ADMIRAL GROUP PLC

2006 INTERIM FINANCIAL STATEMENTS

Admiral Group plc Results for the 6 months ended 30 June 2006

5 September 2006

Admiral Group plc ("Admiral" or "the Group") today announces its results for the six months ended 30 June 2006.

H1 2006 Highlights

- Profit before tax up 24% at £68.7 million (H1 2005: £55.6 million)
- Group turnover up 12% at £359.2 million (H1 2005: £319.3 million)
- Total motor premiums written up 10% at £294.0 million (H1 2005: £268.5 million)
- Net income from products and services not underwritten by the Group up 30% at £45.6 million (H1 2005: £35.2 million)
- Combined ratio 87.0% (H1 2005: 86.5%)
- Active customers at period-end up 10% to 1,161,000 from 1,057,000 at 30 June 2005
- Confused.com made a profit of £8.7 million (H1 2005: £2.3 million)
- Interim dividend of 12.1p per share, payable 18 October 2006 – includes special element of 3.7p per share

Copies of this statement will be sent to all shareholders and will be available from the registered office.

Comment from Alastair Lyons, Chairman

Our business has continued strongly profitable and cash generative over the last six months, with profit before tax up 24%. We are, therefore, very pleased to be able to declare dividends that are 25% higher than at the same point last year.

As we have previously indicated, we have reviewed our future cash needs against funds accumulated in the business as at the half year. Accordingly we propose a further special dividend of 3.7p per share in addition to an 8.4p per share normal dividend based on 45% of after-tax profits.

Our policy remains only to retain within the business what funds we need to provide a prudent contingency and support our plans for growth.

Since going public in September 2004 Admiral has declared dividends on four occasions amounting in total to £119m or 46.0p per share. £67m of normal dividends have been supplemented by £52m of special dividends, these specials accounting for 44% of the total amount declared.

Comment from Henry Engelhardt, Chief Executive

We're very pleased with our results for the first half of 2006. We met the needs of our customers, made money and had fun doing it. In fact, we set a record for half-year profitability at £68.7m. Despite high levels of competition in the UK motor insurance market our business continues to grow and grow profitably. Confused.com, our leading car insurance aggregator, saw significant growth in both number of quotes and contribution.

Our level of claims releases grew to £9.8m. We are on track to release an amount at least equal to the amount we released last year, however this year we believe that the releases will not be weighted towards the second half of the year.

Going forward, we plan to maintain our combined ratio advantage over the market while the number of customers we service continues to grow. As part of our longer-term strategy we will launch our Spanish operation later this year or early next year and have already begun looking beyond Spain at other opportunities.

Financial review

Key financial highlights

Group profit before tax rose 24% in the first half of 2006 compared to the same period in 2005, reaching £68.7m.

Profit can be split into the three key elements of the Group's business: 1) underwriting, 2) profit commissions and 3) net other income (most notably ancillary income).

	6 months ended:		Year ended:
	June 2006 £000	June 2005 £000	December 2005 £000
Underwriting profit	13,474	14,730	32,361
Profit commissions	9,639	5,666	14,735
Net other income	45,593	35,191	72,398
Profit before tax	68,706	55,587	119,494

The Group's low risk business model enables it to grow profit significantly in an environment of worsening loss ratios (both for the Group and the market as a whole) and in a period of low investment returns. The key features of this model are:

- Limited risk retention (25% of the book, through co-insurance and reinsurance arrangements);
- Generation of substantial non-underwriting income from the whole customer base (ownership of which is retained) – the proportion of the Group's profits earned from non-underwriting was 80% in the six months to June 2006 compared to 74% in the first half of 2005 (and 73% in 2005 as a whole)

- Strong and growing contribution from other broking activities, primarily Confused.com

Group turnover (comprising total premiums written before co-insurance, gross other income and net investment return), which is a measure of the combined size of the Group's businesses, also showed good growth (+ 12%):

	6 months ended: June 2006 £000	6 months ended: June 2005 £000	Year ended: December 2005 £000
Total premiums written	293,998	268,462	533,616
Gross other income	61,470	44,769	93,405
Net investment return	3,736	6,087	11,342
Group turnover	359,204	319,318	638,363

The increase reflected growth in premiums written and a significant increase in revenue generated from non-underwriting sources (primarily ancillary products, Confused.com and Gladiator Commercial).

The key elements of the Group's profits are further analysed below.

Underwriting

Underwriting structure

The Group's underwriting structure is as follows:

65% of the business written continues to be underwritten by Great Lakes (a UK subsidiary of Munich Re) under a long-term co-insurance contract.

35% of the business is underwritten by the Group through Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). 10% (of the total business) is ceded via quota share contracts that qualify for deductions in required solvency capital (5% to Axis Re Europe and 5% to Swiss Reinsurance Company UK Limited). This means the Group retains 25% of the underwriting on a net basis.

As well as proportional reinsurance, the Group has also arranged an excess of loss reinsurance programme with a number of reinsurers to protect itself against very large claims.

For the 2000 to 2002 underwriting years, the Group's retained share of the motor business was underwritten through the Group's Syndicate (Syndicate 2004) at Lloyd's of London. During July 2006, the Group achieved the release of a significant proportion of the profits earned by the Group's Syndicate – amounting to around £24m, net of amounts retained to meet corporation tax liabilities.

Underwriting result

Total premiums written increased by 10% to £294m from £268m. With premium rates largely flat, the growth came from a 10% rise in the number of active customers.

The underwriting result fell to £13.5m from £14.7m in the first half of 2005. Investment income fell to £3.7m from £6.1m due to adverse conditions in UK bond markets, whilst the reported combined ratio was consistent at around 87% for both half years.

The pure year loss ratio has moved to 85% from 80% in the first half of 2005 reflecting the ongoing impact of claims inflation compared to flat premium rates. However, as shown in note 16 to the interim financial statements, back years continue to release reserves. The six month results include £9.8m of net releases (compared to £5.2m in H1 2005). The impact of this is equivalent to a 13 percentage points reduction in the reported loss ratio (8 points in H1 2005) which was 72.3% (H1 2005: 71.6%).

The expense ratio has maintained its previous low level. The reported ratio for the first half is 14.7%, down from 14.9% in the first half of 2005 and 15.1% for 2005 as a whole. Excluding regulatory levies, the ratio is consistent between half years at around 12%.

The expense ratio is reconciled to the figures included in the income statement in note 6 to the interim financial statements, whilst the underwriting result is reconciled later in this review.

Combined ratio development

The Group's reported combined ratio (being the aggregation of the loss and expense ratios above) is 87.0%, up from 86.5% in H1 2005 (84.9% for 2005 as a whole). This continues to compare very favourably to estimated market levels.

Profit commission

The Group earns profit commission through its co-insurance and reinsurance arrangements. The amount receivable is dependent on the volume and profitability of the insurance business, measured by reference to loss and expense ratios.

Profit commission – co-insurance

The principal source of profit commission is the long-term co-insurance contract with Great Lakes. £6.2m was recognised in the first half of 2006, up from the £5.0m recognised in the same period last year.

A further £2.0m of profit commission (H1 05: £0.1m) relating to earlier underwriting year (2000 – 2002) contracts with Hibernian Re (100% reinsured into Swiss Re) has also been recognised in these results. No further material amounts are anticipated relating to these contracts due to the relative maturity of the underwriting results of these years.

Profit commission – quota share reinsurance

£1.4m of commission has been recognised in respect of quota share arrangements – up from £0.6m in the first half of 2005.

Net other income

	6 months ended: June 2006 £000	June 2005 £000	Year ended: December 2005 £000
Ancillary contribution	32,929	29,630	59,092
Confused.com contribution	8,747	2,314	6,882
Aggregate interest receipts	2,066	2,268	4,176
Instalment income	2,459	1,657	3,768
Gladiator contribution	979	900	1,871
Other expenses and share scheme costs	(1,587)	(1,578)	(3,391)
Net other income	45,593	35,191	72,398

Confused.com earns a proportion of its revenue from Group brands from commission charged at normal commercial rates. Previously an adjustment was made for these intra-group sales. The impact of this adjustment on the 2005 H1 figures was to decrease Confused contribution by £0.6m (2005 full year: £1.9m)

Ancillary contribution & instalment income

This primarily involves income earned on sales of insurance products complementing the motor policy, but which are underwritten by external parties. Net contribution from these sales grew by 11% in H1 2006 – largely in line with the growth in premium and policies sold.

Average gross ancillary income per motor policy was consistent across all periods at £56.

Instalment income represents charges for payment by instalments on motor policies sold which are paid for over the course of the policy life by direct debit.

Confused.com

Confused.com has continued to grow and has recorded a contribution of £8.7m in the first half of the year. Motor quotes rose to 3.8m from 1.7m in H1 2005 (+ 124%).

The range of products on which Confused offers prices has increased so that the site now includes home insurance, travel insurance and a range of other financial products in addition to the core motor offering. Confused has also increased its coverage of the motor market.

Overseas expansion

As reported with the announcement of the 2005 results, the Group plans to launch a direct motor insurance operation in Spain and work has been continuing to this end during 2006. Good progress has been made in all the critical areas and the operation now has all key senior managers in place at a permanent location in Seville. Work is also well progressed on IT systems, and the business plans to launch late this year or early in 2007.

A long-term quota share reinsurance contract has been signed with Munich Re (Germany) under which 65% of the Spanish motor insurance business will be ceded. The contract is effective from when the business commences trading.

Earnings per share (EPS)

Basic EPS has increased by 22% to 18.5p from 15.2p (2005 full year 32.7p). This is broadly in line with the increase in pre-tax profit (24%) noted above (the difference relates to a lower effective rate of corporation tax in H1 2005 resulting from utilisation of losses).

Financial investments, cash and investment return

At the end of the period, the Group held a total of £408.4m in cash and financial investments – up 11% on the £366.7m held at the end of June 2005. This increase is after distributions to shareholders of £38.7m during the first half of 2006 (£24.0m in 2005).

The total balance is made up as follows:

	6 months ended:		Year ended:
	June 2006 £000	June 2005 £000	December 2005 £000
Liquid funds in underwriting companies:			
Government and sovereign bond holdings	114,059	68,188	83,071
Corporate bonds and similar instruments	164,922	179,330	172,866
Deposits with credit institutions	17,243	21,799	40,646
Cash at bank	73,606	46,711	39,824
	369,830	316,028	336,407
Liquid funds held outside underwriting companies:			
Cash at bank	38,600	50,666	69,682
	408,430	366,694	406,089

Net investment return fell sharply in relative and actual terms during the first half of 2006 compared to the same period last year. The fall was due to marked increases in gilt and bond yields resulting from changes in the market's view of future interest rates and the negative impact such increases have on capital values of fixed income securities.

Dividends

There has been no change in dividend policy, which is based on the principle of returning excess cash to shareholders. The Directors expect to make a normal distribution of at least 45% of post-tax profits each half-year, and will regularly review the Group's available cash to determine whether it is appropriate for the Company to pay a further special dividend.

In line with this policy, the Directors have declared an interim dividend for 2006 of 12.1p per share, which is made up of 8.4p per share normal element, plus 3.7p per share special distribution based on the Group's resources at the end of the period. The ex-dividend date is 20 September 2006, the record date 22 September 2006, with payment following on 18 October 2006.

The interim dividend declared in respect of 2005 was 9.7p, split 6.8p normal, 2.9p special. (Final dividend for 2005: 14.9p – normal 7.8p, special 7.1p)

Reconciliation of underwriting profit

	6 months ended:		Year ended:
	June 2006 £000	June 2005 £000	December 2005 £000
Net insurance premium revenue	74,863	63,833	139,454
Net insurance claims	(55,600)	(47,294)	(100,526)
Net expenses related to insurance contracts	(9,525)	(7,896)	(17,909)
Investment return	3,736	6,087	11,342
Underwriting profit	13,474	14,730	32,361

Reconciliation of loss ratios reported

	6 months ended:		Year ended:
	June 2006 £000	June 2005 £000	December 2005 £000
Net insurance claims from income statement	55,600	47,294	100,526
Deduct: claims handling costs	(1,470)	(1,611)	(3,202)
Adjusted net insurance claims	54,130	45,683	97,324
Net premium revenue	74,863	63,833	139,454
Loss ratio	72.3%	71.6%	69.8%

Consolidated income statement

	Note	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Insurance premium revenue	2	92,614	84,865	176,214
Insurance premium ceded to reinsurers	2	(17,751)	(21,032)	(36,760)
Net insurance premium revenue		**74,863**	**63,833**	**139,454**
Other revenue	3	61,470	44,769	93,405
Profit commission	4	9,639	5,666	14,735
Investment and interest income	5	5,802	8,355	15,518
Net revenue		**151,774**	**122,623**	**263,112**
Insurance claims and claims handling expenses		(70,029)	(61,334)	(121,123)
Insurance claims and claims handling expenses recovered from reinsurers		14,429	14,040	20,597
Net insurance claims		**(55,600)**	**(47,294)**	**(100,526)**
Expenses	6	(26,405)	(18,457)	(40,492)
Share scheme charges	22	(420)	(125)	(438)
Total expenses		**(82,425)**	**(65,876)**	**(141,456)**
Operating profit		**69,349**	**56,747**	**121,656**
Finance charges	9	(643)	(1,160)	(2,162)
Profit before tax		**68,706**	**55,587**	**119,494**
Taxation expense	10	(20,613)	(16,316)	(34,774)
Profit after tax attributable to equity holders of the Company		**48,093**	**39,271**	**84,720**
Earnings per share:				
Basic	11	18.5p	15.2p	32.7p
Diluted	11	18.4p	15.1p	32.7p
Dividends paid (total)	12	38,666	24,049	49,190
Dividends paid (per share)	12	14.9p	9.3p	19.0p

Consolidated balance sheet

		As at:		
		30 June 2006	30 June 2005	31 December 2005
	Note	£000	£000	£000
ASSETS				
Intangible assets	13	66,192	66,754	66,490
Property, plant and equipment	14	6,741	2,986	4,636
Financial assets	15	415,354	366,875	378,747
Reinsurance assets	16	68,660	60,699	54,166
Trade and other receivables	17	11,749	29,604	9,392
Cash and cash equivalents	18	129,449	119,176	150,152
Total assets		**698,145**	**646,094**	**663,583**
EQUITY				
Share capital	22	261	259	260
Share premium account	23	13,145	13,145	13,145
Retained earnings	23	178,617	146,792	167,990
Other reserves	23	17	17	17
Total equity		**192,040**	**160,213**	**181,412**
LIABILITIES				
Insurance contracts	16	281,688	241,628	254,130
Financial liabilities	19	-	29,471	22,000
Deferred income tax	20	904	6,377	3,550
Current tax liabilities		23,263	18,339	19,556
Trade and other payables	21	200,250	190,066	182,935
Total liabilities		**506,105**	**485,881**	**482,171**
Total equity and total liabilities		**698,145**	**646,094**	**663,583**

Consolidated statement of recognised income and expense

No separate consolidated statement of recognised income and expense has been prepared. The profit for the period of £48.1m (2005: H1 £39.3m; full year: £84.7m) represents all recognised income and expenses for all periods.

Consolidated cash flow statement

	Note	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Profit after tax		**48,093**	**39,271**	**84,720**
Adjustments for non-cash items:				
- Depreciation		1,092	867	1,824
- Amortisation of software		234	476	896
- Unrealised losses / (gains) on investments		893	(2,476)	893
- Share scheme charge		1,200	357	1,247
Loss on disposal of property, plant and equipment and software		-	504	503
Change in gross insurance contract liabilities		27,558	25,521	38,023
Change in reinsurance assets		(14,494)	5,438	11,971
Change in trade and other receivables, including from policyholders		(15,760)	(35,364)	(18,693)
Change in trade and other payables, including tax and social security		17,918	25,834	18,041
Interest expense		643	1,160	2,162
Taxation expense		20,613	16,316	34,774
Cash flows from operating activities, before movements in investments		**87,990**	**77,904**	**176,361**
Net cash flow into investments held at fair value		(23,937)	(41,624)	(53,413)
Cash flows from operating activities, net of movements in investments		64,053	36,280	122,948
Interest payments		(643)	(1,144)	(2,617)
Taxation payments		(19,551)	(6,023)	(26,090)
Net cash flow from operating activities		**43,859**	**29,113**	**94,241**
Cash flows from investing activities:				
Purchases of property, plant and equipment and software		(3,293)	(1,333)	(3,999)
Proceeds from sales of property, plant and equipment		-	8	-
Net cash used in investing activities		**(3,293)**	**(1,325)**	**(3,999)**
Cash flows from financing activities:				
Repayments of borrowings		(22,000)	(3,667)	(10,667)
Capital element of new finance leases		1,789	1,097	1,201
Repayment of finance lease liabilities		(2,392)	(1,194)	(635)
Equity dividends paid		(38,666)	(24,049)	(49,190)
Net cash used in financing activities		**(61,269)**	**(27,813)**	**(59,291)**
Net decrease in cash and cash equivalents		**(20,703)**	**(25)**	**30,951**
Cash and cash equivalents at 1 January		150,152	119,201	119,201
Cash and cash equivalents at end of period	18	**129,449**	**119,176**	**150,152**

Notes to the interim financial statements

1. General information and basis of preparation

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

The interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the two six month periods ended 30 June 2005 and 2006 and the year ended 31 December 2005. 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 subsidiaries. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The comparative figures for the financial year ended 31 December 2005 are not the Group's Report and Accounts for that financial year, but are derived therefrom. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

Significant estimates

Estimation techniques used in calculation of claims provisions:

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

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

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

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

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

The claims provisions are subject to independent review by the Group's actuarial advisors.

2. Net insurance premium revenue

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Total motor insurance premiums before co-insurance	293,998	268,462	533,616
Group gross premiums written after co-insurance	102,899	93,962	186,989
Outwards reinsurance premiums	(29,966)	(14,075)	(28,052)
Net insurance premiums written	72,933	79,887	158,937
Change in gross unearned premium provision	(10,285)	(9,097)	(10,775)
Change in reinsurers' share of unearned premium provision	12,215	(6,957)	(8,708)
Net insurance premium revenue	74,863	63,833	139,454

The insurance business written is direct private motor insurance written in the United Kingdom. The Group's share of the business was underwritten by Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). All contracts are short-term in duration, lasting for 10 or 12 months.

3. Other revenue

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Ancillary revenue	40,141	35,954	72,470
Instalment income earned	2,459	1,657	3,768
Revenue from Confused.com	15,840	4,614	12,044
Revenue from Gladiator Commercial	3,030	2,544	5,123
Total other revenue	61,470	44,769	93,405

Ancillary revenue primarily constitutes income from sales of insurance products that complement the motor policy, but which are underwritten by external parties.

4. Profit commission

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Total profit commission	9,639	5,666	14,735

5. Investment and interest income

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Net investment return	3,736	6,087	11,342
Interest receivable	2,066	2,268	4,176
Total investment and interest income	5,802	8,355	15,518

6. Expenses

	30 June 2006			30 June 2005		
	Insurance contracts £000	Other £000	Total £000	Insurance contracts £000	Other £000	Total £000
Acquisition of insurance contracts	3,476	-	3,476	3,287	-	3,287
Administration and marketing costs	6,049	16,880	22,929	4,609	10,561	15,170
Sub-total	9,525	16,880	26,405	7,896	10,561	18,457
Share scheme charges	-	420	420	-	125	125
Total expenses	9,525	17,300	26,825	7,896	10,686	18,582

6. Expenses (continued)

	31 December 2005		
	Insurance contracts	Other	Total
	£000	£000	£000
Acquisition of insurance contracts	6,888	-	6,888
Administration and marketing costs	11,021	22,583	33,604
Sub-total	17,909	22,583	40,492
Share scheme charges	-	438	438
Total expenses	17,909	23,021	40,930

The £6,049,000 (2005 H1: £4,609,000; Full year: £11,021,000) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and marketing costs:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Ancillary sales expenses	7,212	6,324	13,378
Confused.com operating expenses	7,093	2,300	5,162
Gladiator Commercial operating expenses	2,051	1,644	3,252
Central overheads	327	293	791
Costs associated with overseas expansion	197	-	-
Total	16,880	10,561	22,583

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

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Insurance contract expenses from above	9,525	7,896	17,909
Add: claims handling expenses	1,470	1,611	3,202
Adjusted expenses	10,995	9,507	21,111
Net insurance premium revenue	74,863	63,833	139,454
Reported expense ratio	14.7%	14.9%	15.1%

7. Staff costs and other expenses

Staff costs and other expenses, before co-insurance arrangements are as follows:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Salaries	17,036	14,166	29,955
Social security charges	1,568	1,314	2,782
Pension costs	253	226	490
Share scheme charges (see note 22)	1,200	357	1,247
Total staff expenses	20,057	16,063	34,474
Depreciation charge:			
- Owned assets	197	306	446
- Leased assets	895	561	1,378
Operating lease rentals:			
- Buildings	1,428	1,377	2,969
Auditor’s remuneration:			
- Statutory audit fees	94	110	210
- Other audit fees	-	-	18
- Other services	65	84	91
Loss on disposal of property, plant and equipment	-	504	503

Analysis of fees paid to the auditor for other services:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Indirect tax consultancy	13	60	61
Corporate tax services	52	24	24
Other	-	-	6
Total as above	65	84	91

8. Staff numbers (including directors)

	Average for the period: 30 June 2006	30 June 2005	31 December 2005
Direct customer contact staff	1,506	1,309	1,377
Support staff	383	320	339
Total	1,889	1,629	1,716

9. Finance charges

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Term loan interest	150	896	1,520
Finance lease interest	378	154	388
Letter of credit charges	115	110	221
Other	-	-	33
Total finance charges	643	1,160	2,162

10. Taxation

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
UK Corporation tax			
Current charge at 30%	23,259	14,777	36,051
Under provision relating to prior periods – corporation tax	-	-	11
Current tax charge	23,259	14,777	36,062
Deferred tax			
Current period deferred taxation movement	(2,646)	1,539	(654)
Over provision relating to prior periods – deferred tax	-	-	(634)
Total tax charge per income statement	20,613	16,316	34,774

Factors affecting the tax charge are:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Profit before taxation	68,706	55,587	119,494
Corporation tax thereon at 30%	20,613	16,676	35,848
Utilisation of brought forward tax losses	-	(360)	(421)
Adjustments in respect of prior year insurance technical provisions	-	-	(161)
Expenses and provisions not deductible for tax purposes	-	-	152
Other timing differences	-	-	(21)
Adjustments relating to prior periods	-	-	(623)
Tax charge for the period as above	20,613	16,316	34,774

11. Earnings per share

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Profit for the period after taxation	48,093	39,271	84,720
Weighted average number of shares – basic	260,257,778	258,595,400	258,987,515
Earnings per share – basic	18.5p	15.2p	32.7p
Weighted average number of shares – diluted	260,698,278	259,861,400	259,387,515
Earnings per share – diluted	18.4p	15.1p	32.7p

12. Dividends

Dividends were declared and paid as follows:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
March 2005 (9.3p per share, paid May 2005)	-	24,049	24,049
September 2005 (9.7p per share, paid October 2005)	-	-	25,141
March 2006 (14.9p per share, paid May 2006)	38,666	-	-
Total dividends	38,666	24,049	49,190

The dividend declared in March 2005 represents the final dividend paid in respect of the 2004 financial year (September 2005 – interim payment for 2005). The dividend declared in March 2006 was the final distribution in respect of 2005.

13. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£000	£000	£000	£000
Carrying amount:				
At 1 January 2005	62,354	2,794	1,319	66,467
Additions	-	3,727	317	4,044
Amortisation charge	-	(3,281)	(476)	(3,757)
At 30 June 2005	62,354	3,240	1,160	66,754
At 1 January 2005	62,354	2,794	1,319	66,467
Additions	-	7,407	385	7,792
Amortisation charge	-	(6,873)	(896)	(7,769)
At 31 December 2005	62,354	3,328	808	66,490
Additions	-	3,307	96	3,403
Amortisation charge	-	(3,467)	(234)	(3,701)
At 30 June 2006	62,354	3,168	670	66,192

14. Property, plant and equipment

	Improvements to short leasehold buildings	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles	Total
Cost						
At 1 January 2005	1,931	6,792	2,978	1,627	12	13,340
Additions	340	555	71	43	-	1,009
Disposals	(1,818)	-	(512)	(404)	-	(2,734)
At 30 June 2005	453	7,347	2,537	1,266	12	11,615
Depreciation						
At 1 January 2005	1,554	4,424	2,467	1,545	1	9,991
Charge for the year	122	534	183	26	2	867
Disposals	(1,351)	(1)	(501)	(376)	-	(2,229)
At 30 June 2005	325	4,957	2,149	1,195	3	8,629
Net book amount						
At 30 June 2005	128	2,390	388	71	9	2,986
Cost						
At 1 January 2005	1,931	6,792	2,978	1,627	12	13,340
Additions	567	2,742	155	150	-	3,614
Disposals	(1,818)	-	(510)	(405)	-	(2,733)
At 31 December 2005	680	9,534	2,623	1,372	12	14,221
Depreciation						
At 1 January 2005	1,554	4,424	2,467	1,545	1	9,991
Charge for the year	226	1,179	355	61	3	1,824
Disposals	(1,352)	-	(502)	(376)	-	(2,230)
At 31 December 2005	428	5,603	2,320	1,230	4	9,585
Net book amount						
At 31 December 2005	252	3,931	303	142	8	4,636
Cost						
At 1 January 2006	680	9,534	2,623	1,372	12	14,221
Additions	808	902	1,151	336	-	3,197
Disposals	-	(5)	-	-	-	(5)
At 30 June 2006	1,488	10,431	3,774	1,708	12	17,413
Depreciation						
At 1 January 2006	428	5,603	2,320	1,230	4	9,585
Charge for the year	34	869	138	49	2	1,092
Disposals	-	(5)	-	-	-	(5)
At 30 June 2006	462	6,467	2,458	1,279	6	10,672
Net book amount						
At 30 June 2006	1,026	3,964	1,316	429	6	6,741

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

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Computer equipment	3,510	2,414	2,380
Office equipment	271	736	767
	3,781	3,150	3,147

15. Financial assets

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

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Investments held at fair value	278,981	247,518	255,937
Receivables – amounts owed by policyholders	136,373	119,357	122,810
Total financial assets	415,354	366,875	378,747

All receivables from policyholders are due within 12 months of the balance sheet date.

Analysis of investments held at fair value:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Fixed income securities:			
Government bonds	114,059	68,188	83,071
Other listed securities	151,475	168,640	156,071
Variable interest securities:			
Other listed securities	13,447	10,690	16,795
	278,981	247,518	255,937

16. Reinsurance assets and insurance contract liabilities

A) Analysis of recognised amounts:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Gross:			
Claims outstanding	187,490	159,392	170,216
Unearned premium provision	94,198	82,236	83,914
Total gross insurance liabilities	281,688	241,628	254,130
Recoverable from reinsurers:			
Claims outstanding	43,865	46,367	41,585
Unearned premium provision	24,795	14,332	12,581
Total reinsurers' share of insurance liabilities	68,660	60,699	54,166
Net:			
Claims outstanding	143,625	113,025	128,631
Unearned premium provision	69,403	67,904	71,333
Total insurance liabilities – net	213,028	180,929	199,964

B) Analysis of net claims reserve releases:

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

	Six months ended		
	30 June 2005 £000	31 December 2005 £000	30 June 2006 £000
Underwriting year:			
2000	370	-	370
2001	1,483	3,560	692
2002	1,937	3,229	1,937
2003	1,387	3,235	2,311
2004	-	2,076	4,091
2005	-	-	437
Total net release	5,177	12,100	9,838
Net premium revenue	63,833	75,621	74,863
Release as % of net premium revenue	8.1%	16.0%	13.1%

	Financial year ended 31 December				
	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Underwriting year:					
2000	3,923	6,188	5,176	1,480	370
2001	-	2,490	7,938	2,967	5,043
2002	-	-	2,975	3,229	5,166
2003	-	-	-	1,513	4,622
2004	-	-	-	-	2,076
Total net release	3,923	8,678	16,089	9,189	17,277
Net premium revenue	84,135	81,336	79,327	107,501	139,454
Release as % of net premium revenue	4.7%	10.7%	20.3%	8.5%	12.4%

C) Reconciliation of movement in net claims reserve:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Net claims reserve at start of period	128,631	98,120	98,120
Net claims incurred	54,130	45,683	97,324
Net claims paid	(39,136)	(30,778)	(66,813)
Net claims reserve at end of period	143,625	113,025	128,631

D) Reconciliation of movement in net unearned premium provision:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Net unearned premium provision at start of period	71,333	51,850	51,850
Written in the period	73,499	80,539	160,244
Earned in the period	(75,429)	(64,485)	(140,761)
Net unearned premium provision at end of period	69,403	67,904	71,333

17. Trade and other receivables

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Trade debtors	9,739	27,955	6,905
Prepayments and accrued income	2,010	1,649	2,487
Total trade and other receivables	11,749	29,604	9,392

18. Cash and cash equivalents

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Cash at bank and in hand	112,206	97,377	109,506
Cash on short term deposit	17,243	21,799	40,646
Total cash and cash equivalents	129,449	119,176	150,152

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.

19. Financial liabilities

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Interest bearing bank loans	-	29,471	22,000

Analysis of borrowings:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Repayments falling due within 12 months	-	11,471	-
Repayments falling due after 12 months	-	18,000	22,000
	-	29,471	22,000

The Group's £30m debt facility is an unsecured revolving credit arrangement. Interest is charged on amounts drawn down based on LIBOR plus a margin.

The facility was repaid during February 2006, as the funds were not required. Funds continue to be available under the facility, which expires in 2008.

20. Deferred income tax liability

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Brought forward at start of period	3,550	4,838	4,838
Movement in period	(2,646)	1,539	(1,288)
Carried forward at end of period	904	6,377	3,550

The net balance provided at the end of the current period is made up of a gross deferred tax liability of £1,170,000 (2005 H1: £6,671,000, full year: £3,816,000) relating to the tax treatment of Lloyd's Syndicates, and a deferred tax asset of £266,000 (2005 H1: £294,000, full year; £266,000) in respect of other timing differences.

21. Trade and other payables

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Trade payables	3,516	3,475	4,423
Amounts owed to co-insurers and reinsurers	111,502	105,325	98,054
Finance leases due within 12 months	1,796	1,696	1,963
Finance leases due after 12 months	450	491	886
Other taxation and social security liabilities	4,809	3,943	4,174
Other payables	11,023	13,294	10,066
Accruals and deferred income (see below)	67,154	61,842	63,369
Total trade and other payables	200,250	190,066	182,935

Analysis of accruals and deferred income:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Premium receivable in advance of policy inception	33,644	31,626	30,471
Accrued expenses	24,949	22,067	24,559
Deferred income	8,561	8,149	8,339
Total accruals and deferred income as above	67,154	61,842	63,369

Analysis of finance lease liabilities:

	At 30 June 2006			At 30 June 2005		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	275	20	255	760	34	726
Between one and five years	2,059	68	1,991	1,754	293	1,461
	2,334	88	2,246	2,514	327	2,187

	At 31 December 2005		
	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	2,171	208	1,963
Between one and five years	921	35	886
	3,092	243	2,849

22. Share capital

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Authorised:			
500,000,000 ordinary shares of 0.1p	500	500	500
Issued, called up and fully paid:			
260,720,271 ordinary shares of 0.1p	261	-	-
258,595,400 ordinary shares of 0.1p	-	259	-
259,861,965 ordinary shares of 0.1p	-	-	260
	261	259	260

During the first half of 2006, 858,306 new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

330,306 of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

528,000 were issued to the Admiral Group Employee Benefit Trust for the purposes of the Admiral Group Senior Executive Restricted Share Plan. The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
SIP charge (note i)	217	54	263
UFSS charge (note ii)	203	71	175
Total share scheme charges	420	125	438

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

Eligible employees qualify for awards under the SIP based upon the performance of the Group in each half-year against budget. The current maximum award for the first half of each year is £1,500 and £3,000 for the full year per employee.

For maximum awards to be made, the Group's profit must exceed budget by 11.5 per cent. Employees must remain in employment until the vesting date (three years from the date of award), otherwise the shares will be forfeited (unless they are classed as a 'good leaver').

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 Unapproved Free Share Scheme (the UFSS)

Employees are eligible to receive an award of shares at no charge. Staff must remain in employment until the vesting date (which is three years from the award date) in order for the shares to vest.

For an award to vest under the 2005 scheme, the total shareholder return (TSR) of Admiral Group plc shares over the three years 2005 to 2007 must be at least equal to the TSR of the FTSE 350 index, of which the Company is a constituent. If the Company's TSR does not meet this target, no awards will vest under the 2005 UFSS scheme. This hurdle has been removed for awards made under the 2006 UFSS scheme.

If this initial hurdle is overcome, individual awards are calculated based on the growth in the Company's earnings per share (EPS) relative to a risk free return (RFR), for which LIBOR has been selected as a benchmark. This performance is measured over the same three-year period.

The range of awards is as follows:

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

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

Awards under the UFSS are not eligible for dividends 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.

Number of free share awards committed at 30 June 2006:

	Awards outstanding	Vesting date
SIP H1 05 scheme	581,565	September 2008
SIP H2 05 scheme	330,306	March 2009
SIP H1 06 scheme (estimated)	440,500	September 2009
UFSS 2005 scheme	759,697	June 2008
UFSS 2006 scheme	603,209	April 2009
Total awards committed	2,715,277	

This reflects the maximum number of awards expected to be made before accounting for staff attrition. Of the 2,715,277 share awards outstanding above, 2,142,871 have been issued to the trusts administering the schemes, and are included in the issued share capital figures above.

23. Analysis of movements in capital and reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained profit and loss £000	Total equity £000
At 1 January 2005	259	13,145	17	131,213	144,634
Retained profit for the period	-	-	-	39,271	39,271
Dividends	-	-	-	(24,049)	(24,049)
Share scheme charges	-	-	-	357	357
As at 30 June 2005	259	13,145	17	146,792	160,213
At 1 January 2005	259	13,145	17	131,213	144,634
Retained profit for the period	-	-	-	84,720	84,720
Dividends	-	-	-	(49,190)	(49,190)
Issues of share capital	1	-	-	-	1
Share scheme charges	-	-	-	1,247	1,247
As at 31 December 2005	260	13,145	17	167,990	181,412
Retained profit for the period	-	-	-	48,093	48,093
Dividends	-	-	-	(38,666)	(38,666)
Issues of share capital	1	-	-	-	1
Share scheme charges	-	-	-	1,200	1,200
As at 30 June 2006	261	13,145	17	178,617	192,040

24. Financial commitments

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

Operating leases expiring:	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Within one years	22	308	434
Within two to five years	30	62	52
Over five years	2,475	1,056	2,820
Total commitments	2,527	1,426	3,306

In addition, the Group had contracted to spend the following on property, plant and equipment at the end of each period:

	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Expenditure contracted to	1,021	75	1,342

Independent review report to Admiral Group plc

Introduction

We have been engaged by the Company to review the financial information for the six months ended 30 June 2006, which comprise the Group Income Statement, the Group Balance Sheet, the Group statement of recognised income and expense, the Group cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors’ responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

KPMG Audit plc, Cardiff, 4 September 2006.