-	-	(0.8)	-	-	(0.8)
Total comprehensive income for the period	**-**	**-**	**(0.8)**	**193.8**	**(0.2)**	**192.8**
Transactions with equity-holders						
Dividends	-	-	-	(164.7)	-	(164.7)
Share scheme credit	-	-	-	18.5	-	18.5
Deferred tax charge on share scheme credit	-	-	-	3.3	-	3.3
Total transactions with equity-holders	**-**	**-**	**-**	**(142.9)**	**-**	**(142.9)**
As at 31 December 2010	**0.3**	**13.1**	**4.2**	**332.7**	**0.4**	**350.7**
At 1 January 2011	0.3	13.1	4.2	332.7	0.4	350.7
Profit for the period	-	-	-	221.2	0.1	221.3
Other comprehensive income						
Currency translation differences	-	-	(1.0)	-	-	(1.0)
Total comprehensive income for the period	**-**	**-**	**(1.0)**	**221.2**	**0.1**	**220.3**
Transactions with equity-holders						
Dividends	-	-	-	(198.8)	-	(198.8)
Share scheme credit	-	-	-	23.6	-	23.6
Deferred tax credit on share scheme credit	-	-	-	(1.4)	-	(1.4)
Total transactions with equity-holders	**-**	**-**	**-**	**(176.6)**	**-**	**(176.6)**
As at 31 December 2011	**0.3**	**13.1**	**3.2**	**377.3**	**0.5**	**394.4**

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 comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2011 and comparative figures for the year ended 31 December 2010. 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. 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.

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 2011, including all amendments to extant standards that are not effective until later accounting periods.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2011 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. These are as follows:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IFRS 12, IFRS 1, IAS 1, IAS 19, IFRS 7, and IAS 32
- IFRIC interpretation 20: Stripping costs in the production phase of a surface mine

None of these standards, amendments to standards or interpretations of current standards above will have a material impact on the Group's financial statements in future periods.
In addition, none of the standards or interpretations adopted for the first time in the year have had a material impact on the consolidated financial results or position of the Group for the year ended 31 December 2011.

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 Business Review. Further information regarding the financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Business Review. In addition note 17 to the financial statements includes 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 note 3 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 note 3, 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:

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 likely accuracy. They include allowance for unreported claims.

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

The claims provisions are subject to independent review by the Group's actuarial advisors. Management's reserving policy is to reserve at a level above best estimate assumptions to allow for unforeseen adverse claims development. For further detail on objectives, policies and procedures for managing insurance risk, refer to note 18 of the financial statements.

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

3. Significant accounting policies

a) Revenue recognition

Premiums, ancillary income and profit commission:

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 on deferred revenue are recognised within policyholder receivables.

Revenue earned on the sale of ancillary products and revenue from policies paid by instalments 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 ancillary amounts charged.

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 an agreed threshold.

Revenue from Price comparison and Gladiator:

Commission from these activities is credited to revenue on the sale of the underlying insurance policy.

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 held to maturity deposits.

b) Foreign currency translation

Functional and presentation currency

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.

Transactions and balances

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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Translation of financial statements of foreign operations

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

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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

(iii) All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity.

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

c) 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.

The benefits to which the Group is entitled under these contracts are held as reinsurance assets.

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.

d) 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 (CGU's) according to business segment and is reviewed annually for impairment.

The Goodwill held on the balance sheet at 31 December 2011 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 cashflow projections in the value in use calculations is 11.3 % (2010: 11.5%), 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 corresponds 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 between two and four years). 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.

e) Property and equipment, and depreciation

All property, plant 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

Impairment of property, plant and equipment

In the case of property plant 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.

f) 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, plant 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.

g) 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. The Group has not held any derivative instruments in the years ending 31 December 2011 and 31 December 2010.

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

The Group's investments in money market liquidity funds are designated as 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 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 cashflows arising from the asset.

Objective evidence of impairment may include default on cashflows 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 cashflows 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.

h) 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.

i) Share capital

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

j) Employee benefits

Pensions:

The Group contributes to a number of 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 settled compensation schemes for its employees. For schemes commencing 1 January 2004 and after, the fair value of the employee services received in exchange for the grant of free shares under the schemes is recognised as an expense, with a corresponding increase in equity.

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.

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 24 for further details on share schemes.

k) Taxation

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

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.

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.

l) Government grants

Government grants are recognised in the financial statements in the period where it becomes reasonably certain that the conditions attaching to the grant will be met, and that the grant will be received.

Grants relating to assets are deducted from the carrying amount of the asset. The grant is therefore recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

Grants relating to income are shown as a deduction in the reported expense.

m) Non- current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies, and thereafter are measured at the lower of their carrying value and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

4. Operating segments

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 the generation of ancillary income from underwriting car insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the income are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Car Insurance

The segment consists of the underwriting of car insurance and the generation of ancillary income 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 in the UK, Rastreator in Spain, LeLynx in France and Chiarezza in Italy. Each of the Price Comparison businesses are operating in individual geographical segments but are grouped into one reporting segment as LeLynx, Chiarezza and Rastreator 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. Currently there is only one such segment, the Gladiator commercial van insurance broking operation, and so it is the results and balances of this operation comprises the 'other' segment.

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.

Segment income, results and other information

An analysis of the Group's revenue and results for the year ended 31 December 2011, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in note 3 for the Group.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	31 December 2011 Segment total £m
Turnover*	1,966.0	122.2	90.4	11.7	-	2,190.3
Net insurance premium revenue	418.6	27.2	-	-	-	445.8
Other revenue and profit commission	299.0	9.7	90.4	11.7	-	410.8
Investment and interest income	10.6	0.2	-	-	-	10.8
Net revenue	728.2	37.1	90.4	11.7	-	867.4
Net insurance claims	(335.5)	(28.3)	-	-	-	(363.8)
Expenses	(79.1)	(18.3)	(79.9)	(8.9)	-	(186.2)
Segment profit / (loss) before tax	**313.6**	**(9.5)**	**10.5**	**2.8**	**-**	**317.4**
Other central revenue and expenses, including share scheme charges						(21.2)
Interest income						2.9
Consolidated profit before tax						**299.1**
Taxation expense						(77.8)
Consolidated profit after tax						**221.3**
Other segment items:						
Capital expenditure	12.4	2.9	1.1	0.4	-	16.8
Depreciation and Amortisation	37.8	11.8	1.2	0.3	-	51.2

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

Revenue and results for the corresponding reportable segments for the year ended 31 December 2010 are shown below.

	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	31 December 2010 Segment total £m
Turnover*	1,419.7	77.6	75.7	11.8	-	1,584.8
Net insurance premium revenue	269.4	18.7	-	-	-	288.1
Other revenue and profit commission	249.0	6.7	75.7	11.8	-	343.2
Investment and interest income	8.3	0.1	-	-	-	8.4
Net revenue	526.7	25.5	75.7	11.8	-	639.7
Net insurance claims	(192.6)	(15.9)	-	-	-	(208.5)
Expenses	(58.3)	(17.6)	(63.6)	(9.1)	-	(148.6)
Segment profit / (loss) before tax	**275.8**	**(8.0)**	**12.1**	**2.7**	**-**	**282.6**
Other central revenue and expenses, including share scheme charges						(18.2)
Interest income						1.1
Consolidated profit before tax						**265.5**
Taxation expense						(71.9)
Consolidated profit after tax						**193.6**
Other segment items:						
Capital expenditure	6.8	2.6	1.7	0.1	-	11.2
Depreciation and Amortisation	20.7	9.0	0.7	0.3	-	30.7

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

Segment revenues

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

The total of Price Comparison revenues from transactions with other reportable segments is £16.1m (2010: £15.0m). These amounts have not been eliminated on consolidation in order to avoid distorting expense and combined ratios which are key performance indicators for insurance business. There are no other transactions between reportable segments.

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

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country 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 Chiarezza 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 2011 are as follows.

	UK Car Insurance £m	International car insurance £m	Price Comparison £m	Other £m	Eliminations £m	31 December 2011 Segment total £m
Property and equipment	12.1	3.1	1.8	0.6	-	17.6
Intangible assets	78.4	8.5	0.5	0.1	-	87.5
Reinsurance assets	570.3	69.5	-	-	-	639.8
Trade and other receivables	118.7	(5.5)	(0.2)	9.0	(69.9)	52.1
Financial assets	1,464.8	83.2	-	-	-	1,548.0

	UK Car Insurance £m	International car insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Cash and cash equivalents	117.8	38.9	8.8	4.4	-	169.9
Reportable segment assets	2,362.1	197.7	10.8	14.1	(69.9)	2,514.8
Insurance contract liabilities	1,215.4	118.3	-	-	-	1,333.7
Trade and other payables	816.1	28.3	6.6	5.6	-	856.6
Reportable segment liabilities	2,031.5	146.5	6.6	5.6	-	2,190.2
Reportable segment net assets	330.6	51.2	4.2	8.5	(69.9)	324.6
Unallocated assets and liabilities						69.8
Consolidated net assets						394.4

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 2010 are as follows.

						31 December 2010
	UK Car Insurance £m	International car insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Property and equipment	8.6	2.3	2.1	0.6	-	13.6
Intangible assets	76.0	6.8	0.1	-	-	82.9
Reinsurance assets	324.7	32.3	-	-	-	357.0
Trade and other receivables	150.5	(4.7)	(0.9)	8.5	(105.5)	47.9
Financial assets	947.3	47.4	-	-	-	994.7
Cash and cash equivalents	90.6	40.3	11.2	3.1	-	145.2
Assets held for sale	-	1.5	-	-	-	1.5
Reportable segment assets	1,597.7	125.9	12.5	12.2	(105.5)	1,642.8
Insurance contract liabilities	752.1	54.5	-	-	-	806.6
Trade and other payables	531.5	18.2	6.6	4.7	-	561.0
Reportable segment liabilities	1,283.6	72.7	6.6	4.7	-	1,367.6
Reportable segment net assets	314.1	53.2	5.9	7.5	(105.5)	275.2
Unallocated assets and liabilities						75.5
Consolidated net assets						350.7

5. Net insurance premium revenue

	31 December 2011 £m	31 December 2010 £m
Total motor insurance premiums before co-insurance	1,841.3	1,308.6
Group gross premiums written after co-insurance	1,128.4	738.5
Outwards reinsurance premiums	(622.0)	(380.0)
Net insurance premiums written	506.4	358.5
Change in gross unearned premium provision	(168.7)	(163.9)
Change in reinsurers' share of unearned premium provision	108.1	93.5
Net insurance premium revenue	445.8	288.1

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

6. Other revenue

	31 December 2011 £m	31 December 2010 £m
Ancillary revenue	223.3	174.6
Price comparison revenue	90.4	75.7
Other revenue	35.3	25.9
Total other revenue	349.0	276.2

Refer to the Business Review for further detail on the sources of revenue.

7. Profit commission

	31 December 2011	31 December 2010

	£m	£m
Total profit commission	61.8	67.0

8. Investment and interest income

	31 December 2011 £m	31 December 2010 £m
Net investment return	10.8	8.4
Interest receivable	2.9	1.1
Total investment and interest income	13.7	9.5

Interest received during the year was £2.9m (2010: £1.1m).

9. Operating expenses and share scheme charges

	31 December 2011			31 December 2010		
	Insurance contracts £m	Other £m	Total £m	Insurance contracts £m	Other £m	Total £m
Acquisition of insurance contracts	36.2	-	36.2	20.9	-	20.9
Administration and other marketing costs	26.7	125.9	152.6	28.0	102.9	130.9
	62.9	125.9	188.8	48.9	102.9	151.8
Expenses						
Share scheme charges	-	18.6	18.6	-	15.0	15.0
Total expenses and share scheme charges	62.9	144.5	207.4	48.9	117.9	166.8

Analysis of other administration and other marketing costs:

	31 December 2011 £m	31 December 2010 £m
Ancillary sales expenses	33.8	26.9
Price comparison operating expenses	79.9	63.6
Other expenses	12.2	12.4
Total	125.9	102.9

The £26.7m (2010: £28.0m) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

The gross amount of expenses, before recoveries from co-insurers and reinsurers is £369.9m (2010: £333.2m). This amount can be reconciled to the total expenses and share scheme charges above of £207.4m (2010: £166.8m) as follows:

	31 December 2011 £m	31 December 2010 £m
Gross expenses	369.9	333.2
Co-insurer share of expenses	(77.9)	(99.5)
Expenses, net of co-insurer share	292.0	233.7
Adjustment for deferral of acquisition costs	(11.0)	(7.9)
Expenses, net of co-insurer share (earned basis)	281.0	225.8
Reinsurer share of expenses (earned basis)	(73.6)	(59.0)
Total expenses and share scheme charges	207.4	166.8

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

	31 December 2011 £m	31 December 2010 £m
Insurance contract expenses from above	62.9	48.9
Add: claims handling expenses	11.9	8.5
Adjusted expenses	74.8	57.4
Net insurance premium revenue	445.8	288.1
Reported expense ratio	16.8%	19.9%

10. Staff costs and other expenses

Included in gross expenses, before co-insurance arrangements, are the following:

	31 December 2011 £m	31 December 2010 £m
Salaries	114.5	92.5
Social security charges	10.3	12.7
Pension costs	1.3	1.3
Share scheme charges (see note 24)	23.6	18.5
Total staff expenses	149.7	125.0

Depreciation charge:		
- Owned assets	5.4	4.1

- Leased assets	0.7	0.5
Amortisation charge:		
- Software	3.3	2.7
- Deferred acquisition costs	41.8	23.4
Operating lease rentals:		
- Buildings	7.9	6.4
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	0.2	0.2
- Fees payable for other services	0.3	0.2
Net foreign exchange losses	0.8	0.8

Analysis of fees paid to the auditor for other services:

Tax compliance services	0.1	-
Tax advisory services	0.2	0.1
Other services	-	0.1
Total as above	0.3	0.2

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

11. Staff numbers (including Directors)

	Average for the year 2011 Number	2010 Number
Direct customer contact staff	4,264	3,280
Support staff	1,060	972
Total	5,324	4,252

12. Taxation

	31 December 2011 £m	31 December 2010 £m
Current tax		
Corporation tax on profits for the year	80.3	87.4
Over provision relating to prior periods	(3.2)	(0.7)
Current tax charge	77.1	86.7
Deferred tax		
Current period deferred taxation movement	(0.8)	(15.3)
Under provision relating to prior periods - deferred tax	1.5	0.5
Total tax charge per income statement	77.8	71.9

Factors affecting the total tax charge are:

	31 December 2011 £m	31 December 2010 £m
Profit before tax	299.1	265.5
Corporation tax thereon at effective UK corporation tax rate of 26.5% (2010: 28%)	79.3	74.3
Expenses and provisions not deductible for tax purposes	0.1	(0.1)
Difference in tax rates	0.5	0.2
Adjustments relating to prior periods	(1.7)	(0.1)
Other differences	(0.4)	(2.4)
Total tax charge for the period as above	77.8	71.9

13. Dividends

Dividends were declared and paid as follows.

	31 December 2011 £m	31 December 2010 £m
March 2010 (29.8p per share, paid April 2010)	-	78.3
September 2010 (32.6p per share, paid October 2010)	-	86.4
March 2011 (35.5p per share, paid May 2011)	94.5	-
August 2011 (39.1p per share, paid October 2011)	104.3	-
Total dividends	198.8	164.7

The dividends declared in March represent the final dividends paid in respect of the 2009 and 2010 financial years. Dividends declared in September 2010 and August 2011 are interim distributions in respect of 2010 and 2011.

A final dividend of 36.5p per share (£99m) has been proposed in respect of the 2011 financial year. Refer to the Chairman's statement and Business Review for further detail.

14. Earnings per share

	31 December 2011	31 December 2010
Profit for the financial year after taxation (£m)	221.2	193.6
Weighted average number of shares - basic	269,903,301	267,827,176
Unadjusted earnings per share - basic	81.9p	72.3p
Weighted average number of shares - diluted	270,782,526	268,221,829
Unadjusted earnings per share - diluted	81.7p	72.2p

The difference between the basic and diluted number of shares at the end of 2011 (being 879,225; 2010: 394,653) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 24 for further detail.

15. 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 2010	5.0	20.1	7.7	3.2	36.0
Additions	0.7	5.4	1.2	0.4	7.7
Disposals	-	(0.2)	-	-	(0.2)
Transferred to 'assets classified as held for sale'	(0.5)	(1.2)	(0.4)	(0.2)	(2.3)
At 31 December 2010	5.2	24.1	8.5	3.4	41.2
Depreciation					
At 1 January 2010	2.8	13.7	5.2	2.2	23.9
Charge for the year	0.9	2.4	0.9	0.4	4.6
Disposals	-	(0.1)	-	-	(0.1)
Transferred to 'assets classified as held for sale'	(0.2)	(0.5)	(0.1)	-	(0.8)
At 31 December 2010	3.5	15.5	6.0	2.6	27.6
Net book amount					
At 1 January 2010	2.2	6.4	2.5	1.0	12.1
Net book amount					
At 31 December 2010	1.7	8.6	2.5	0.8	13.6
Cost					
At 1 January 2011	5.2	24.1	8.5	3.4	41.2
Additions	1.5	4.5	2.9	1.5	10.4
Disposals	-	(0.3)	-	-	(0.3)
At 31 December 2011	6.7	28.3	11.4	4.9	51.3
Depreciation					
At 1 January 2011	3.5	15.5	6.0	2.6	27.6
Charge for the year	0.9	3.5	1.2	0.5	6.1
Disposals	-	-	-	-	-
At 31 December 2011	4.4	19.0	7.2	3.1	33.7
Net book amount					
At 31 December 2011	2.3	9.3	4.2	1.8	17.6

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

	31 December 2011 £m	31 December 2010 £m
Computer equipment	2.8	1.2

16. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
At 1 January 2010	62.3	9.4	5.3	77.0
Additions	-	28.9	3.4	32.3
Amortisation charge	-	(23.4)	(2.7)	(26.1)
Disposals	-	-	(0.3)	(0.3)
At 31 December 2010	62.3	14.9	5.7	82.9
Additions	-	43.3	6.4	49.7
Amortisation charge	-	(41.8)	(3.3)	(45.1)
Disposals	-	-	-	-
At 31 December 2011	62.3	16.4	8.8	87.5

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.

17. Financial assets and liabilities

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

	31 December 2011 £m	31 December 2010 £m
Financial assets:		
Investments held at fair value	862.1	363.6
Held to maturity deposits with credit institutions	297.0	299.6
Receivables - amounts owed by policyholders	423.9	341.5
Total financial assets per consolidated balance sheet	1,583.0	1,004.7
Trade and other receivables	52.1	47.9
Cash and cash equivalents	224.6	246.7
	1,859.7	1,299.3
Financial liabilities:		
Trade and other payables	856.6	561.0

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 approximate fair value of held to maturity deposits is £280.8m (2010: £285.2m) based on a calculation to discount expected cashflows arising at the Group's weighted average cost of capital (WACC). 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 2011 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	862.1	-	-	-
Held to maturity deposits with credit institutions	-	175.3	79.2	42.5
Receivables - amounts owed by policyholders	-	423.9	-	-
Total financial assets	862.1	599.2	79.2	42.5
Trade and other receivables	-	52.1	-	-
Cash and cash equivalents	224.6	-	-	-
	1,086.7	651.3	79.2	42.5
Financial liabilities:				
Trade and other payables	-	856.6	-	-

The maturity profile of financial assets and liabilities at 31 December 2010 was as follows:

	On demand	< 1 Year	Between 1 and 2 years	> 2 Years
Financial assets:	£m	£m	£m	£m
Investments held at fair value	363.6	-	-	-
Held to maturity deposits with credit institutions	-	197.3	60.8	41.5
Receivables - amounts owed by policyholders	-	341.5	-	-
Total financial assets	363.6	538.8	60.8	41.5
Trade and other receivables	-	47.9	-	-
Cash and cash equivalents	246.7	-	-	-
	610.3	586.7	60.8	41.5
Financial liabilities:				
Trade and other payables	-	561.0	-	-

Objectives, policies and procedures for managing financial assets and liabilities

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

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

Credit risk

The Group defines credit risk as the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits and policyholder receivables.

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

There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions.

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

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

The Group's maximum exposure to credit risk at 31 December 2011 is £1,807.6m (2010: £1,251.4m) being the carrying value of financial assets and cash. The group does not use credit derivatives or similar instruments to mitigate exposure. The amount of bad debt expense relating to policyholder debt charged to the income statement in 2010 and 2011 is insignificant.

There were no significant financial assets that were past due at the close of either 2011 or 2010.

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

	Rating	31 December 2011 £m	31 December 2010 £m
Financial institutions - Money market funds	AAA	862.1	363.6
Financial institutions - Credit institutions	AA	178.2	252.6
Financial institutions - Credit institutions	A	98.0	47.0
Financial institutions - Credit institutions	BBB	20.8	-
Reinsurers	A	88.3	104.4

Interest rate risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities. This relates primarily to investments held at fair value.

As noted above, the Group invests in money market liquidity funds, which in turn invest in a mixture of very short dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.

The funds are not permitted to have an average maturity greater than 60 days and hence are not subject to large movements in yield and value resulting from changes in market interest rates (as longer duration fixed income portfolios can experience). Returns are likely to closely track the LIBID benchmark and hence while the Group's investment return will vary according to market interest rates, the capital value of these investment funds will not be impacted by rate movements. The interest rate risk arising is therefore considered to be minimal.

The Group also holds a number of fixed rate, longer-term deposits with UK credit institutions. These are classified as held to maturity and valued at amortised cost. Therefore neither the capital value of the deposits, or the interest return will be impacted by fluctuations in interest rates.

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

Liquidity risk

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

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

A breakdown of the Group's financial liabilities - trade and other payables is shown in note 21. In terms of the maturity profile of these liabilities, all amounts will mature within 3 - 6 months of the balance sheet date except for a minority of finance lease liabilities which will expire after 12 months. (Refer to note 22 and the maturity profile at the start of this note for further detail.)

In practice, the Group's Directors expect actual cashflows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co- insurers and reinsurers of £579.4m (2010: £327.4m), £432.9m (2010: £213.8m) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 18.

The maturity profile for financial assets is included at the start of this note. The Group's Directors believe that the cashflows arising from these assets will be consistent with this profile.

Liquidity risk is not, therefore considered to be significant.

Foreign exchange risks

Foreign exchange risks arise from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets.
The Group is exposed to foreign exchange risk through its expanding operations overseas. Although the relative size of the European and International operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities, however surplus assets held as regulatory capital in foreign currencies remain exposed.

Fair value

For cash at bank and cash deposits, the fair value approximates to the book value due to their short maturity. For assets held at fair value through profit and loss, their value equates to level 1 (quoted prices in active markets) of the fair value hierarchy specified in the amendment to IFRS 7.

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.

18. Reinsurance assets and insurance contract liabilities

A) Objectives, policies and procedures for the management of insurance risk:

The Group is involved in issuing motor insurance contracts that transfer risk from policyholders to the Group and its underwriting partners.

Insurance risk primarily involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued.

The key reserving risk is that the frequency and / or value of the claims arising exceeds expectation and the value of insurance liabilities established.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 17, it has delegated the task of supervising risk management to the Risk Committee.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include underwriting partnership arrangements, pricing policies and claims management and administration policies.

A number of the key elements of these policies and procedures are detailed below:

i) Co-insurance and reinsurance:

As noted in the Business Review, the Group cedes a significant amount of the motor insurance business generated to external underwriters. In 2011, 40% of the UK risk was shared under a co-insurance contract, under which the primary risk is borne by the co-insurer. A further 32.5% of the UK risk was ceded under quota share reinsurance contracts.

As well as these proportional arrangements, an excess of loss reinsurance programme is also purchased to protect the Group against very large individual claims and catastrophe losses.

ii) Data driven pricing:

The Group's underwriting philosophy is focused on a sophisticated data-driven approach to pricing and underwriting and on exploiting the competitive advantages direct insurers enjoy over traditional insurers through:

- Collating and analysing more comprehensive data from customers;
- Tight control over the pricing guidelines in order to target profitable business sectors; and
- Fast and flexible responsiveness to data analysis and market trends.

The Group is committed to establishing premium rates that appropriately price the underwriting risk and exposure. Rates are set utilising a larger than average number of underwriting criteria.

The Directors believe that there is a strong link between the increase in depth of data that the Group has been able to collate over time and the lower than average historic reported loss ratios enjoyed by the Group.

iii) Effective claims management:

The Group adopts various claims management strategies designed to ensure that claims are paid at an appropriate level and to minimise the expenses associated with claims management. These include:

- An effective, computerised workflow system (which along with the appropriate level of resources employed helps reduce the scope for error and avoids significant backlogs);

- Use of an outbound telephone team to contact third parties aiming to minimise the potential claims costs and to ensure that more third parties utilise the Group approved repairers;

- Use of sophisticated and innovative methods to check for fraudulent claims.

Concentration of insurance risk:

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group only writes one line of insurance business, the risks are spread across a large number of people and a wide regional base.

B) Sensitivity of recognised amounts to changes in assumptions:

The following table sets out the impact on equity at 31 December 2011 that would result from a 1 per cent worsening in the UK loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year					
	2006	2007	2008	2009	2010	2011
Booked loss ratio	74%	69%	72%	77%	77%	82%
Impact of 1% change (£m)	2.1	3.6	2.8	4.1	8.5	6.2

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.

C) Analysis of recognised amounts:

	31 December 2011 £m	31 December 2010 £m
Gross:		

Claims outstanding	781.1	434.2
Unearned premium provision	552.6	372.4
Total gross insurance liabilities	1,333.7	806.6
Recoverable from reinsurers:		
Claims outstanding	334.2	165.2
Unearned premium provision	305.6	191.8
Total reinsurers' share of insurance liabilities	639.8	357.0
Net:		
Claims outstanding	446.9	269.0
Unearned premium provision	247.0	180.6
Total insurance liabilities - net	693.9	449.6

The maturity profile of gross insurance liabilities at the end of 2011 is as follows:

	< 1 Year £m	1 - 3 years £m	> 3 years £m
Claims outstanding	234.3	266.6	280.2
Unearned premium provision	552.6	-	-
Total gross insurance liabilities	786.9	266.6	280.2

The maturity profile of gross insurance liabilities at the end of 2010 was as follows:

	< 1 Year £m	1 - 3 years £m	> 3 years £m
Claims outstanding	130.3	147.6	156.3
Unearned premium provision	372.4	-	-
Total gross insurance liabilities	502.7	147.6	156.3

D) Analysis of UK claims incurred

The following tables illustrate the development of net UK Car Insurance claims incurred for the past five financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual 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):	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	Total £m
Underwriting year (UK only):						
Earlier years	(26.3)	31.1	10.6	0.1	8.2	
2007	(67.3)	(42.0)	11.6	2.7	0.6	(94.4)
2008	-	(89.5)	(57.7)	10.2	4.6	(132.4)
2009	-	-	(96.9)	(66.9)	(4.8)	(168.6)
2010	-	-	-	(130.2)	(128.5)	(258.7)
2011	-	-	-	-	(203.7)	(203.7)
UK net claims incurred (excluding claims handling costs)	(93.6)	(100.4)	(132.4)	(184.1)	(323.6)	
International net claims incurred	(2.8)	(9.5)	(13.6)	(15.9)	(28.3)	
Claims handling costs and other amounts	(3.4)	(4.7)	(5.7)	(8.5)	(11.9)	
Total net claims incurred	(99.8)	(114.6)	(151.7)	(208.5)	(363.8)	

	Financial year ended 31 December				
UK loss ratio development:	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Underwriting year (UK only):					
2006	87%	79%	75%	75%	74%
2007	89%	80%	72%	70%	69%
2008		88%	79%	74%	72%
2009			84%	75%	77%
2010				78%	77%
2011					82%

E) Analysis of net claims provision 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				
	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Underwriting year:					
2000	0.7	0.4	0.4	-	(0.4)
2001	1.5	0.5	0.5	-	-
2002	1.3	-	0.3	0.3	0.2
2003	3.2	2.3	1.2	-	0.7
2004	7.6	6.4	(1.6)	0.8	1.2
2005	12.6	11.0	1.8	-	3.7
2006	2.6	10.5	7.9	(1.0)	2.9
2007	-	6.9	11.6	2.7	0.6
2008	-	-	9.2	10.3	4.5
2009	-	-	-	10.4	(4.7)
2010	-	-	-	-	1.6
Total net release	29.5	38.0	31.3	23.5	10.3
Net UK premium revenue	140.2	161.9	199.1	269.4	418.6
Release as % of net premium revenue	21.0%	23.5%	15.7%	8.7%	2.5%

F) Reconciliation of movement in net claims provision:

	December 2011 £m	December 2010 £m
Net claims provision at start of period	269.0	209.4
Net claims incurred	351.9	199.9
Net claims paid	(174.0)	(140.3)
Net claims provision at end of period	446.9	269.0

G) Reconciliation of movement in net unearned premium provision:

	31 December 2011 £m	31 December 2010 £m
Net unearned premium provision at start of period	180.6	110.6
Written in the period	506.4	358.5
Earned in the period	(440.0)	(288.5)
Net unearned premium provision at end of period	247.0	180.6

19. Trade and other receivables

	31 December 2011 £m	31 December 2010 £m
Trade receivables	51.1	47.9
Prepayments and accrued income	1.0	-
Total trade and other receivables	52.1	47.9

20. Cash and cash equivalents

	31 December 2011 £m	31 December 2010 £m
Cash at bank and in hand	224.6	246.7
Total cash and cash equivalents	224.6	246.7

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.

21. Trade and other payables

	31 December 2011 £m	31 December 2010 £m
Trade payables	12.1	13.3
Amounts owed to co-insurers and reinsurers	579.4	327.4
Finance leases due within 12 months	0.9	-
Finance leases due after 12 months	-	0.2
Other taxation and social security liabilities	21.9	16.5
Other payables	51.0	59.7
Accruals and deferred income (see below)	191.3	143.9
Total trade and other payables	856.6	561.0

Of amounts owed to co-insurers and reinsurers, £432.9m (2010: £213.8m) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2011 £m	31 December 2010 £m
Premium receivable in advance of policy inception	110.1	82.3
Accrued expenses	55.8	46.2
Deferred income	25.4	15.4
Total accruals and deferred income as above	191.3	143.9

22. Obligations under finance leases

Analysis of finance lease liabilities:

	At 31 December 2011			At 31 December 2010		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.9	-	0.9	-	-	-
Between one and five years	-	-	-	0.2	-	0.2
More than five years	-	-	-	-	-	-
	0.9	-	0.9	0.2	-	0.2

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

23. Deferred income tax asset

	31 December 2011 £m	31 December 2010 £m
Brought forward at start of period	(12.4)	5.7
Movement in period	2.1	(18.1)

Carried forward at end of period	(10.3)	(12.4)

The net balance provided at the end of the year is made up as follows:

Analysis of net deferred tax (asset):	31 December 2011 £m	31 December 2010 £m
Tax treatment of share scheme charges	(3.6)	(6.9)
Capital allowances	(1.5)	(1.3)
Other differences	(5.2)	(4.2)
Deferred tax (asset) at end of period	(10.3)	(12.4)

The UK corporation tax rate reduced from 28% to 26% on 1 April 2011. It is expected to fall to 25% on 1 April 2012. Deferred tax has therefore been calculated at 25% where the temporary difference is expected to reverse after this date.

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

Amounts credited to income or expense:	31 December 2011 £m	31 December 2010 £m
Tax treatment of share scheme charges	1.9	(0.8)
Capital allowances	(0.2)	(0.3)
Other differences	(1.0)	3.6
Remittance of overseas income	-	12.3
Net deferred tax credited to income	(0.7)	14.8

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

24. Share capital

	31 December 2011 £m	31 December 2010 £m
Authorised:		
500,000,000 ordinary shares of 0.1p	0.5	0.5
Issued, called up and fully paid:		
270,789,075 ordinary shares of 0.1p	0.3	-
268,571,725 ordinary shares of 0.1p	-	0.3
	0.3	0.3

During 2011 2,217,350 (2010: 2,094,434) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

717,350 (2010: 594,434) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

1,500,000 (2010: 1,500,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme. The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	31 December 2011 £m	31 December 2010 £m
SIP charge (note i)	6.0	5.1
DFSS charge (note ii)	12.6	9.9
Total share scheme charges	18.6	15.0

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross charge reported in note 10 (2011: £23.6m, 2010: £18.5m) and the gross credit to reserves reported in the consolidated statement of changes in equity.

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

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

Eligible employees qualify 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 2011 scheme is 1,791,234 (2010 scheme: 1,662,303).

Individual awards are calculated 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 same three-year period.

For the 2011 and 2010 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 Remuneration report).

Number of free share awards committed at 31 December 2011:

	Awards outstanding (*1)	Vesting date
SIP H208 scheme	477,432	April 2012
SIP H109 scheme	396,200	September 2012
SIP H209 scheme	377,641	March 2013
SIP H110 scheme	352,100	August 2013
SIP H210 scheme	346,590	March 2014
SIP H111 scheme	489,060	September 2014
DFSS 2009 scheme 1st award	1,313,865	April 2012
DFSS 2009 scheme 2nd award	127,020	August 2012
DFSS 2010 scheme 1st award	1,542,453	April 2013
DFSS 2010 scheme 2nd award	120,951	August 2013
DFSS 2011 scheme 1st award	1,634,032	April 2014
DFSS 2011 scheme 2nd award	157,202	September 2014
Total awards committed	7,334,546	

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

During the year ended 31 December 2011, awards under the SIP H207 and H108 schemes and the DFSS 2008 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 2011:

	Original Awards	Awards vested
SIP H207 scheme	337,770	294,192
SIP H108 scheme	352,732	313,123
DFSS 2008 scheme, 1st award	1,306,381	1,165,265
DFSS 2008 scheme, 2nd award	87,691	67,968

25. Financial commitments

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

Operating leases expiring:	31 December 2011 £m	31 December 2010 £m
Within one year	-	0.2
Within two to five years	12.0	11.1
Over five years	20.3	16.4
Total commitments	32.3	27.7

Operating lease payments represent rentals payable by the Group for its office properties.
In addition, the Group had contracted to spend the following on property and equipment at the end of each period:

	31 December 2011 £m	31 December 2010 £m
Expenditure contracted	-	-

26. Group subsidiary companies

The Parent Company's principal subsidiaries are as follows:

Subsidiary	**Country of incorporation**	**Class of shares held**	**% Ownership**	**Principal activity**
EUI Limited	England and Wales	Ordinary	100	General insurance intermediary
EUI (France) Limited	England and Wales	Ordinary	100	General insurance intermediary
Admiral Insurance Company Limited	England and Wales	Ordinary	100	Insurance Company
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	100	Insurance Company
Able Insurance Services Limited	England and Wales	Ordinary	100	Intermediary
Inspop.com Limited	England and Wales	Ordinary	100	Internet insurance intermediary
Elephant Insurance Company	United States of America	Ordinary	100	Insurance Company
Elephant Insurance Services, LLC	United States of America	Ordinary	100	Insurance intermediary
Rastreator.com Limited	England and Wales	Ordinary	75	Internet insurance intermediary
Inspop Technologies Private Limited	India	Ordinary	100	Internet technology supplier
Inspop.com (France) Limited	England and Wales	Ordinary	100	Internet insurance intermediary
Inspop.com (Italy) Limited	England and Wales	Ordinary	100	Internet insurance intermediary
Admiral Syndicate Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Management Limited	England and Wales	Ordinary	100	Dormant
Admiral Life Limited	England and Wales	Ordinary	100	Dormant
Bell Direct Limited	England and Wales	Ordinary	100	Dormant
Confused.com Limited	England and Wales	Ordinary	100	Dormant
Diamond Motor Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Services Limited	England and Wales	Ordinary	100	Dormant

For further information on how the Group conducts its business across UK, Europe and the USA, refer to the Business Review.

27. Related party transactions

a) Mapfre:

In 2011, the Group participated in transactions with Mapfre S.A. during the normal course of its International Car Insurance and Price Comparison operations. Mapfre is a related party of Admiral Group due to its 25% minority interest in Group subsidiary Rastreator.com Limited. Details of the total transactions with Mapfre and balances outstanding as at 31 December are given in the table below.

	31 December 2011	31 December 2010
Total transactions	0.7	0.3
Balances outstanding at 31 December	0.1	-

b) Other:

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

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

27. Statutory information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Total motor premiums	**1,841.3**	**1,308.6**	**847.7**	**716.3**	**631.3**
Net insurance premium revenue	445.8	288.1	211.9	169.8	142.2
Other revenue	349.0	276.2	232.6	193.9	176.9
Profit commission	61.8	67.0	54.2	34.7	20.5
Investment and interest income	13.7	9.5	8.8	24.4	24.6
Net revenue	**870.3**	**640.8**	**507.5**	**422.8**	**364.2**
Net insurance claims	(363.8)	(208.5)	(151.7)	(114.6)	(99.8)
Total expenses	(207.4)	(166.8)	(140.0)	(105.7)	(82.0)
Operating profit	**299.1**	**265.5**	**215.8**	**202.5**	**182.4**

Balance sheet

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Property and equipment	17.6	13.6	12.1	11.0	7.7
Intangible assets	87.5	82.9	77.0	75.7	69.1
Deferred income tax	10.3	12.4	-	-	1.6
Reinsurance assets	639.8	357.0	212.9	170.6	131.7
Trade and other receivables	52.1	47.9	32.7	25.5	22.6
Financial assets	1,583.0	1,004.7	630.9	586.9	481.8
Cash and cash equivalents	224.6	246.7	211.8	144.3	155.8
Assets held for sale	-	1.5	-	-	-
Total assets	**2,614.9**	**1,766.7**	**1,177.4**	**1,014.0**	**870.3**
Equity	**394.4**	**350.7**	**300.8**	**275.6**	**237.6**
Insurance contracts	1,333.7	806.6	532.9	439.6	363.1
Financial liabilities	-	-	-	-	-
Deferred income tax	-	-	5.7	10.3	-
Trade and other payables	856.6	561.0	306.8	270.0	239.6
Current tax liabilities	30.2	48.4	31.2	18.5	30.0
Total liabilities	**2,614.9**	**1,766.7**	**1,177.4**	**1,014.0**	**870.3**