3 March 2016

Admiral Group plc announces a record Group profit before tax of £377 million for the year to 31 December 2015.

2015 Preliminary Results Highlights

	2015	**2014**	**% change**
Group profit before tax	£377 million	£357 million	+6%
Earnings per share	107.3 pence	103.0 pence	+4%
Full year dividend	114.4 p/share	98.4 p/share	+16%
Return on equity	49%	52%	
Group turnover	£2.12 billion	£1.97 billion	+8%
Group customers	4.43 million	4.05 million	+9%
UK customers	3.30 million	3.15 million	+5%
International car insurance			
Turnover	£232 million	£206 million	+13%
Customers	673,000	592,600	+14%

Over 8,000 staff receive free shares worth a total of £3,600 each under the employee share scheme based on the full year 2015 results

Comment from Henry Engelhardt, Group Chief Executive Officer

"I would describe 2015 as: the year of the uncut diamond. When the year started many people thought it would turn out to be a lump of coal. But no, 2015 was no lumpy coal year.

"A lot of good things happened in 2015. The work we did on the UK business in terms of rate increases ahead of the market and the continued attention to operational detail amongst other things, all led to an excellent economic outcome. Following on from the success last year of our Italian business, ConTe, which made another small profit in 2015, the break-even result (underwriting year basis) in Admiral Seguros, our Spanish operation, was also a great achievement."

Dividend

The Directors have proposed a final dividend of 63.4 pence, representing a normal dividend of 33.6 pence per share and a special dividend of 29.8 pence per share. The special dividend of 29.8 pence per share includes 11.9 pence per share, reflecting the first element of a phased return of surplus capital given the Group's Solvency II capital position. The final dividend will be paid on 3 June 2016. The ex-dividend date is 12 May 2016 and the record date is 13 May 2016.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00 GMT on Thursday 3 March 2016 by dialling + 44 (0)20 3059 8125. A copy of the presentation slides will be available at www.admiralgroup.co.uk

Chairman's Statement

Succession

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

So what makes us different?

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

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

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

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

I said that Admiral's original thinking in part stems from those Henry has recruited and who share the same values. David Stevens, who takes over from Henry as Group CEO, was the second person Henry recruited to work alongside him to found Admiral. For the last seven years David has led the UK business and has been instrumental, alongside Henry, in shaping Admiral's course and the strong performance that has been achieved. When asked about succession my reply has always been that I am extremely fortunate as Chairman to have two people leading a business, both of whom could be CEO, and one of whom is four years younger than the other! Since we announced Henry's retirement last year we have been able to implement a seamless transition of leadership.

2015 in overview

In my statement last year I wrote that we recognise that in a cyclical business there are periods for growth and periods for consolidation, seeking purely to maintain one's existing market position and focus on building capability to support growth when conditions render that both profitable and sustainable. It is encouraging that in 2015 it was appropriate to grow in four of our five car insurance businesses and particularly that market conditions were right to resume modest growth in the UK.

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

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

The turn of the market, strong claims experience and our low cost culture allowed our UK car insurance business to improve profits by 11% to £443 million. This in turn supported increased investment in our young international car insurance and price comparison businesses, in particular in the US, whilst at the same time growing by 6% the level of Group pre-tax profits as a whole.

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

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

Our capital structure and dividend policy

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

We have also reviewed the split between normal and special dividends. Since we floated in 2004 we have maintained our normal dividend at 45% of each year's earnings and then distributed as a special dividend the surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers.

In practice we have every year distributed 90% or more of each year's earnings, in the light of which we believe the normal level of dividend is set too low. We are, therefore, raising this to 65% with effect from 2015 but in all other respects our dividend policy remains the same: we expect, for the foreseeable future at least, to continue to distribute, in total, the same proportion of our earnings as in the past.

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

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

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

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

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

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

Alastair Lyons
Chairman
2 March 2016

Chief Executive's Statement

I actually started doing end of year commentaries a few years before we went public such that this is my 16th statement. The first one was for the 2000 year and the highlight was the launch of our internet brand, elephant.co.uk.

At the end of 2000 we employed 1,300 people on two sites and our turnover that year was £265 million. Compare that with the end of 2015 where we employ over 8,000 people on umpteen sites and turnover was over £2 billion.

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

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

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

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

Following on from the success of ConTe, the break-even result in Admiral Seguros (AS) (actually a profit of €1.4 million), our Spanish operation, was a great achievement. The Spanish market is very different from the UK: it's short tail, small bodily injury claims, low propensity of consumer shopping, low average premiums, high acquisition costs and little or no market cyclicality ... And so over its 9 year life we've kept AS small, worked on the quality of the business and the efficiency of the operation. But we needed to prove that break-even could be achieved. Anyone who has tried to get a direct operation to break-even on just 160,000 customers, with low average premiums, will tell you that it's very challenging. A direct operation has overheads that are in place whether there are 160,000 or 1,160,000 customers. And an operation with only 160,000 customers has far less data to work with than a bigger organisation. So it is with great pride that I can tell you that Admiral Seguros made a modest profit in 2015. And it is equally with great pride that I will tell you that AS will not break-even in 2016! Now we are ready for growth, but growth in Spain is expensive. So we will return to losses in the near term. But we did not enter this market to create a very small business that breaks even; we are here for a bigger slice of the paella.

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

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

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

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

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

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

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

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

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

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

Lastly, the thing I know for sure I'll miss most - that's working with the people I work with. I am very, very lucky to work with people I enjoy working with.

No, we don't always agree on everything and there have certainly been good days and bad days, but I enjoy the challenges we work on together, the conversations, the problems, the attempts at solutions, the coffees and lunches, even the disagreements, and I enjoy seeing the spirit they bring to work every day. Especially that spirit.

The people I work with bring with them a rare desire to improve and succeed, as the economist Joseph Schumpeter put it long ago: 'there is the will to conquer, the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself.' I look forward to my calls, my meetings and my trips around Admiral Group. And that's because the people I work with care: they care about what they do, they care about the company, they care about each other and, perhaps most importantly, they care about everyone who works in Admiral Group. I hope that care lasts for a long, long time.

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

Thanks for reading.

Henry Engelhardt
Chief Executive Officer
2 March 2016

Chief Financial Officer's Review

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

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

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

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

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

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

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

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

Geraint Jones
Chief Financial Officer
2 March 2016

Group Results and Dividend

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

*1 Represents Group's share of profit before tax after excluding Minority Interests. Refer to note 12d for a reconciliation to financial statement line items.
*2 Segment and business results exclude share scheme charges which are accounted for in Other Group Items.

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

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

Further details by segment are set out below.

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

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

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

The special dividend and the additional return of capital are calculated with reference to distributable reserves after considering capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further prudent buffer.

The Directors have therefore proposed a final dividend for the financial year of 63.4 pence per share.

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

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

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

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

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

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

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

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

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

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

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

Other Group key performance indicators include:

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

Investments and cash

Investment strategy

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

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

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

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

Cash and Investments Analysis

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

	31 December 2014				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Fixed income and debt securities	822.7	–	–	199.1	1,021.8
Money market funds	808.6	96.5	–	4.1	909.2
Cash deposits	261.0	2.1	–	–	263.1
Cash	101.8	38.6	49.0	66.5	255.9
Total	**1,994.1**	**137.2**	**49.0**	**269.7**	**2,450.0**

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

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

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

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

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

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

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

Capital Structure and Financial Position

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

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

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

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

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

Group	**£bn**
Eligible Own Funds (pre 2015 final dividend)	1.03
2015 final dividend	(0.17)
Eligible Own Funds (post 2015 final dividend)	0.86
Solvency II capital requirement	(0.42)
Surplus over regulatory capital requirement	**0.44**
Solvency ratio (post dividend)	**206%**

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

Taxation

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

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

UK Insurance

UK Insurance Review – David Stevens, Chief Operating Officer

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

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

For a while, after our flotation, we were without comparison. Or perhaps, more accurately, 'without comparables'. We were, for a number of years, the only quoted direct personal lines insurer. Analysts and commentators could only half-heartedly benchmark us against a couple of battle-scarred, multi-national, multi-line composites and a mixed selection of Lloyd's managing agencies. Roll on ten years and the stock market is awash with companies that are primarily direct personal lines insurance companies: ourselves; Direct Line; Esure; most recently Hastings; and, notwithstanding its initial reluctance to acknowledge its insurance-ness, Saga.

Ten years ago quoted focused personal lines players (ourselves and a couple of Lloyd's motor operations) accounted for 5% of the UK motor market. The other 95% was buried within massive global insurers and banks for whom the UK car insurance result was not that big a deal. Now 40% of the UK car insurance market is in the hands of the quoted personal line players.

Good news for Admiral?

Or bad?

Well, both to be honest.

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

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

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

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

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

What about on claims ratios?

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

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

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

But I have been proved wrong before.

David Stevens
Chief Operating Officer
2 March 2016

UK Car Insurance Financial Review

Non-GAAP[*1] format income statement

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

*1 GAAP = Generally Accepted Accounting Practice.
*2 Turnover (a non-GAAP measure) comprises total premiums written and Other Revenue. Refer to note 12a for a reconciliation to financial statement line items.
*3 Total premiums written (non-GAAP) includes premium underwritten by co-insurers.
*4 UK Car Insurance profit before tax includes Minority Interests. The Minority Interests' share of profit before tax is insignificant.

Split of underwriting profit

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

Key performance indicators

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

*1 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 12b.
*2 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 12c.
*3 Reported total combined ratio includes additional products underwritten by Admiral.
*4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.
*5 Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting and not profit commission.

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

The two principal advantages of the arrangements are:

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

Arrangements for 2016 to 2018
The Group has agreed terms with partners to extend its UK reinsurance arrangements until the end of 2018. Extensions have been agreed on similar contract terms and conditions to those currently in effect, with the exception that it is planned for the Group to reduce its underwriting share from 25% to 22% with effect from 2017.

The proportion underwritten by Munich Re (via Great Lakes, a UK subsidiary of Munich Re) is on a co-insurance basis, such that 40% of all motor premium and claims for the 2015 year accrues directly to Great Lakes and does not appear in the Group's income statement. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

Munich Re will underwrite 40% of the UK business until at least the end of 2018.

All other agreements are quota share reinsurance.

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

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

At 31 December 2015, all material UK quota share reinsurance contracts for underwriting years up to and including 2013 had been commuted. All reinsurance for the 2014 and 2015 years remained in effect.

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

- The risk of reduced availability of co-insurance and reinsurance arrangements.
- Credit risk of significant counterparties through default of a reinsurer.

Details of the potential impact and mitigating factors the Group has in place will be available in the Group's 2015 Annual Report.

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

UK Car Insurance Financial Performance

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

Profit

Profit from UK Car Insurance increased 11% to £443.0 million (2014: £398.0 million). Profit from underwriting and profit commission increased by 21% to £284.4 million (2014: £234.7 million), reflecting an improved combined ratio whilst investment income increased by £14.6 million to £26.1 million (2014: £11.5 million). The combined ratio improvement was largely due to higher reserve releases that resulted from positive claims development, in particular from the 2011, 2012 and 2013 years.

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

Turnover and premiums

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

Underwriting result and profit commission

The UK Car Insurance motor combined ratio improved in 2015 as shown below:

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

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

The reported motor combined ratio improved to 81.0% (2014: 83.0%) (both figures exclude the impact of reserve releases from commuted reinsurance contracts).

This reflects an improved reported loss ratio of 64.1% (2014: 68.6%), which was due to the impact of higher reserve releases (£84.6 million v £66.8 million). These higher releases were possible due to positive claims development during 2015 that resulted in improvements in the projected ultimate loss ratios, especially for the 2011 to 2013 underwriting years.

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

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

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

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

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

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

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

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

In 2015 Admiral recognised profit commission revenue of £85.2 million (2014: £71.8 million) and reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted of £88.8 million (2014: £70.6 million). Total income from both of the above therefore increased significantly to £174.0 million (2014: £142.4 million) due to improvements in prior year claims costs and the associated reductions in loss ratios of those years. Note 5c to the financial statements analyses profit commission income by underwriting year.

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

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

The most material contributors to net Other Revenue are:

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

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

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

UK Car Insurance Other Revenue – analysis of contribution:

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

*1 Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.
*2 Other revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

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

Additional products underwritten by Admiral
There are a number of products that are core to providing car insurance to customers (including personal injury insurance, breakdown cover and car hire cover).

Contribution from these products underwritten by Admiral during 2015 was £16.0 million (2014: £18.7 million) and this is included in underwriting profit in the income statement, but reallocated to Other Revenue for the purpose of management key performance indicators.

Regulatory environment

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

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

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

International Car Insurance

International Car Insurance Review

Spain – Sarah Harris – CEO, Admiral Seguros

The highlight of 2015 in Spain?

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

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

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

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

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

Italy – Milena Mondini – CEO, ConTe

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

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

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

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

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

USA – Kevin Chidwick – CEO, Elephant Auto

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

Distribution channel shift remains slow but inevitable. Market surveys suggest c25% of all premiums are written direct with new business being c40%. But it is a sticky market, with only 10% of customers switching annually, so the overall shift in distribution is modest. For Elephant this is somewhat academic as the direct market is enormous and more than enough to satisfy our needs. 40% of new business represents 8 million new business opportunities each year. That'll do. One feature of 2015 was the emergence of online price comparison - whilst still modest in the US market, it clearly made an impact and is a fast growing proportion of our quote volumes.

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

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

France – Pascal Gonzalvez – CEO, L'olivier - assurance auto

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

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

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

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

International Car Insurance Financial Performance

Non-GAAP format income statement

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

Key performance indicators

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

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

*2 Adjusted combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2015: 146%; 2014: 145%; 2013: 152%.

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

Geographical analysis

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

2014	Spain	Italy	France	US	Total
Vehicles insured at period end	164,400	285,100	34,200	108,900	592,600
Turnover (£m) *1	43.8	81.9	14.2	66.3	206.2

*1 Turnover includes total premium written and income generated by the sale of additional products and services and fees.

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

For the 2015 year Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively. The arrangements for 2016 will remain the same.

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

International Car Insurance Financial Performance
Admiral's international insurance businesses continued to grow, adding over 80,000 customers and ending 2015 14% larger than a year earlier. Turnover grew by 13% to £232.4 million (2014: £206.2 million). Turnover and vehicles in these businesses represent 11% and 15% of the Group totals respectively, with turnover up from 10% in 2014 while the customer proportion remained stable.

The adjusted combined ratio remained stable at 126% (2014: 127%). Continued improvement in ConTe's prior years claims development and higher net insurance premium revenue has been offset by continued investment in operations in France and the US, resulting in an increased loss of £22.2 million in 2015 (2014: £19.9 million). The adjusted expense ratio decreased slightly to 49% (2014: 50%). The expense ratio is high in comparison to Admiral's UK business because all of the international operations need to continue to grow to achieve economies of scale. In addition, there are market specific reasons why the expense ratios are higher, for example higher acquisition costs in the US cause a strain on the expense ratio when the business is growing.

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

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. In 2013, Admiral Seguros launched a second brand (Qualitas Auto) to complement its original Balumba brand. The business insured 160,700 customers at the end of 2015, broadly stable on a year earlier.

In 2015, Admiral Seguros focused on cost control and improvements in infrastructure and customer processes rather than growth and achieved break-even on an underwriting year basis, although reported a loss on an IFRS basis.

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

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

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £7.0 million, a reduction of 33% on 2014 (2014: £10.4 million). The adjusted combined ratio net of Other revenue improved to 103% from 105% primarily due to improved claims experience.

In the US, Admiral operates in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched at the end of 2009. At the end of 2015 Elephant Auto insured over 140,000 vehicles, up 29% year-on-year. Elephant Auto's adjusted combined ratio net of Other Revenue improved from 146% in 2014 to 134% in 2015.

Regulatory environment

Admiral's European insurance operations are generally subject to the same regulation as the UK Car Insurance business, details of which are summarised above, but also comply with local requirements as appropriate.

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission's Bureau of Insurance. The Company is required to maintain capital at levels prescribed by the regulator and holds a surplus above these requirements at all times.

Price Comparison

Price Comparison Review

UK – Martin Coriat – CEO, Confused.com

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

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

We have achieved a lot in 2015 including finalising significant projects such as the launch of the Brian toy promotion and the entire redesign of our websites and customer experience.

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

Spain – Elena Betes – CEO, Rastreator

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

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

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

France – Diane Larramendy – CEO, LeLynx

2015 was a good year for LeLynx.fr.

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

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

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

USA – Andrew Rose – CEO, compare.com

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

With 70% of consumers starting their search online, the big advertisers absorb a disproportionate amount of traffic. Countering this trend is the growing, but still small, auto insurance comparison market. compare.com, the largest auto insurance comparison site in the US, was joined this year by other players pushing similar, but different, models.

While we continue to operate in 49 of the 51 markets (apologies to Alaska and Hawaii again!), advertising efforts grew to nearly twenty states and included a very successful nationwide TV advertising test.

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

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

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

Price Comparison Financial Performance

Non-GAAP format income statement

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

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

UK Price Comparison – Confused.com

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

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

International Price Comparison
Admiral operates three price comparison businesses outside the UK: in Spain (Rastreator), France (LeLynx) and the US (compare.com).

The combined revenue from the European operations in 2015 increased to £28.6 million (2014: £25.3 million), with nearly 30% more quotes provided to customers. Both Rastreator and LeLynx have market-leading positions and strong brand recognition in their respective markets. The Group's share of the combined result for Rastreator and LeLynx was a profit of £1.8 million (2014: £2.8 million), the reduction reflecting investment in brand awareness outside of motor insurance. Admiral Group owns 75% of Rastreator, with the remaining 25% owned by Mapfre.

Following the launch in March 2013 of compare.com, a US comparison operation based in Virginia, the Group has continued to invest in the operation. Admiral Group owns 71% of compare.com, with the remaining 29% owned by White Mountains and Mapfre. During 2015 Admiral's share of compare.com's loss was £21.5 million before tax (2014: £15.0 million). Due to the ongoing investment in compare.com, the Group's share of compare.com's losses for 2016 will be in the range of $30-35 million.

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

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

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

The European operations are all structured as branches of UK companies, with the UK insurance intermediary permission passported into Europe.

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

Other Group Items

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

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

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

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

Interest and investment income
Interest and investment income in 2015 was £6.5 million (2014: £3.7 million). The increase represents a full year's interest on the gilt holdings purchased with the proceeds of the debt issue.

Share scheme charges
These costs relate to the Group's two employee share schemes, further detail on which is set out in the notes to the financial statements. The increase in the charge is due to an increase in the number of awards across the Group resulting from headcount growth and the higher share price at the end of 2015.

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

Consolidated income statement
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £m	31 December 2014 £m
Insurance premium revenue		**1,130.2**	1,099.7
Insurance premium ceded to reinsurers		**(663.2)**	(634.8)
Net insurance premium revenue	5	**467.0**	464.9
Other revenue	7	**319.8**	332.5
Profit commission	5	**85.4**	71.8
Investment and interest income	6	**32.6**	15.4
Net revenue		**904.8**	884.6
Insurance claims and claims handling expenses		**(769.1)**	(794.5)
Insurance claims and claims handling expenses recoverable from reinsurers		**542.6**	535.4
Net insurance claims		**(226.5)**	(259.1)
Operating expenses and share scheme charges	8	**(548.0)**	(501.8)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	**249.5**	231.6
Net operating expenses and share scheme charges		**(298.5)**	(270.2)
Total expenses		**(525.0)**	(529.3)
Operating profit		**379.8**	355.3
Finance costs	6	**(11.1)**	(4.6)
Profit before tax		**368.7**	350.7
Taxation expense	9	**(76.9)**	(69.1)
Profit after tax		**291.8**	281.6
Profit after tax attributable to:			
Equity holders of the parent		**300.0**	285.2
Non-controlling interests (NCI)		**(8.2)**	(3.6)
		291.8	281.6
Earnings per share			
Basic	11	**107.3p**	103.0p
Diluted	11	**107.1p**	102.8p

Dividends declared and paid (total)	11	**274.6**	273.5
Dividends declared and paid (per share)	11	**100.0p**	100.0p

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	Year ended	
	31 December 2015 £m	31 December 2014 £m
Profit for the period	**291.8**	281.6
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	**(12.6)**	10.9
Exchange differences on translation of foreign operations	**2.6**	3.0
Other comprehensive income for the period, net of income tax	**(10.0)**	13.9
Total comprehensive income for the period	**281.8**	295.5
Total comprehensive income for the period attributable to:		
Equity holders of the parent	**289.5**	298.6
Non-controlling interests	**(7.7)**	(3.1)
	281.8	295.5

Consolidated statement of financial position
As at 31 December 2015

	Note	As at 31 December 2015 £m	31 December 2014 £m
ASSETS			
Property and equipment	10	**34.9**	32.3
Intangible assets	10	**142.3**	107.2
Deferred income tax	9	**20.6**	22.9
Reinsurance assets	5	**878.7**	829.8
Insurance and other receivables	6, 10	**537.1**	435.3
Financial investments	6	**2,323.5**	2,194.1
Cash and cash equivalents	6	**265.3**	255.9
Total assets		**4,202.4**	3,877.5
EQUITY			
Share capital	11	**0.3**	0.3
Share premium account		**13.1**	13.1
Other reserves		**2.7**	13.2
Retained earnings		**599.6**	540.6
Total equity attributable to equity holders of the parent		**615.7**	567.2
Non-controlling interests		**17.2**	13.7
Total equity		**632.9**	580.9
LIABILITIES			
Insurance contracts	5	**2,295.0**	2,097.4
Subordinated and other financial liabilities	6	**223.9**	203.8
Trade and other payables	6, 10	**1,015.0**	965.8
Current tax liabilities		**35.6**	29.6
Total liabilities		**3,569.5**	3,296.6
Total equity and total liabilities		**4,202.4**	3,877.5

These financial statements were approved by the Board of Directors on 2 March 2016 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Consolidated cash flow statement
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £m	31 December 2014 £m
Profit after tax		**291.8**	281.6
Adjustments for non-cash items:			
– Depreciation		**8.2**	7.1
– Amortisation of software		**6.1**	4.6
– Other gains and losses		**0.1**	(0.2)
– Share scheme charges	8	**29.5**	23.2
– Investment income on gilts		**(7.4)**	(2.6)
– Finance costs		**11.1**	4.6
Change in gross insurance contract liabilities		**197.6**	196.1
Change in reinsurance assets		**(48.9)**	(8.6)
Change in insurance and other receivables		**(103.5)**	14.7
Change in trade and other payables, including tax and social security		**47.8**	(49.4)
Taxation expense		**76.9**	69.1
Cash flows from operating activities, before movements in investments		**509.3**	540.2
Net cash flow into investments		**(142.0)**	(286.3)
Cash flows from operating activities, net of movements in investments		**367.3**	253.9
Taxation payments		**(63.8)**	(77.0)
Net cash flow from operating activities		**303.5**	176.9
Cash flows from investing activities			
Purchases of property, equipment and software		**(50.7)**	(50.6)
Interest and investment income received		**7.4**	3.1
Net cash used in investing activities		**(43.3)**	(47.5)
Cash flows from financing activities			
Non-controlling interest capital contribution		**10.7**	8.5
Proceeds on issue of financial liabilities		**20.0**	200.0
Transaction costs on issue of financial liabilities		—	(0.8)
Finance costs paid		**(11.0)**	—
Capital element of new finance lease liabilities		**2.9**	1.4
Repayment of finance lease liabilities		**(1.4)**	—
Equity dividends paid	11	**(274.6)**	(273.5)
Net cash used in financing activities		**(253.4)**	(64.4)
Net increase in cash and cash equivalents		**6.8**	65.0
Cash and cash equivalents at 1 January		**255.9**	187.9
Effects of changes in foreign exchange rates		**2.6**	3.0
Cash and cash equivalents at end of period	6	**265.3**	255.9

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Attributable to the owners of the Company							
	Share capital £m	Share premium account £m	Fair value reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2014	0.3	13.1	—	(0.2)	502.6	**515.8**	8.3	**524.1**
Profit for the period	—	—	—	—	285.2	**285.2**	(3.6)	**281.6**
Other comprehensive income								
Movements in fair value reserve	—	—	10.9	—	—	**10.9**	—	**10.9**
Currency translation differences	—	—	—	2.5	—	**2.5**	0.5	**3.0**
Total comprehensive income for the period	—	—	10.9	2.5	285.2	**298.6**	(3.1)	**295.5**
Transactions with equity holders								
Dividends	—	—	—	—	(273.5)	**(273.5)**	—	**(273.5)**
Share scheme credit	—	—	—	—	23.2	**23.2**	—	**23.2**
Deferred tax credit on share scheme credit	—	—	—	—	3.1	**3.1**	—	**3.1**
Contributions by NCIs	—	—	—	—	—	**—**	8.5	**8.5**
Total transactions with equity holders	—	—	—	—	(247.2)	**(247.2)**	8.5	**(238.7)**
As at 31 December 2014	0.3	13.1	10.9	2.3	540.6	**567.2**	13.7	**580.9**
At 1 January 2015	0.3	13.1	10.9	2.3	540.6	**567.2**	13.7	**580.9**
Profit for the period	—	—	—	—	300.0	**300.0**	(8.2)	**291.8**
Other comprehensive income								
Movements in fair value reserve	—	—	(12.6)	—	—	**(12.6)**	—	**(12.6)**
Currency translation differences	—	—	—	2.1	—	**2.1**	0.5	**2.6**
Total comprehensive income for the period	—	—	**(12.6)**	**2.1**	**300.0**	**289.5**	**(7.7)**	**281.8**
Transactions with equity holders								
Dividends	—	—	—	—	(274.6)	**(274.6)**	—	**(274.6)**
Share scheme credit	—	—	—	—	29.5	**29.5**	—	**29.5**
Deferred tax credit on share scheme credit	—	—	—	—	4.7	**4.7**	—	**4.7**
Contributions by NCIs	—	—	—	—	(0.1)	**(0.1)**	10.7	**10.6**
Changes in ownership interests without a change in control	—	—	—	—	(0.5)	**(0.5)**	0.5	**—**
Total transactions with equity holders	—	—	—	—	**(241.0)**	**(241.0)**	**11.2**	**(229.8)**
As at 31 December 2015	**0.3**	**13.1**	**(1.7)**	**4.4**	**599.6**	**615.7**	**17.2**	**632.9**

Notes to the financial statements
For the year ended 31 December 2015

1. General information

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

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

Adoption of new and revised standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2015, including all amendments to extant standards that are not effective until later accounting periods. This is inclusive of:

- Amendments to IAS 16 and IAS 41 (Bearer Plants)
- Amendments to IFRS 11 (Acquisition of interests in joint operations)
- Amendments to IAS 16 and IAS 38 (Clarification of acceptable methods of depreciation and amortisation)
- Annual improvements to IFRSs (2012-2014 cycle)
- Amendments to IAS 1 (Disclosure initiative)
- Amendments to IAS 27 (Equity method in separate financial statements)

The application of these standards and amendments has not had a material impact on the Group's results, financial position and cash flows.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2015 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. The following IFRSs have been issued but have not been applied by the Group in these financial statements:

- IFRS 9 Financial Instruments.
- IFRS 14 Regulatory Deferral Accounts.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 16 Leases
- Amendments to IFRS 10, 11 and 12 and IAS 1, 16, 27, 28, 38 and 41.

In 2014, the IASB issued the full, final version of IFRS 9. This version supersedes all previous versions. The standard has an effective date of 1 January 2018 although earlier application is permitted. The standard includes requirements relating to the recognition, measurement, impairment, de-recognition of assets along with general hedge accounting.

IFRS 15 was also issued during 2014 and applies to annual reporting periods beginning on or after 1 January 2017. The standard introduces a simple, five step principles-based model to be applied to the accounting of all contracts with customers.

IFRS 16 Leases was issued in early 2016. The standard specifies how firms will recognise, measure, present, and disclose leases.

It presents a single lessee accounting model and requires that assets and liabilities relating to leases of greater than 12 months are recognised in the consolidated statement of financial position. The standard will apply to reporting periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of IFRS 9, IFRS 15 and IFRS 16 on its results, financial position and cash flows, along with any impacts of the other standards and amendments which have yet to be endorsed.

2. Basis of preparation

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

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

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

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

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 Group Financial Review above. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in this review. In addition, the Group's 2015 Annual Report will include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

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

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

3. Critical accounting judgements and estimates

Judgements

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

- Calculation of insurance claims reserves:

  The Group's reserving policy requires management to set insurance claims reserves for the purpose of the financial statements, within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development. Management applies judgement in determining where, within this range of potential outcomes, the insurance claims reserves should sit.

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

  A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make this judgement.

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

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

Estimation techniques used in calculation of claims provisions and profit commission

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

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

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

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

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

The Group's independent actuarial advisors project best estimate claims reserves using a variety of recognised actuarial techniques.

As noted above, the Group's reserving policy requires management to reserve within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development.

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

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

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The Consolidated financial statements comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2015 and comparative figures for the year ended 31 December 2014. The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its principal subsidiaries, except Admiral Law Limited, BDE Law Limited, Inspop USA LLC, the indirect holding in comparenow.com Insurance Agency LLC, Rastreator.com Limited, the indirect holding in Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal and Preminen Price Comparison Holdings Limited.

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

(ii) Foreign currency translation

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

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

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

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

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

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

4b. Segment reporting

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

UK Car Insurance

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

International Car Insurance

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

Price Comparison

The segment relates to the Group's price comparison websites; Confused.com in the UK, Rastreator in Spain, LeLynx in France and compare.com in the US.

Each of the Price Comparison businesses are operating in individual geographical segments but are grouped into one reporting segment as Rastreator, LeLynx and compare.com do not individually meet the threshold requirements in IFRS 8.

Other

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

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

An analysis of the Group's revenue and results for the year ended 31 December 2015, by reportable segment, are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2015					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations*2 £m	Total £m
Turnover*1	**1,708.2**	**232.4**	**108.1**	**70.1**	**(14.2)**	**2,104.6**
Net insurance premium revenue	**386.5**	**64.5**	**—**	**16.0**	**—**	**467.0**
Other Revenue and profit commission	**285.6**	**7.7**	**108.1**	**18.0**	**(14.2)**	**405.2**
Investment and interest income	**26.1**	**—**	**—**	**—**	**—**	**26.1**
Net revenue	**698.2**	**72.2**	**108.1**	**34.0**	**(14.2)**	**898.3**
Net insurance claims	**(161.3)**	**(51.6)**	**—**	**(13.6)**	**—**	**(226.5)**
Expenses	**(93.9)**	**(42.8)**	**(123.6)**	**(17.7)**	**14.2**	**(263.8)**
Segment profit/(loss) before tax	**443.0**	**(22.2)**	**(15.5)**	**2.7**	**—**	**408.0**
Other central revenue and expenses, including share scheme charges						**(34.7)**
Investment and interest income						**6.5**
Finance costs						**(11.1)**
Consolidated profit before tax						**368.7**
Taxation expense						**(76.9)**
Consolidated profit after tax						**291.8**
Other segment items:						
– Capital expenditure	**62.3**	**29.6**	**1.4**	**4.1**	**—**	**97.4**
– Depreciation and amortisation	**26.9**	**27.0**	**1.5**	**3.8**	**—**	**59.2**

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

*2 Eliminations are in respect of the intra-group trading between the Group's price comparison and UK and International car insurance entities. No elimination was made in prior periods on the grounds of materiality.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2014 are shown below.

	Year ended 31 December 2014					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Turnover[*1]	1,602.7	206.2	107.5	54.6	—	1,971.0
Net insurance premium revenue	394.3	58.1	—	12.5	—	464.9
Other Revenue and profit commission	272.2	7.1	107.5	17.5	—	404.3
Investment and interest income	11.5	0.2	—	—	—	11.7
Net revenue	678.0	65.4	107.5	30.0	—	880.9
Net insurance claims	(198.3)	(50.5)	—	(10.3)	—	(259.1)
Expenses	(81.7)	(34.8)	(110.3)	(17.6)	—	(244.4)
Segment profit/(loss) before tax	398.0	(19.9)	(2.8)	2.1	—	377.4
Other central revenue and expenses, including share scheme charges						(25.8)
Investment and interest income						3.7
Finance costs						(4.6)
Consolidated profit before tax						350.7
Taxation expense						(69.1)
Consolidated profit after tax						281.6
Other segment items:						
– Capital expenditure	65.1	21.3	1.0	1.5	—	88.9
– Depreciation and amortisation	30.6	22.1	1.5	0.2	—	54.4

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

Segment revenues

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

The total of Price Comparison revenues from transactions with other reportable segments is £14.2 million which has been eliminated on consolidation. In 2014 the total of price comparison revenues from transactions with other reportable segments was £9.5 million and was not eliminated on the grounds of materiality. In 2015, the intra-group trading amount has grown to £14.2 million. The Directors have therefore decided to amend the accounting policy such that this has been eliminated for the year ended 31 December 2015, and this policy will be adopted for future periods. There are no other transactions between reportable segments.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues as shown 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 on the previous pages.

The revenue and results of the three international Price Comparison businesses, Rastreator, LeLynx and compare.com are not yet material enough to be presented as a separate segment.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2015 are as follows:

	As at 31 December 2015					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Property and equipment	**30.6**	**3.0**	**1.3**	—	—	**34.9**
Intangible assets	**60.5**	**14.2**	**2.3**	**65.3**	—	**142.3**
Reinsurance assets	**691.9**	**159.0**	—	**27.8**	—	**878.7**
Insurance and other receivables	**551.4**	**41.5**	**19.2**	**(0.2)**	**(74.8)**	**537.1**
Financial investments	**2,042.4**	**43.2**	—	—	—	**2,085.6**
Cash and cash equivalents	**93.8**	**94.3**	**59.5**	**11.8**	—	**259.4**
Reportable segment assets	**3,470.6**	**355.2**	**82.3**	**104.7**	**(74.8)**	**3,938.0**
Insurance contract liabilities	**1,992.3**	**257.3**	—	**45.4**	—	**2,295.0**
Trade and other payables	**924.7**	**55.5**	**9.1**	**25.7**	—	**1,015.0**
Reportable segment liabilities	**2,917.0**	**312.8**	**9.1**	**71.1**	—	**3,310.0**
Reportable segment net assets	**553.6**	**42.4**	**73.2**	**33.6**	**(74.8)**	**628.0**
Unallocated assets and liabilities						**4.9**
Consolidated net assets						**632.9**

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

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

Eliminations represent inter-segment funding and balances included in insurance and other receivables.

The segment assets and liabilities at 31 December 2014 are as follows:

	As at 31 December 2014					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Total £m
Property and equipment	29.0	2.5	0.7	0.1	—	32.3
Intangible assets	89.6	12.2	2.9	2.5	—	107.2
Reinsurance assets	677.5	137.9	—	14.4	—	829.8
Insurance and other receivables	532.2	21.7	11.7	3.7	(134.0)	435.3
Financial investments	1,892.3	98.6	—	(0.1)	—	1,990.8
Cash and cash equivalents	101.8	38.6	49.0	16.4	—	205.8
Reportable segment assets	3,322.4	311.5	64.3	37.0	(134.0)	3,601.2
Insurance contract liabilities	1,839.4	228.7	—	29.3	—	2,097.4
Trade and other payables	900.7	42.4	7.4	15.3	—	965.8
Reportable segment liabilities	2,740.1	271.1	7.4	44.6	—	3,063.2
Reportable segment net assets	582.3	40.4	56.9	(7.6)	(134.0)	538.0
Unallocated assets and liabilities						42.9
Consolidated net assets						580.9

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue – premiums

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

(ii) Revenue – profit commission

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

(iii) Insurance contracts and reinsurance assets

Premiums

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

Claims

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

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

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

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

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

Co-insurance

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

Reinsurance assets

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

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

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

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

5b. Net insurance premium revenue

	31 December 2015 £m	31 December 2014 £m
Total motor insurance premiums written before co-insurance	**1,805.2**	1,675.6
Group gross premiums written after co-insurance	**1,199.9**	1,102.1
Outwards reinsurance premiums	**(709.8)**	(644.9)
Net insurance premiums written	**490.1**	457.2
Change in gross unearned premium provision	**(69.7)**	(2.4)
Change in reinsurers' share of unearned premium provision	**46.6**	10.1
Net insurance premium revenue	**467.0**	464.9

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

5c. Profit commission

	31 December 2015 £m	31 December 2014 £m
Underwriting year		
2010 and prior	**5.3**	19.1
2011	**26.1**	27.8
2012	**36.9**	24.9
2013	**16.9**	—
2014	**—**	—
2015	**0.2**	—
Total profit commission	**85.4**	71.8

5d. Reinsurance assets and insurance contract liabilities

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

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

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

Reserving risk is the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, whether reported or unreported. Other risks include inadequate pricing and reinsurance policies, and inappropriate claims management processes and controls.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Reserving Committee which comprises senior managers within the finance, claims, pricing and actuarial functions.

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

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

Reserving policies and controls

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

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

Co-insurance and reinsurance

As noted in the Strategic Report, the Group shares a significant amount of the motor insurance business generated with external underwriters. In 2015, 40% of the UK risk was shared under a co-insurance contract, under which the primary risk is borne by the co-insurer. A further 35% of the UK risk was ceded under quota share reinsurance contracts. Co-insurance and reinsurance contracts are also used in the International Car Insurance businesses. Further detail can be found in the Group Financial Review above.

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

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The introduction of the international car insurance businesses in recent years and the launch of UK household business in 2012 will further contribute to the diversification of the Group's insurance risk as these businesses grow.

(ii) Sensitivity of recognised amounts to changes in assumptions

The following table sets out the impact on equity and profit or loss at 31 December 2015 that would result from a 1% movement in the UK motor loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2012	2013	2014	**2015**
Booked loss ratio	66%	76%	89%	**87%**
Impact of 1% change (£m)	12.7	11.2	3.2	**1.6**

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

(iii) Analysis of recognised amounts

	31 December 2015 £m	31 December 2014 £m
Gross		
Claims outstanding*1	**1,725.0**	1,596.0
Unearned premium provision	**570.0**	501.4
Total gross insurance liabilities	**2,295.0**	2,097.4
Recoverable from reinsurers		
Claims outstanding	**544.8**	538.2
Unearned premium provision	**333.9**	291.6
Total reinsurers' share of insurance liabilities	**878.7**	829.8
Net		
Claims outstanding	**1,180.2**	1,057.8
Unearned premium provision	**236.1**	209.8
Total insurance liabilities – net	**1,416.3**	1,267.6

*1 Gross claims outstanding at 31 December 2015 is presented before the deduction of salvage and subrogation recoveries totalling £28.4 million.

The maturity profile of gross insurance liabilities at the end of 2015 is as follows:

	< 1 year £m	**1–3 years £m**	**> 3 years £m**
Claims outstanding	**503.5**	**492.0**	**729.5**
Unearned premium provision	**273.6**	**142.5**	**153.9**
Total gross insurance liabilities	**777.1**	**634.5**	**883.4**

The maturity profile of gross insurance liabilities at the end of 2014 was as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	542.6	547.3	506.1
Unearned premium provision	236.2	103.3	161.9
Total gross insurance liabilities	778.8	650.6	668.0

(iv) Analysis of UK car insurance claims incurred

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

	Financial year ended 31 December					
Analysis of claims incurred (gross amounts)	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**	Total £m
Underwriting year (UK car only)						
2011 and prior	(694.4)	(325.5)	85.1	79.5	**58.5**	
2012	—	(463.7)	(335.1)	50.2	**69.0**	**(679.6)**
2013	—	—	(421.2)	(321.4)	**53.3**	**(689.3)**
2014	—	—	—	(421.9)	**(334.2)**	**(756.1)**
2015	—	—	—	—	**(402.5)**	**(402.5)**
UK gross claims incurred (excluding claims handling costs)	(694.4)	(789.2)	(671.2)	(613.6)	**(555.9)**	
International and other gross claims incurred	(65.6)	(113.9)	(132.6)	(159.5)	**(190.6)**	
Claims handling costs	(25.9)	(26.0)	(22.9)	(21.4)	**(22.6)**	
Total gross claims incurred	(785.9)	(929.1)	(826.7)	(794.5)	**(769.1)**	

	Financial year ended 31 December					
Analysis of claims incurred (net amounts)	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**	Total £m
Underwriting year (UK car only)						
2011 and prior	(323.6)	(148.2)	81.4	79.5	**58.5**	
2012	—	(191.3)	(139.6)	50.2	**69.0**	**(211.7)**
2013	—	—	(175.4)	(133.9)	**38.5**	**(270.8)**
2014	—	—	—	(175.8)	**(139.3)**	**(315.1)**
2015	—	—	—	—	**(167.7)**	**(167.7)**
UK net claims incurred (excluding claims handling costs)	(323.6)	(339.5)	(233.6)	(180.0)	**(141.0)**	
International and other net claims incurred	(28.3)	(54.2)	(59.9)	(70.2)	**(76.1)**	
Claims handling costs	(11.9)	(10.8)	(9.5)	(8.9)	**(9.4)**	
Total net claims incurred	(363.8)	(404.5)	(303.0)	(259.1)	**(226.5)**	

	Financial year ended 31 December				
UK loss ratio development	2011	2012	2013	2014	**2015**
Underwriting year (UK only)					
2011	82%	76%	72%	67%	**62%**
2012	—	84%	78%	73%	**66%**
2013	—	—	85%	82%	**76%**
2014	—	—	—	92%	**89%**
2015	—	—	—	—	**87%**

(v) Analysis of claims reserve releases (UK Car Insurance business only)

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

	Financial year ended 31 December				
	2011	2012	2013	2014	**2015**
Gross	£m	£m	£m	£m	**£m**
Underwriting year					
2011 and prior	10.3	36.2	85.0	79.5	**59.3**
2012	—	—	30.8	50.2	**69.0**
2013	—	—	—	18.4	**53.4**
2014	—	—	—	—	**16.0**
Total gross release (UK Car Insurance)	10.3	36.2	115.8	148.1	**197.7**
Total gross release (International Car Insurance)	—	—	—	12.6	**14.0**
Total gross release	10.3	36.2	115.8	160.7	**211.7**

	Financial year ended 31 December				
	2011	2012	2013	2014	**2015**
Net	£m	£m	£m	£m	**£m**
Underwriting year					
2011 and prior	10.3	17.6	81.4	79.5	**59.3**
2012	—	—	12.8	50.2	**69.0**
2013	—	—	—	7.7	**38.4**
2014	—	—	—	—	**6.7**
Total net release (UK Car Insurance)	10.3	17.6	94.2	137.4	**173.4**
Total net release (International Car Insurance)	—	—	—	6.3	**6.5**
Total net release	10.3	17.6	94.2	143.7	**179.9**
Analysis of net releases on UK Car Insurance:					
– Net releases on Admiral net share	7.8	16.3	53.3	66.8	**84.6**
– Releases on commuted quota share reinsurance contracts*1	2.5	1.3	40.9	70.6	**88.8**
Total net release as above	10.3	17.6	94.2	137.4	**173.4**

*1 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. £88.8 million of releases on commuted quota share contracts is split as follows: 2013: £16.3 million; 2012: £40.3 million; 2011 and prior: £32.2 million.

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in net claims provision

	31 December 2015 £m	31 December 2014 £m
Net claims reserve at start of period	**1,057.8**	863.0
Net claims incurred (excluding releases)	**397.1**	392.9
Net reserve releases	**(179.9)**	(143.7)
Movement in net claims reserve due to commutation	**233.8**	280.7
Net claims paid *1	**(328.6)**	(335.1)
Net claims reserve at end of period*2	**1,180.2**	1,057.8

*1 Net claims paid in the year to 31 December 2015 includes salvage and subrogation recoveries of £28.4 million which have been reclassified to insurance and other receivables.

*2 The increase in net claims reserve from £1,057.8 million at 31 December 2014 to £1,180.2 million at 31 December 2015 is partly as a result of the increase in the size of gross claims reserves but largely due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2015 £m	31 December 2014 £m
Net unearned premium provision at start of period	**209.8**	217.1
Written in the period	**490.1**	457.2
Earned in the period	**(463.8)**	(464.5)
Net unearned premium provision at end of period	**236.1**	209.8

6. Investments

6a. Accounting policies

(i) Investment income and finance costs

Investment income from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as 'fair value through profit or loss', interest income and net realised gains from assets classified as 'available for sale', and interest income on holdings in term deposits and gilts.

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

(ii) Financial assets – investments and receivables

Initial recognition

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

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

The Group's investments in money market liquidity funds are designated as FVTPL at inception.

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

The Group's holdings in Fixed Income and Asset Backed Securities are classified as available for sale (AFS) investments, which is consistent with the intention for which they were purchased.

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

Transaction costs associated with the purchase of all financial assets are expensed within the income statement as incurred.

Subsequent measurement

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

AFS fixed income and asset backed securities are stated at fair value. Unrealised changes in the fair value of these assets are recognised in Other Comprehensive Income (OCI). Interest income on debt securities is recognised within profit or loss using the effective interest rate method.

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

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

Impairment of financial assets

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

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

Identified impairments of financial assets are recognised in the income statement, except in the case of assets classified as available for sale where unrealised gains have been recognised through OCI. In this instance, impairments of the asset are first set against the unrealised gain in OCI with any excess being recognised in the income statement.

De-recognition of financial assets

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

Cash and cash equivalents

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

(iii) Financial liabilities

Initial recognition

The Group's financial liabilities comprise subordinated notes and other financial liabilities initially recognised at fair value received, net of transaction costs incurred.

Subsequent measurement

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

De-recognition of financial liabilities

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

(iv) Fair value measurement of assets held at amortised cost

The fair value of gilts and subordinated notes held at amortised cost is calculated with reference to quoted market valuations. See note 6d for a comparison of fair value and carrying value at the statement of financial position date.

The Group's deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

6b. Investment and interest income

	31 December 2015 £m	31 December 2014 £m
Investment income		
Investment return on assets classified as FVTPL	**2.2**	5.4
Interest income on available for sale debt securities	**19.2**	9.4
Interest income on term deposits with credit institutions	**4.7**	5.2
Interest income on held to maturity gilt assets*1	**6.1**	2.6
	32.2	22.6
Unwind of discount on gilts	**(0.8)**	(0.4)
Notional accrual for reinsurers' share of investment return	**—**	(8.3)
	31.4	13.9
Interest receivable on cash and cash equivalents*1	**1.2**	1.5
Total investment and interest income	**32.6**	15.4

*1 Interest received during the year was £7.4 million (2014: £1.5 million)

6c. Finance costs

	31 December 2015 £m	31 December 2014 £m
Interest payable*1	**11.1**	4.6
Total finance costs	**11.1**	4.6

*1 Interest paid during the year was £11.0 million (2014: £nil)

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

6d. Financial assets and liabilities

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

	31 December 2015 £m	31 December 2014 £m
Investments held at fair value through profit or loss		
Money market funds	**627.7**	909.2
	627.7	909.2
Investments classified as available for sale		
Available for sale debt securities	**1,230.0**	822.7
	1,230.0	822.7
Investments classified as held to maturity		
Term deposits with credit institutions	**267.6**	263.1
Gilts	**198.2**	199.1
	465.8	462.2
Total financial investments	**2,323.5**	2,194.1
Insurance and other receivables		
Insurance receivables	**437.0**	353.3
Trade and other receivables	**100.1**	82.0
Cash and cash equivalents	**265.3**	255.9
Total financial assets	**3,125.9**	2,885.3
Financial liabilities		
Subordinated notes	**203.9**	203.8
Other borrowings	**20.0**	-
Trade and other payables	**1,015.0**	965.8
Total financial liabilities	**1,238.9**	1,169.6

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

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

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right. The aggregate fair value of subordinated dated notes at the balance sheet date is disclosed in the table below.

The Group holds a revolving credit facility of £100 million which expires in July 2018. As at 31 December 2015, £20 million was drawn under this agreement and is included as other borrowings in the table above.

Fair value measurement

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

The measurement of available for sale debt securities at the end of the period is also based on active quoted market values (level one).

The deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level two valuation is used. The book value of term deposits is £267.6 million (2014: £263.1 million).

The amortised cost carrying amount of receivables is a reasonable approximation of fair value. The fair values of gilts and subordinated notes (both level one valuations) together with their carrying values shown in the Consolidated Statement of Financial Position are as follows:

	31 December 2015		31 December 2014	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets				
Gilts	**198.2**	**211.7**	199.1	216.2
Financial liabilities				
Subordinated notes	**203.9**	**202.4**	203.8	211.2

The maturity profile of financial assets and liabilities at 31 December 2015 is as follows:

	On demand £m	**< 1 year £m**	**Between 1 and 2 years £m**	**> 2 years £m**
Financial investments				
Investments held at fair value	**627.7**	—	—	—
Term deposits with credit institutions	**107.6**	**40.0**	**50.0**	**70.0**
Available for sale debt securities	**437.2**	**117.1**	**201.1**	**474.6**
Gilts	—	**0.8**	—	**197.4**
Total financial investments	**1,172.5**	**157.9**	**251.1**	**742.0**
Insurance receivables	—	**437.0**	—	—
Trade and other receivables	—	**100.1**	—	—
Cash and cash equivalents	**265.3**	—	—	—
Total financial assets	**1,437.8**	**695.0**	**251.1**	**742.0**
Financial liabilities				
Subordinated notes	—	**4.7**	—	**199.2**
Other borrowings	—	**20.0**	—	—
Trade and other payables	—	**1,015.0**	—	—
Total financial liabilities	—	**1,039.7**	—	**199.2**

The maturity profile of financial assets and liabilities at 31 December 2014 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Investments held at fair value	605.4	303.8	—	—
Term deposits with credit institutions	—	48.6	104.5	110.0
Available for sale debt securities	—	161.3	183.8	477.6
Gilts	—	0.9	—	198.2
Total financial investments	605.4	514.6	288.3	785.8
Insurance receivables	—	353.3	—	—
Trade and other receivables	—	82.0	—	—
Cash and cash equivalents	255.9	—	—	—
Total financial assets	861.3	949.9	288.3	785.8
Financial liabilities				
Subordinated notes	—	4.6	—	199.2
Trade and other payables	—	965.8	—	—
Total financial liabilities	—	970.4	—	199.2

6e. Cash and cash equivalents

	31 December 2015 £m	31 December 2014 £m
Cash at bank and in hand	**265.3**	255.9
Total cash and cash equivalents	**265.3**	255.9

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

7. Other Revenue

7a. Accounting policy

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

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

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

7b. Contribution from additional products and fees and Other Revenue

	31 December 2015 £m	31 December 2014 £m
Contribution from additional products and fees	**182.4**	185.6
Price comparison revenue[*1]	**93.9**	107.5
Other revenue	**43.5**	39.4
Total Other Revenue	**319.8**	332.5

*1 Price comparison revenue excludes £14.2 million (2014: £nil) of income from other Group companies.

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

8. Expenses

8a. Accounting policies

(i) Acquisition costs and operating expenses

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

(ii) Employee benefits

Pensions

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

Employee share schemes

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

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

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

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

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

8b. Operating expenses and share scheme charges

	31 December 2015		
	Gross £m	**Recoverable from co- and reinsurers £m**	**Net £m**
Acquisition of insurance contracts[*1]	**77.5**	**(57.8)**	**19.7**
Administration and other marketing costs (insurance contracts)	**238.5**	**(175.1)**	**63.4**
Insurance contract expenses	**316.0**	**(232.9)**	**83.1**
Administration and other marketing costs (other)	**188.2**	**—**	**188.2**
Share scheme charges	**43.8**	**(16.6)**	**27.2**
Total expenses and share scheme charges	**548.0**	**(249.5)**	**298.5**

*1 Acquisition of insurance contracts expense excludes £14.2 million (2014: £nil) of aggregator fees from other Group companies.

	31 December 2014		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	91.9	(56.7)	35.2
Administration and other marketing costs (insurance contracts)	209.5	(162.0)	47.5
Insurance contract expenses	301.4	(218.7)	82.7
Administration and other marketing costs (other)	166.3	—	166.3
Share scheme charges	34.1	(12.9)	21.2
Total expenses and share scheme charges	501.8	(231.6)	270.2

The £63.4 million (2014: £47.5 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	31 December 2015 £m	31 December 2014 £m
Expenses relating to additional products and fees	**43.0**	37.9
Price comparison operating expenses	**123.6**	110.3
Other expenses	**21.6**	18.1
Total	**188.2**	166.3

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

8c. Staff costs and other expenses

	31 December 2015		31 December 2014	
	Total £m	**Net £m**	Total £m	Net £m
Salaries	**179.6**	**67.6**	155.3	57.9
Social security charges	**16.2**	**6.9**	14.6	6.1
Pension costs	**5.6**	**2.0**	5.4	1.9
Share scheme charges (see note 8f)	**43.8**	**15.2**	34.1	10.7
Total staff expenses	**245.2**	**91.7**	209.4	76.6
Depreciation charge:				
– Owned assets	**7.9**	**2.1**	6.8	2.7
– Leased assets	**0.3**	**0.1**	0.3	0.1
Amortisation charge:				
– Software	**6.1**	**3.1**	4.6	2.0
– Deferred acquisition costs	**—**	**44.9**	—	42.7
Operating lease rentals:				
– Buildings	**14.0**	**4.5**	11.2	3.7
Auditor's remuneration (including VAT):				
– Fees payable for the audit of the Company's annual accounts	**—**	**—**	—	—
– Fees payable for the audit of the Company's subsidiary accounts*1	**0.4**	**0.3**	0.3	0.2
– Fees payable for other services	**0.4**	**0.1**	0.3	0.1
Net foreign exchange (gains)/losses	**(0.8)**	**(0.8)**	(1.4)	(1.4)
Analysis of fees paid to the auditor for other services:				
– Tax compliance services	**0.1**	**—**	0.1	—
– Tax advisory services	**0.1**	**—**	0.2	0.1
– Other services	**0.2**	**0.1**	—	—
Total as above	**0.4**	**0.1**	0.3	0.1

*1 Fees payable for the audit of the Company's subsidiary accounts have increased c. £0.1m as a result of additional work relating to the new Guidewire IT system in the UK.

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

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. The ratio of non-audit fees to audit fees in 2015 was 88% (2014: 109%).

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

8d. Staff numbers (including Directors)

	Average for the year	
	2015 Number	2014 Number
Direct customer contact staff	**5,868**	5,179
Support staff	**1,989**	1,738
Total	**7,857**	6,917

8e. Directors' remuneration

(i) Directors' remuneration

	31 December 2015 £m	31 December 2014 £m
Directors' emoluments	**1.7**	2.0
Amounts receivable under long term incentive schemes	**0.3**	0.9
Company contributions to money purchase pension plans	**—**	—
Total	**2.0**	2.9

(ii) Number of Directors

	2015 Number	2014 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	**2**	2
– Defined benefit schemes	**—**	—

8f. Staff share schemes

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

	31 December 2015 £m	31 December 2014 £m
SIP charge (i)	**8.7**	8.6
DFSS charge (ii)	**18.5**	12.6
Total share scheme charges	**27.2**	21.2

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in note 8c (2015: £43.8 million; 2014: £34.1 million) and the gross credit to reserves reported in the Consolidated Statement of Changes in Equity (2015: £29.5 million; 2014: £23.2 million).

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

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

Eligible employees qualified for awards under the SIP based upon the performance of the Group in each half-year period. The current maximum award for each year is £3,600 per employee (2014: £3,000 per employee). The awards are made with reference to the Group's performance against prior year profit before tax. Employees must remain in employment for the holding period (three years from the date of award) otherwise the shares are forfeited.

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

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

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge. Staff must remain in employment until the vesting date in order to receive shares. The maximum number of shares that can vest relating to the 2015 scheme is 3,017,900 (2014 scheme: 2,684,798).

The amount of 2014 award that actually vests is based on the growth in the Company's earnings per share (EPS) relative to a risk free return (RFR), for which LIBOR has been selected as a benchmark. This performance is measured over the three year period the award applies to. For the 2014 scheme, 50% of the shares awarded at the start of the three year vesting period are subject to these performance conditions.

The range of awards is as follows:

- If the growth in EPS is less than the RFR, no awards vest.
- EPS growth is equal to RFR – 10% of maximum award vests.
- To achieve the maximum award, EPS growth has to be 36 points higher than RFR over the three year period.

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

For awards in 2015 and onwards there are now three performance conditions which the 50% not guaranteed to vest are subject to. These are three-year EPS growth vs. LIBOR, TSR vs. FTSE350 (excluding investment companies), and ROE, weighted equally.

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

Number of free share awards committed at 31 December 2015

	Awards outstanding*1	Vesting date
SIP H212 scheme	533,792	March 2016
SIP H113 scheme	603,432	September 2016
SIP H213 scheme	514,500	March 2017
SIP H114 scheme	575,016	September 2017
SIP H214 scheme	536,512	March 2018
SIP H115 scheme	636,603	August 2018
DFSS 2013 scheme 1st award	173,348	March 2016
DFSS 2013 scheme 2nd award	2,175,317	October 2016
DFSS 2014 scheme 1st award	203,292	March 2017
DFSS 2014 scheme 2nd award	2,481,506	September 2017
DFSS 2015 scheme 1st award	190,275	March 2018
DFSS 2015 scheme 2nd award	2,827,625	September 2018
Total awards committed	**11,451,218**	

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

During the year ended 31 December 2015, awards under the SIP H211 and H112 schemes and the DFSS 2012 scheme vested. The total number of awards vesting for each scheme is as follows.

Number of free share awards vesting during the year ended 31 December 2015

	Original awards	Awards vested
SIP H211 scheme	598,400	460,032
SIP H112 scheme	617,778	469,098
DFSS 2012 scheme 1st award	181,668	111,295
DFSS 2012 scheme 2nd award	1,979,752	1,486,531

9. Taxation

9a. Accounting policy

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

9b. Taxation

	31 December 2015 £m	31 December 2014 £m
Current tax		
Corporation tax on profits for the year	**70.9**	72.2
(Over) provision relating to prior periods	**(1.0)**	(0.4)
Current tax charge	**69.9**	71.8
Deferred tax		
Current period deferred taxation movement	**7.5**	(1.8)
(Over) provision relating to prior periods	**(0.5)**	(0.9)
Total tax charge per Consolidated Income Statement	**76.9**	69.1

Factors affecting the total tax charge are:

	31 December 2015 £m	31 December 2014 £m
Profit before tax	**368.7**	350.7
Corporation tax thereon at effective UK corporation tax rate of 20.25% (2014: 21.50%)	**74.7**	75.4
Expenses and provisions not deductible for tax purposes	**1.4**	1.3
Non-taxable income	**(4.8)**	(2.2)
Impact of change in UK tax rate on deferred tax balances	**0.3**	—
Adjustments relating to prior periods	**(1.5)**	(1.3)
Impact of different overseas tax rates	**(12.9)**	(11.2)
Unrecognised deferred tax	**19.7**	7.1
Other differences	**—**	—
Total tax charge for the period as above	**76.9**	69.1

9c. Deferred income tax asset

Analysis of deferred tax asset

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Other differences £m	Total £m
Balance brought forward at 1 January 2014	**(4.1)**	**(3.3)**	**(7.8)**	**(1.8)**	**(17.0)**
Tax treatment of share scheme charges through income or expense	2.4	—	—	—	2.4
Tax treatment of share scheme charges through reserves	(3.1)	—	—	—	(3.1)
Capital allowances	—	(1.3)	—	—	(1.3)
Carried forward losses	—	—	(5.6)	—	(5.6)
Other difference	—	—	—	1.7	1.7
Balance carried forward at 31 December 2014	**(4.8)**	**(4.6)**	**(13.4)**	**(0.1)**	**(22.9)**
Tax treatment of share scheme charges through income or expense	2.4	—	—	—	2.4
Tax treatment of share scheme charges through reserves	(4.7)	—	—	—	(4.7)
Capital allowances	—	1.9	—	—	1.9
Carried forward losses	—	—	3.5	—	3.5
Other difference	—	—	—	(0.8)	(0.8)
Balance carried forward at 31 December 2015	**(7.1)**	**(2.7)**	**(9.9)**	**(0.9)**	**(20.6)**

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015. The average effective rate of tax for 2015 is 20.25% (2014: 21.50%). Further reductions to the main rate of corporation tax to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly.

The deferred tax asset at 31 December 2015 has been calculated based on the rate at which each timing difference is most likely to reverse.

The deferred tax asset relating to carried forward losses of £9.9 million (2014: £13.4 million) relates to losses incurred in the Group's US price comparison business compare.com, and is calculated at the local US rate of tax (35%).

Elephant Auto (asset recognised: £nil; unprovided asset: £20.7 million) – the asset is not expected to be recovered over the next seven years. Whilst profits are expected to be available after 2022, the Group considers these longer term forecasts to be more uncertain and has therefore not recognised an asset that would only be supported by profits beyond the seven year period.

compare.com (asset recognised: £9.9 million; unprovided asset: £10.6 million) – the asset is expected to be fully recovered over the next five years. The recognised asset has been limited to the amount supported by forecast cash flows over the next five years. The forecasts and underlying assumptions have been reviewed and approved by the Board. In addition, the forecasts have been stressed for both revenue and profit reductions and the asset remains recoverable under the stressed scenarios. The Group considers full recovery of this asset to be probable.

At 31 December 2015 the Group had unused tax losses amounting to £89.6 million (2014: £33 million) relating to these businesses, for which no deferred tax asset has been recognised.

10. Other assets and other liabilities

10a. Accounting policy

(i) Property and equipment, and depreciation

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

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

(ii) Impairment of property and equipment

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

(iii) Leased assets

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

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

(iv) Intangible assets

Goodwill

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

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

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

The goodwill held on the balance sheet at 31 December 2015 is allocated solely to the UK Car Insurance segment.

Impairment of goodwill

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

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

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cash flow projections in the value in use calculations is 5.9% (2014: 6.8%), based on the Group's weighted average cost of capital, which is in line with the market (source: Bloomberg).

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

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

Deferred acquisition costs

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

Software

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

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

(iv) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

10b. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2014	8.5	32.8	13.0	5.3	59.6
Additions	16.9	6.8	1.0	2.5	27.2
Disposals	(0.5)	(0.1)	—	—	(0.6)
At 31 December 2014	24.9	39.5	14.0	7.8	86.2
Depreciation					
At 1 January 2014	6.3	26.1	10.4	4.4	47.2
Charge for the year	1.7	3.6	1.2	0.6	7.1
Disposals	(0.4)	—	—	—	(0.4)
At 31 December 2014	7.6	29.7	11.6	5.0	53.9
Net book amount					
At 1 January 2014	2.2	6.7	2.6	0.9	12.4
Net book amount					
At 31 December 2014	17.3	9.8	2.4	2.8	32.3
Cost					
At 1 January 2015	24.9	39.5	14.0	7.8	86.2
Additions	0.8	8.8	1.2	0.4	11.2
Disposals	—	(0.5)	—	—	(0.5)
At 31 December 2015	25.7	47.8	15.2	8.2	96.9
Depreciation					
At 1 January 2015	7.6	29.7	11.6	5.0	53.9
Charge for the year	2.4	3.8	1.0	1.0	8.2
Disposals	—	(0.1)	—	—	(0.1)
At 31 December 2015	10.0	33.4	12.6	6.0	62.0
Net book amount					
At 31 December 2015	**15.7**	**14.4**	**2.6**	**2.2**	**34.9**

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

	31 December 2015 £m	31 December 2014 £m
Computer equipment	**3.6**	2.5

10c. Intangible Assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
At 1 January 2014	62.3	19.2	11.3	92.8
Additions	—	38.3	23.4	61.7
Amortisation charge	—	(42.7)	(4.6)	(47.3)
Disposals	—	—	—	—
At 31 December 2014	62.3	14.8	30.1	107.2
Additions	—	46.7	39.5	86.2
Amortisation charge	—	(44.9)	(6.1)	(51.0)
Disposals	—	—	(0.1)	(0.1)
At 31 December 2015	**62.3**	**16.6**	**63.4**	**142.3**

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

10d. Insurance and other receivables

	31 December 2015 £m	31 December 2014 £m
Insurance receivables[*1]	**437.0**	353.3
Trade receivables	**92.1**	78.4
Prepayments and accrued income	**8.0**	3.6
Total insurance and other receivables	**537.1**	435.3

*1 Insurance receivables at 31 December 2015 includes £28.4 million in respect of salvage and subrogation recoveries.

10e. Trade and other payables

	31 December 2015 £m	31 December 2014 £m
Trade payables	**35.1**	24.6
Amounts owed to co-insurers and reinsurers	**764.7**	756.5
Finance leases due within 12 months	**2.8**	1.4
Other taxation and social security liabilities	**28.3**	20.9
Other payables	**88.5**	82.2
Accruals and deferred income (see below)	**95.6**	80.2
Total trade and other payables	**1,015.0**	965.8

Of amounts owed to co-insurers and reinsurers, £554.3 million (2014: £585.7 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2015 £m	31 December 2014 £m
Premium receivable in advance of policy inception	**53.1**	50.9
Accrued expenses	**24.4**	11.1
Deferred income	**18.1**	18.2
Total accruals and deferred income as above	**95.6**	80.2

10f. Obligations under finance leases

Analysis of finance lease liabilities:

	At 31 December 2015			At 31 December 2014		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**2.8**	—	**2.8**	1.4	—	1.4
Between one and five years	—	—	—	—	—	—
More than five years	—	—	—	—	—	—
	2.8	—	**2.8**	1.4	—	1.4

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

10g. Financial commitments

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

	31 December 2015 £m	31 December 2014 £m
Minimum payments due on operating leases		
Within one year	**10.4**	8.5
Within two to five years	**37.0**	36.9
Over five years	**125.1**	115.5
Total commitments	**172.5**	160.9

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

11. Share capital

11a. Accounting policies

(i) Share capital

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

(ii) Dividends

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

11b. Dividends

Dividends were declared and paid as follows:

	31 December 2015 £m	31 December 2014 £m
March 2014 (50.6 pence per share, paid May 2014)	—	138.3
August 2014 (49.4 pence per share, paid October 2014)	—	135.2
March 2015 (49.0 pence per share, paid May 2015)	**134.4**	—
August 2015 (51.0 pence per share, paid October 2015)	**140.2**	—
Total dividends	**274.6**	273.5

The dividends declared in March represent the final dividends paid in respect of the 2013 and 2014 financial years. The dividends declared in August are interim distributions in respect of 2014 and 2015.

A final dividend of 63.4 pence per share (£175 million) has been proposed in respect of the 2015 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

11c. Earnings per share

	31 December 2015 £m	31 December 2014 £m
Profit for the financial year after taxation attributable to equity shareholders	**300.0**	285.2
Weighted average number of shares – basic	**279,627,738**	276,885,828
Unadjusted earnings per share – basic	**107.3p**	103.0p
Weighted average number of shares – diluted	**280,018,741**	277,334,765
Unadjusted earnings per share – diluted	**107.1p**	102.8p

The difference between the basic and diluted number of shares at the end of 2015 (being 391,003; 2014: 448,937) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 8 for further detail.

11d. Share capital

	31 December 2015 £m	31 December 2014 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5
Issued, called up and fully paid		
281,587,953 ordinary shares of 0.1 pence	**0.3**	—
278,689,742 ordinary shares of 0.1 pence	—	0.3
	0.3	0.3

During 2015 2,898,211 (2014: 2,548,310) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

948,211 (2014: 748,310) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at 31 December 2015 of 8,180,605 (31 December 2014: 7,232,394). These shares are entitled to receive dividends.

1,950,000 (2014: 1,800,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at 31 December 2015 of 14,811,948 (31 December 2014: 12,861,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

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

11e. Objectives, policies and procedures for managing capital

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

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

The Group's regulatory capital requirements are discussed in the Group Financial Review earlier in this report.

11f. Group subsidiary companies

The Parent Company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Class of shares held	% Ownership	Principal activity
Able Insurance Services Limited	England and Wales	Ordinary	100	Insurance Intermediary
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	100	Insurance Company
Admiral Insurance Company Limited	England and Wales	Ordinary	100	Insurance Company
Admiral Law Limited	England and Wales	Ordinary	90	Legal Company
Admiral Life Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Limited	England and Wales	Ordinary	100	Non Trading
Admiral Syndicate Management Limited	England and Wales	Ordinary	100	Dormant
BDE Law Limited	England and Wales	Ordinary	90	Legal Company
Bell Direct Limited	England and Wales	Ordinary	100	Dormant
comparenow.com Insurance Agency LLC	United States of America	Ordinary	71.10 (indirect)	Insurance Intermediary
Comparaseguros Correduría de Seguros, S.L., Sociedad Unipersonal	Spain	Ordinary	75 (indirect)	Insurance Intermediary
Confused.com Limited	England and Wales	Ordinary	100	Dormant
Diamond Motor Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Company	United States of America	Ordinary	100	Insurance Company
Elephant Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Services LLC	United States of America	Ordinary	100	Insurance Intermediary
EUI (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
EUI Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop Technologies Private Limited	India	Ordinary	100	Internet technology supplier
Inspop USA LLC	United States of America	Ordinary	71.10	Insurance Intermediary
Inspop.com (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop.com Limited	England and Wales	Ordinary	100	Insurance Intermediary
Preminen Price Comparison Holdings Limited	England and Wales	Ordinary	50	Insurance Intermediary
Rastreator.com Limited	England and Wales	Ordinary	75	Insurance Intermediary

For further information on how the Group conducts its business across the UK, Europe and the US, refer to the Group Financial Review earlier in this report.

11g. Related party transactions

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

The Board considers that only the Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive Directors will be disclosed in the Directors' Remuneration Report in the Group's 2015 Annual Report.

12. Reconciliations

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

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

	31 December 2015 £m	31 December 2014 £m
Total premiums written before co-insurance arrangements per note 5b of financial statements	**1,805.2**	1,675.6
Other Revenue per note 7b of financial statements	**319.8**	332.5
	2,125.0	2,008.1
UK vehicle commission*1	**(31.8)**	(50.8)
Other*2	**11.4**	13.7
Turnover as per note 4b of financial statements	**2,104.6**	1,971.0
Intra-group income elimination*3	**14.2**	—
Total turnover	**2,118.8**	1,971.0

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

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

*3 Intra-group income elimination relates to price comparison income earned in the Group from other Group companies. This income was not eliminated in 2014 on the grounds of materiality.

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

	31 December 2015		31 December 2014	
	UK Car £m	**Group £m**	UK Car £m	Group £m
Net insurance claims	**150.5**	**226.5**	188.9	259.1
Net claims handling expenses	**(9.4)**	**(9.4)**	(8.9)	(8.9)
Reinsurer cap impact	—	**(2.9)**	—	(5.8)
Reserve releases on commuted reinsurance	**88.8**	**88.8**	70.6	70.6
Other adjustment*1	—	**(0.6)**	—	—
Adjusted net claims	**229.9**	**302.4**	250.6	315.0
Net insurance premium revenue	**358.6**	**467.0**	365.1	464.9
Other adjustment*1	—	**(2.2)**	—	—
Adjusted net insurance premium revenue	**358.6**	**464.8**	365.1	464.9
Reported loss ratio	**64.1%**	**65.1%**	68.6%	67.8%

*1 Other adjustments relate to additional products underwritten in the Group's international car insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculation of loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

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

	31 December 2015		31 December 2014	
	UK Car £m	**Group £m**	UK Car £m	Group £m
Net insurance expenses	**41.5**	**83.1**	43.5	82.7
Net claims handling expenses	**9.4**	**9.4**	8.9	8.9
Reinsurer cap impact	**—**	**(9.8)**	—	(4.7)
Intra-group expenses elimination*1	**9.5**	**14.2**	—	—
Other adjustment*2	**—**	**(1.6)**	—	—
Adjusted net expenses	**60.4**	**95.3**	52.4	86.9
Net insurance premium revenue	**358.6**	**467.0**	365.1	464.9
Other adjustment*1	**—**	**(2.2)**	—	—
Adjusted net insurance premium revenue	**358.6**	**464.8**	365.1	464.9
Reported expense ratio	**16.9%**	**20.5%**	14.4%	18.7%

*1 The intra-group expenses elimination amount relates to aggregator fees charged by the Group's price comparison entities to other Group companies. These expenses were not eliminated in 2014 on the grounds of materiality.

*2 Other adjustments relate to additional products underwritten in the Group's international car insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculation of loss and expense ratios. No equivalent adjustments have been made to prior period ratios as the equivalent adjustments are insignificant.

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

	31 December 2015 £m	31 December 2014 £m
Reported profit before tax per the consolidated income statement	**368.7**	350.7
Minority interest share of profit before tax	**8.1**	5.8
Adjusted profit before tax	**376.8**	356.5

13. Statutory Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2015 or 2014. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Total premiums	**1,805.2**	1,675.6	1,737.6	1,897.2	1,841.3
Net insurance premium revenue	**467.0**	464.9	483.0	498.9	445.8
Other Revenue	**319.8**	332.5	327.8	361.1	349.0
Profit commission	**85.4**	71.8	99.3	108.4	61.8
Investment and interest income	**32.6**	15.4	14.3	15.9	13.7
Net revenue	**904.8**	884.6	924.4	984.3	870.3
Net insurance claims	**(226.5)**	(259.1)	(303.0)	(404.5)	(363.8)
Net expenses	**(298.5)**	(270.2)	(251.2)	(235.2)	(207.4)
Operating profit	**379.8**	355.3	370.2	344.6	299.1
Finance costs	(11.1)	(4.6)	—	—	—
Profit before tax	**368.7**	350.7	370.2	344.6	299.1

Balance sheet

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Property and equipment	**34.9**	32.3	12.4	16.5	17.6
Intangible assets	**142.3**	107.2	92.8	92.5	87.5
Deferred income tax	**20.6**	22.9	17.0	15.2	10.3
Reinsurance assets	**878.7**	829.8	821.2	803.0	639.8
Insurance and other receivables	**537.1**	435.3	445.6	458.8	476.0
Financial investments	**2,323.5**	2,194.1	1,896.9	1,601.6	1,159.1
Cash and cash equivalents	**265.3**	255.9	187.9	216.6	224.6
Total assets	**4,202.4**	3,877.5	3,473.8	3,204.2	2,614.9
Equity	**632.9**	580.9	524.1	460.7	394.4
Insurance contracts	**2,295.0**	2,097.4	1,901.3	1,696.9	1,333.7
Subordinated and other financial liabilities	**223.9**	203.8	—	—	—
Trade and other payables	**1,015.0**	965.8	1,013.7	1,006.5	856.6
Current tax liabilities	**35.6**	29.6	34.7	40.1	30.2
Total liabilities	**4,202.4**	3,877.5	3,473.8	3,204.2	2,614.9