

ADMIRAL GROUP PLC
2007 INTERIM FINANCIAL STATEMENTS

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Admiral Group plc Results for the 6 months ended 30 June 2007

4 September 2007

Admiral Group plc (“Admiral” or “the Group”) today announces a strong interim result with a profit before tax of £86.3 million for the six months to 30 June 2007, an increase of 26% over the same period in 2006. Group turnover, comprising total premiums written, gross other income and investment income, rose 16% to £417.8 million.

H1 2007 Highlights

- Profit before tax up 26% at £86.3 million (H1 2006: £68.7 million)
- Total interim dividend of 20.6p, up 70% (H1 2006: 12.1p)
- Group turnover up 16% at £417.8 million (H1 2006: £359.2 million)
- Vehicle count up 16% to 1.4 million (H1 2006: 1.2 million)
- Profit from ancillary products and services up 15% to £37.7m (H1 2006: £32.9 million)
- Confused.com made a profit of £19.7 million (H2 2006: £14.3 million)
- Employee Share Scheme – approximately £3m worth of free shares will be shared amongst 2,000 staff based on the H1 2007 result

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

Comment from Henry Engelhardt, Chief Executive

“We are very pleased to again announce record results for the first half of 2007. Profits have increased by 26% to £86.3 million and customer numbers have increased by 16% to 1.4 million.

“The UK car insurance market continues to prove challenging, and we are delighted to have once again increased both underwriting and ancillary profits whilst substantially growing the number of vehicles insured.

“As a result of continuing growth in the market for car insurance price comparison, Confused.com enjoyed growth in volumes and revenue in the first half 2007 with profits of £19.7m, compared to £14.3m in H2 2006. However, previously we have said that there will be more competition in this sector. Some of this competition went live during the first part of 2007 and more competitors are on their way. We will work hard to defend our leadership position in this growing market.

“Balumba.es, our Spanish car insurer, has made a strong start and we are encouraged by the level of traffic it has attracted to its internet site in the first few months of trading. As we reported last time, our new German car insurer, AdmiralDirekt.de, will be launching in late 2007 or early 2008. We are also pleased to announce our plans for the Group’s next European venture to launch in Italy in 2008.”

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Comment from Alastair Lyons, Chairman

“The Group has continued to grow profits and generate cash, and we are very pleased to be able to declare an interim dividend that is 70% higher than the same payment last year.

“In accordance with our policy of distributing surplus cash to shareholders we propose a further special dividend of 10.3p per share in addition to a 10.3p 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.

“We’re especially delighted that the Group’s fine performance in H1 2007 will mean every member of staff who has been with us in the first six months of the year will get free shares in the Group - worth around £3m in total.

“Since going public in September 2004 Admiral has declared dividends on six occasions amounting in total to £236m or 91p per share.”

Comment from David Stevens, Chief Operating Officer

“Admiral Group raised rates on average by 5% in the year ending 30 June 2007. Based on our own conversion data this would appear to be in line with the market for this period. Since the end of June we have implemented further, moderate rate increases.

“Whether the rate of premium increases continues at this level, which is roughly equivalent to claims inflation, or whether it accelerates into 2008 will depend heavily on the underlying profitability of the market. The headline combined ratio for private motor in 2006 was 104%, which implies an adequate return on capital once investment income and ancillary revenues are taken into account. However, this result was flattered by a significant reserve release of 8.4%, which puts the run rate for the year 2006 in excess of 110%, which does not provide an adequate return on capital.

“I believe that the current level of reserve releases for the market is not sustainable in the long-term and that as these releases are expended it will put more pressure on individual insurers to accelerate increases.

“Admiral has continued to grow within this difficult environment and maintain a sizeable combined ratio advantage over the market average. It would be our intention to use this economic advantage to continue to offer consumers excellent prices which allows us to grow while continuing to provide attractive returns to our shareholders.”

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Financial review

Key financial highlights

Pre-tax profit rose sharply in the first half of 2007 – up 26% to £86.3m from £68.7m in the same period last year. Earnings per share showed similar growth - up 24% to 23.0p from 18.5p.

The results of the four key elements of the Group's business were as follows:

	6 months ended:		Year ended:
	June 2007 £000	June 2006 £000	December 2006 £000
Underwriting profit	14,685	13,474	28,351
Profit commissions	9,355	9,639	19,926
Ancillary and other net income	42,511	36,846	75,985
Confused.com profit	19,702	8,747	23,080
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Pre-tax profit	86,253	68,706	147,342

The Group achieved an increase in the underwriting result whilst growing market share across all businesses. The total number of vehicles insured rose 16% to 1.4m. This growth is encouraging at a difficult time for the UK market and demonstrates the ability of the business to grow share at all stages of the cycle.

The share of profits arising from non-underwriting sources rose again – up to around 72% of profit from 66% in H1 2006. A 125% increase in Confused.com's profits contributed significantly to this ratio, as did continuing growth in income from ancillary products.

Turnover, which measures the combined size of the Group's activities, grew significantly (16%) in the first half of the year compared to H1 2006:

	6 months ended:		Year ended:
	June 2007 £000	June 2006 £000	December 2006 £000
Total premium written	324,607	293,998	566,608
Other revenue	85,824	61,470	131,621
Net investment return	7,320	3,736	9,925
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Group turnover	417,751	359,204	708,154

Fastest growth again came in the other revenue line, which predominantly reflects ancillary and Confused.com revenue. Total premium written increased by over 10%, whilst net investment return almost doubled compared to the same period last year.

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Underwriting

Underwriting arrangements

During 2007 the Group retains 22.5% (2006: 25%) of UK motor underwriting on a net basis (60% co-insured with Great Lakes – a UK subsidiary of Munich Re; 17.5% ceded to two reinsurers – Swiss Re, 10.0% and Partner Re, 7.5%).

The Group also retains 35% of the risks generated by Balumba.es – its Spanish motor insurer, with 65% being reinsured by Munich Re under a long term treaty. The Group has also entered into further arrangements for Munich Re to underwrite 65% of the motor premiums arising from our new German business to be launched later this year or early next.

Underwriting results

Total premiums grew by 10% to £324.6m from £294.0m. The number of private cars insured by the Group rose 16% to 1.35m from 1.17m (higher than the growth in premium due to mix effects). Balumba had 16,600 customers at 30 June 2007, having started trading on 31 October last year.

Premium rate increases of around 5% have been implemented in the UK motor business since 30 June 2006. Conversion rates have remained relatively static over the period, indicating that premiums have probably risen in the market as a whole at roughly the same pace.

Quote volumes in UK motor rose substantially – up 48% to 11.2m from 7.6m. This primarily reflects the continuing development of price comparison sites as a distribution channel (over 80% of our UK quotes were provided through aggregators).

Net insurance premium revenue (net earned premium) decreased slightly compared to the first half of 2006 - £71.6m, down from £74.9m. This reflects the 2.5% reduction in UK underwriting retention.

The reported loss ratio increased by one point to 73%. The Group's approach to reserving has remained consistent, and as a result, reserve releases continued to contribute positively to the result – rising to £12.3m from £9.8m. Releases positively impacted the reported loss ratio by over 17 percentage points (H1 2006: 13 points).

The UK motor expense ratio increased to 15.8% from 14.7%, and when Balumba's result is included, the Group ratio is 16.6%. The expense ratio is reconciled to the figures included in the income statement in note 7 below, whilst the underwriting result is reconciled later in this review (along with the reported loss ratio).

The Group combined ratio increased by 2.7 percentage points, to 89.7% from 87.0%.

Increased investment return more than offset this increase, and as a result the Group underwriting result increased by around 9%, to £14.7m from £13.5m.

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Profit commission

Total profit commission recognised (co-insurance and reinsurance) decreased marginally to £9.4m from £9.6m. The comparative period does however include £2.0m relating to earlier year contracts with Hibernian Re (£0.5m has been recognised in the first half of 2007 relating to this contract).

Excluding the Hibernian amounts, the total increased to £8.9m from £7.6m, resulting from continued positive development of prior year claims reserves.

Ancillary and other net income

	6 months ended:		Year ended:
	June	June	December
	2007	2006	2006
	£000	£000	£000
Ancillary profit	37,743	32,929	67,022
Interest income	3,999	2,066	4,539
Instalment income	2,678	2,459	5,676
Gladiator Commercial profit	979	979	2,025
Other expenses and share scheme costs	(2,888)	(1,587)	(3,277)
Ancillary and other net income	<u>42,511</u>	<u>36,846</u>	<u>75,985</u>

Net contribution from ancillary products and services rose almost 15% to £37.7m from £32.9m. This is broadly in line with overall insured vehicle growth. Average gross UK income per average active vehicle moved marginally lower to £68 from £69 in the same period last year.

Confused.com

	6 months ended:		Year ended:
	June	June	December
	2007	2006	2006
	£000	£000	£000
Confused.com operating profit	<u>19,702</u>	<u>8,747</u>	<u>23,080</u>

Confused enjoyed significant growth in quotes and income in the first half of the year, contributing to an increase in operating profit of over 125% to almost £20m.

Total quotes in the first half of 2007 were 7.1m (6.1m motor, 1.0m other), up from 4.1m (3.8m motor) in the first half of 2006. Gross revenue rose around 116% to £34.3m (£29.4m motor) from £15.8m (£13.8m motor) in H1 2006.

Confused also increased its share of home and travel insurance price comparison by improving market coverage and price competitiveness. Revenue growth has also been achieved in a number of other general insurance areas including, for example, van and motorbike insurance.

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Earnings per share (EPS)

Earnings per share rose 24% to 23.0p from 18.5p – slightly behind the growth in pre-tax profit due to issues of shares to the trusts involved in administering the staff share schemes (see note 21).

Taxation

The total taxation charge reported in the income statement is £26.0m (H1 2006: £20.6m), representing 30.2% (H1 2006: 30.0%) of pre-tax profit.

Investments, cash and investment return

Total financial investments and cash at 30 June were £460.6m, up 13% from £408.4m twelve months earlier. This movement is after distributions to shareholders of almost £94m in the twelve month period since 30 June 2006 (£64m paid out in the twelve months leading up to that date).

As reported in the 2006 full year results, the Group changed investment strategy in the latter part of 2006, moving away from fixed income mandates and into money market funds. The results of this change have been very positive for investment income, with net return almost doubling in H1 2007 compared to the same period last year. Total investment and interest income rose by 95% to £11.3m from £5.8m.

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 45% of post-tax profits each half-year, and will regularly review the Group's available resources to determine whether it is appropriate for the Company to pay further special dividends.

The Directors have declared an interim dividend for H1 2007 of 20.6p, which is made up of 10.3p per share normal payment and 10.3p special element based on the Group's resources at 30 June.

This distribution is 70% higher than the interim payment declared in 2006.

The dividend will be paid on Wednesday 17 October. The ex-dividend date is 19 September, the record date 21 September.

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Reconciliation of underwriting profit

	6 months ended:		Year ended:
	June	June	December
	2007	2006	2006
	£000	£000	£000
Net insurance premium revenue	71,647	74,863	144,955
Net insurance claims	(54,191)	(55,600)	(107,145)
Net expenses related to insurance contracts	(10,091)	(9,525)	(19,384)
Investment return (see note 6)	7,320	3,736	9,925
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Underwriting profit	14,685	13,474	28,351
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Reconciliation of loss ratios reported

	6 months ended:		Year ended:
	June	June	December
	2007	2006	2006
	£000	£000	£000
Net insurance claims	54,191	55,600	107,145
Deduct: claims handling costs	(1,801)	(1,470)	(3,538)
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Adjusted net insurance claims	52,390	54,130	103,607
Net premium revenue	71,647	74,863	144,955
Loss ratio	73.1%	72.3%	71.5%
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Consolidated income statement

		6 months ended		Year ended
		30 June	30 June	31 December
		2007	2006	2006
	Note	£000	£000	£000
Insurance premium revenue	3	108,983	92,614	188,288
Insurance premium ceded to reinsurers	3	(37,336)	(17,751)	(43,333)
Net insurance premium revenue		71,647	74,863	144,955
Other revenue	4	85,824	61,470	131,621
Profit commission	5	9,355	9,639	19,926
Investment and interest income	6	11,319	5,802	14,464
Net revenue		178,145	151,774	310,966
Insurance claims and claims handling expenses		(85,186)	(70,029)	(136,472)
Insurance claims and claims handling expenses recovered from reinsurers		30,995	14,429	29,327
Net insurance claims		(54,191)	(55,600)	(107,145)
Expenses	7	(36,033)	(26,405)	(54,528)
Share scheme charges	21	(1,455)	(420)	(933)
Total expenses		(91,679)	(82,425)	(162,606)
Operating profit		86,466	69,349	148,360
Finance charges	8	(213)	(643)	(1,018)
Profit before tax		86,253	68,706	147,342
Taxation expense	9	(26,033)	(20,613)	(43,620)
Profit after tax attributable to equity holders of the Company		60,220	48,093	103,722
Earnings per share:				
Basic	10	23.0p	18.5p	39.8p
Diluted	10	23.0p	18.4p	39.8p
Dividends paid (total)	11	62,412	38,666	70,104
Dividends paid (per share)	11	24.0p	14.9p	27.0p

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Consolidated balance sheet

		As at:		
		30 June	30 June	31 December
		2007	2006	2006
	Note	£000	£000	£000
ASSETS				
Property, plant and equipment	12	7,165	6,741	7,448
Intangible assets	13	67,638	66,192	66,757
Financial assets	14	470,065	415,354	395,938
Reinsurance assets	15	108,511	68,660	74,689
Deferred income tax	19	354	-	-
Trade and other receivables	16	20,578	11,749	16,931
Cash and cash equivalents	17	144,792	129,449	191,242
Total assets		819,103	698,145	753,005
EQUITY				
Share capital	21	262	261	261
Share premium account	22	13,145	13,145	13,145
Retained earnings	22	206,190	178,617	205,682
Other reserves	22	(10)	17	(33)
Total equity		219,587	192,040	219,055
LIABILITIES				
Insurance contracts	15	337,833	281,688	294,425
Deferred income tax	19	-	904	981
Trade and other payables	20	234,474	200,250	215,137
Current tax liabilities		27,209	23,263	23,407
Total liabilities		599,516	506,105	533,950
Total equity and total liabilities		819,103	698,145	753,005

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Consolidated statement of recognised income and expense

	6 months ended 30 June 2007 £000	30 June 2006 £000	Year ended 31 December 2006 £000
Exchange differences on translation of foreign operations	23	-	(50)
Net expense recognised directly in equity	23	-	(50)
Profit for the period	60,220	48,093	103,722
Total recognised income and expense for the period	60,243	48,093	103,672

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Consolidated cash flow statement

		6 months ended 30 June 2007 £000	30 June 2006 £000	Year ended 31 December 2006 £000
Profit after tax		60,220	48,093	103,722
Adjustments for non-cash items:				
- Depreciation		1,589	1,092	2,489
- Amortisation of software		216	234	446
- Unrealised (gains) / losses on investments		(787)	893	(624)
- Share scheme charge		2,542	1,200	2,667
Loss on disposal of property, plant and equipment and software		18	-	151
Change in gross insurance contract liabilities		43,408	27,558	40,295
Change in reinsurance assets		(33,822)	(14,494)	(20,523)
Change in trade and other receivables, including from policyholders		(20,356)	(15,760)	(23,150)
Change in trade and other payables, including tax and social security		20,054	17,918	33,652
Interest expense		213	643	1,018
Taxation expense		26,033	20,613	43,620
Cash flows from operating activities, before movements in investments		99,328	87,990	183,763
Net cash flow into investments held at fair value		(57,394)	(23,937)	(1,073)
Cash flows from operating activities, net of movements in investments		41,934	64,053	182,690
Interest payments		(213)	(643)	(1,018)
Taxation payments		(23,407)	(19,551)	(40,931)
Net cash flow from operating activities		18,314	43,859	140,741
Cash flows from investing activities:				
Purchases of property, plant and equipment and software		(1,658)	(3,293)	(6,046)
Net cash used in investing activities		(1,658)	(3,293)	(6,046)
Cash flows from financing activities:				
Repayments of borrowings		-	(22,000)	(22,000)
Capital element of new finance leases		-	1,789	(1,451)
Repayment of finance lease liabilities		(717)	(2,392)	-
Equity dividends paid		(62,412)	(38,666)	(70,104)
Net cash used in financing activities		(63,129)	(61,269)	(93,555)
Net (decrease) / increase in cash and cash equivalents		(46,473)	(20,703)	41,140
Cash and cash equivalents at 1 January		191,242	150,152	150,152
Effects of changes in foreign exchange rates		23	-	(50)
Cash and cash equivalents at end of period	17	144,792	129,449	191,242

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 2006 and 2007 and the year ended 31 December 2006. The consolidated results have been prepared using applicable International Financial Reporting Standards (IFRS) endorsed by the European Union. 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 2006 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 interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2006

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.

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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. Segment reporting

Revenue and results for the six month periods ended 30 June 2006 and 30 June 2007, along with the twelve months to 31 December 2006, split by business segment are shown below. Consolidation adjustments represent the elimination of inter – segment trading, specifically interest charged on inter- company loans.

The Directors consider there to be two business segments. These are private motor insurance and insurance broking (Confused.com and Gladiator Commercial).

	30 June 2007			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Net revenue	140,258	37,887	-	178,145
Profit after tax	45,434	14,786	-	60,220
Other segment items :				
Depreciation	1,486	103	-	1,589
Amortisation	3,622	-	-	3,622

	30 June 2006			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Net revenue	132,905	18,869	-	151,774
Profit after tax	41,084	7,009	-	48,093
Other segment items :				
Depreciation	1,036	56	-	1,092
Amortisation	3,701	-	-	3,701

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	31 December 2006			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Net revenue	266,168	45,069	(271)	310,966
Profit after tax	85,699	18,023	-	103,722
Other segment items :				
Depreciation	2,366	123	-	2,489
Amortisation	6,508	-	-	6,508

3. Net insurance premium revenue

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Total motor insurance premiums before co-insurance	324,607	293,998	566,608
Group gross premiums written after co-insurance	132,517	102,899	196,378
Outwards reinsurance premiums	(59,691)	(29,966)	(57,731)
Net insurance premiums written	72,826	72,933	138,647
Change in gross unearned premium provision	(23,534)	(10,285)	(8,090)
Change in reinsurers' share of unearned premium provision	22,355	12,215	14,398
Net insurance premium revenue	71,647	74,863	144,955

The Group's share of the UK and Spanish private motor insurance 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.

4. Other revenue

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Ancillary revenue	45,259	40,141	81,527
Revenue from Confused.com	34,259	15,840	38,517
Instalment income earned	2,678	2,459	5,676
Revenue from Gladiator	3,628	3,030	5,901
Total other revenue	85,824	61,470	131,621

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

5. Profit commission

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Total profit commission	9,355	9,639	19,926

6. Investment and interest income

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Net investment return	7,320	3,736	9,925
Interest receivable	3,999	2,066	4,539
Total investment and interest income	11,319	5,802	14,464

7. Expenses

	30 June 2007			30 June 2006		
	Insurance contracts £000	Other £000	Total £000	Insurance contracts £000	Other £000	Total £000
Acquisition of insurance contracts	3,877	-	3,877	3,476	-	3,476
Administration and marketing costs	6,214	25,942	32,156	6,049	16,880	22,929
Sub-total	10,091	25,942	36,033	9,525	16,880	26,405
Share scheme charges	-	1,455	1,455	-	420	420
Total expenses	10,091	27,397	37,488	9,525	17,300	26,825

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	Insurance contracts £000	31 December 2006 Other £000	Total £000
Acquisition of insurance contracts	7,375	-	7,375
Administration and marketing costs	12,009	35,144	47,153
Sub-total	19,384	35,144	54,528
Share scheme charges	-	933	933
Total expenses	19,384	36,077	55,461

The £6,214,000 (H1 2006: £6,049,000; Full year: £12,009,000) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and marketing costs:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Ancillary sales expenses	7,516	7,212	14,505
Confused.com operating expenses	14,557	7,093	15,437
Gladiator operating expenses	2,649	2,051	3,876
Central overheads	1,220	524	1,326
Total	25,942	16,880	35,144

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

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Insurance contract expenses from above	10,091	9,525	19,384
Add: claims handling expenses	1,801	1,470	3,538
Adjusted expenses	11,892	10,995	22,922
Net insurance premium revenue	71,647	74,863	144,955
Reported expense ratio	16.6%	14.7%	15.8%

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8. Finance charges

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Term loan interest	-	150	166
Finance lease interest	197	378	481
Letter of credit charges	16	115	221
Other	-	-	150
Total finance charges	<u>213</u>	<u>643</u>	<u>1,018</u>

9. Taxation

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
UK Corporation tax			
Current charge at 30%	24,856	23,259	45,430
Over provision relating to prior periods – corporation tax	-	-	(648)
Current tax charge	24,856	23,259	44,782
Deferred tax			
Current period deferred taxation movement	1,177	(2,646)	(1,249)
Under provision relating to prior periods – deferred tax	-	-	87
Total tax charge per income statement	<u>26,033</u>	<u>20,613</u>	<u>43,620</u>

Factors affecting the tax charge are:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Profit before taxation	86,253	68,706	147,342
Corporation tax thereon at 30%	25,876	20,613	44,203
Adjustments in respect of prior year insurance technical provisions	-	-	17
Expenses and provisions not deductible for tax purposes	-	-	114
Other timing differences	157	-	(153)
Adjustments relating to prior periods	-	-	(561)
Tax charge for the period as above	<u>26,033</u>	<u>20,613</u>	<u>43,620</u>

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10. Earnings per share

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Profit for the period after taxation	60,220	48,093	103,722
Weighted average number of shares – basic	261,369,556	260,257,778	260,632,740
Earnings per share – basic	<u>23.0p</u>	<u>18.5p</u>	<u>39.8p</u>
Weighted average number of shares – diluted	261,709,556	260,698,278	260,906,740
Earnings per share – diluted	<u>23.0p</u>	<u>18.4p</u>	<u>39.8p</u>

11. Dividends

Dividends were declared and paid as follows:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
March 2006 (14.9p per share, paid May 2006)	-	38,666	38,666
September 2006 (12.1p per share, paid October 2006)	-	-	31,438
March 2007 (24.0p per share, paid May 2007)	<u>62,412</u>	<u>-</u>	<u>-</u>
Total dividends	<u>62,412</u>	<u>38,666</u>	<u>70,104</u>

The dividends declared in March 2006 and March 2007 represent the final dividends paid in respect of the 2005 and 2006 financial years (September 2006 - interim payment for 2006).

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12. Property, plant and equipment

	Improvements to short leasehold buildings £000	Computer equipment £000	Office equipment £000	Furniture and fittings £000	Motor vehicles £000	Total £000
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
Cost						
At 1 January 2006	680	9,534	2,623	1,372	12	14,221
Additions	1,655	1,672	1,684	441	-	5,452
Disposals	(2)	(15)	(138)	(1)	-	(156)
At 31 December 2006	2,333	11,191	4,169	1,812	12	19,517
Depreciation						
At 1 January 2006	428	5,603	2,320	1,230	4	9,585
Charge for the year	220	1,750	396	120	3	2,489
Disposals	-	(5)	-	-	-	(5)
At 31 December 2006	648	7,348	2,716	1,350	7	12,069
Net book amount						
At 31 December 2006	1,685	3,843	1,453	462	5	7,448
Cost						
At 1 January 2007	2,333	11,191	4,169	1,812	12	19,517
Additions	267	675	262	108	12	1,324
Disposals	-	(6)	(2)	(3)	(12)	(23)
At 30 June 2007	2,600	11,860	4,429	1,917	12	20,818
Depreciation						
At 1 January 2007	648	7,348	2,716	1,350	7	12,069
Charge for the year	283	938	281	84	3	1,589
Disposals	-	(2)	(1)	(1)	(1)	(5)
At 30 June 2007	931	8,284	2,996	1,433	9	13,653
Net book amount						
At 30 June 2007	1,669	3,576	1,433	484	3	7,165

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

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Computer equipment	2,575	3,510	2,996
Office equipment	-	271	-
	<u>2,575</u>	<u>3,781</u>	<u>2,996</u>

13. Intangible assets

	Goodwill £000	Deferred acquisition costs £000	Software £000	Total £000
Carrying amount:				
At 1 January 2006	62,354	3,328	808	66,490
Additions	-	3,307	96	3,403
Amortisation charge	-	(3,467)	(234)	(3,701)
At 30 June 2006	<u>62,354</u>	<u>3,168</u>	<u>670</u>	<u>66,192</u>
At 1 January 2006	62,354	3,328	808	66,490
Additions	-	6,179	596	6,775
Amortisation charge	-	(6,062)	(446)	(6,508)
At 31 December 2006	<u>62,354</u>	<u>3,445</u>	<u>958</u>	<u>66,757</u>
Additions	-	4,169	334	4,503
Amortisation charge	-	(3,406)	(216)	(3,622)
At 30 June 2007	<u>62,354</u>	<u>4,208</u>	<u>1,076</u>	<u>67,638</u>

14. Financial assets

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

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Investments held at fair value	315,815	278,981	257,634
Receivables – amounts owed by policyholders	154,250	136,373	138,304
Total financial assets	<u>470,065</u>	<u>415,354</u>	<u>395,938</u>

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

Analysis of investments held at fair value:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Money market funds	315,815	-	257,634
Fixed income securities:			
Government bonds	-	114,059	-
Other listed securities	-	151,475	-
Variable interest securities:			
Other listed securities	-	13,447	-
	<u>315,815</u>	<u>278,981</u>	<u>257,634</u>

15. Reinsurance assets and insurance contract liabilities

A) Analysis of recognised amounts:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Gross:			
Claims outstanding	222,306	187,490	202,421
Unearned premium provision	115,527	94,198	92,004
Total gross insurance liabilities	<u>337,833</u>	<u>281,688</u>	<u>294,425</u>
Recoverable from reinsurers:			
Claims outstanding	59,199	43,865	47,710
Unearned premium provision	49,312	24,795	26,979
Total reinsurers' share of insurance liabilities	<u>108,511</u>	<u>68,660</u>	<u>74,689</u>
Net:			
Claims outstanding	163,107	143,625	154,711
Unearned premium provision	66,215	69,403	65,025
Total insurance liabilities – net	<u>229,322</u>	<u>213,028</u>	<u>219,736</u>

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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 2006 £000	31 December 2006 £000	30 June 2007 £000
Underwriting year:			
2000	370	740	-
2001	692	1,187	494
2002	1,937	323	646
2003	2,311	2,773	1,386
2004	4,091	3,857	4,675
2005	437	2,186	5,096
2006	-	-	-
Total net release	9,838	11,066	12,297
Net premium revenue	74,863	70,092	71,647
Release as % of net premium revenue	13.1%	15.8%	17.2%

	Financial year ended 31 December				
	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
Underwriting year:					
2000	6,188	5,176	1,480	370	1,110
2001	2,490	7,938	2,967	5,043	1,879
2002	-	2,975	3,229	5,166	2,260
2003	-	-	1,513	4,622	5,084
2004	-	-	-	2,076	7,948
2005					2,623
Total net release	8,678	16,089	9,189	17,277	20,904
Net premium revenue	81,336	79,327	107,501	139,454	144,955
Release as % of net premium revenue	10.7%	20.3%	8.5%	12.4%	14.4%

C) Reconciliation of movement in net claims reserve:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Net claims reserve at start of period	154,711	128,631	128,631
Net claims incurred	54,188	54,130	103,607
Net claims paid	(45,792)	(39,136)	(77,527)
Net claims reserve at end of period	163,107	143,625	154,711

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D) Reconciliation of movement in net unearned premium provision:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Net unearned premium provision at start of period	65,025	71,333	71,333
Written in the period	72,826	73,499	138,647
Earned in the period	<u>(71,636)</u>	<u>(75,429)</u>	<u>(144,955)</u>
Net unearned premium provision at end of period	<u>66,215</u>	<u>69,403</u>	<u>65,025</u>

16. Trade and other receivables

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Trade debtors	18,586	9,739	14,982
Prepayments and accrued income	<u>1,992</u>	<u>2,010</u>	<u>1,949</u>
Total trade and other receivables	<u>20,578</u>	<u>11,749</u>	<u>16,931</u>

17. Cash and cash equivalents

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Cash at bank and in hand	140,169	112,206	164,989
Cash on short term deposit	<u>4,623</u>	<u>17,243</u>	<u>26,253</u>
Total cash and cash equivalents	<u>144,792</u>	<u>129,449</u>	<u>191,242</u>

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.

18. Financial liabilities

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Interest bearing bank loans	<u>-</u>	<u>-</u>	<u>-</u>

The Group's undrawn £30m debt facility is an unsecured revolving credit arrangement. Interest is charged on amounts drawn down based on LIBOR plus a margin. Funds continue to be available under the facility, which expires in 2008.

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19. Deferred income tax

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Liability brought forward at start of period	981	3,550	3,550
Movement in period – through income statement	(1,177)	(2,646)	(1,162)
Movement in period – through equity	(158)	-	(1,407)
	<u>(354)</u>	<u>904</u>	<u>981</u>
(Asset) / liability carried forward at end of period	(354)	904	981

The net balance provided at the end of the period is analysed as follows:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Tax treatment of Lloyd's Syndicates	510	1,170	1,936
Tax treatment of share scheme charges	(1,014)	315	(853)
Capital allowances	150	(392)	149
Other differences	-	(189)	(251)
	<u>(354)</u>	<u>904</u>	<u>981</u>
Deferred tax (asset) / liability at end of period	(354)	904	981

20. Trade and other payables

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Trade payables	3,940	3,516	4,601
Amounts owed to co-insurers and reinsurers	132,910	111,502	124,238
Finance leases due within 12 months	653	1,796	1,337
Finance leases due after 12 months	28	450	61
Other taxation and social security liabilities	7,571	4,809	4,742
Other payables	17,261	11,023	13,708
Accruals and deferred income (see below)	72,111	67,154	66,450
	<u>234,474</u>	<u>200,250</u>	<u>215,137</u>
Total trade and other payables	234,474	200,250	215,137

Analysis of accruals and deferred income:

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Premium receivable in advance of policy inception	36,180	33,644	31,772
Accrued expenses	26,356	24,949	25,456
Deferred income	9,575	8,561	9,222
	<u>72,111</u>	<u>67,154</u>	<u>66,450</u>
Total accruals and deferred income as above	72,111	67,154	66,450

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Analysis of finance lease liabilities:

	At 30 June 2007			At 30 June 2006		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	690	37	653	1,879	83	1,796
Between one and five years	32	4	28	455	5	450
	<u>722</u>	<u>41</u>	<u>681</u>	<u>2,334</u>	<u>88</u>	<u>2,246</u>

	At 31 December 2006		
	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	1,383	46	1,337
Between one and five years	63	2	61
	<u>1,446</u>	<u>48</u>	<u>1,398</u>

21. Share capital

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Authorised:			
500,000,000 ordinary shares of 0.1p	<u>500</u>	<u>500</u>	<u>500</u>
Issued, called up and fully paid:			
262,375,407 ordinary shares of 0.1p	262	-	-
261,186,599 ordinary shares of 0.1p	-	-	261
260,720,271 ordinary shares of 0.1p	-	261	-
	<u>262</u>	<u>261</u>	<u>261</u>

During the first half of 2007, 1,188,808 new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

224,808 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.

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964,000 shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Admiral Group Senior Executive Restricted Share Plan (also known as the Unapproved Free Share Scheme). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time. Rights to dividends have now been waived on a total of 2,327,000 ordinary shares in issue.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
SIP charge	609	217	495
UFSS charge	846	203	438
Total share scheme charges	<u>1,455</u>	<u>420</u>	<u>933</u>

Number of free share awards committed at 30 June 2007:

	Awards outstanding	Vesting date
SIP H1 05 scheme	581,565	September 2008
SIP H2 05 scheme	330,306	March 2009
SIP H1 06 scheme	316,328	September 2009
SIP H2 06 scheme	274,000	April 2010
SIP H1 07 scheme	340,000	September 2010
UFSS 2005 scheme	685,000	June 2008
UFSS 2006 scheme – 1 st Award	604,187	April 2009
UFSS 2006 scheme – 2 nd Award	77,248	September 2009
UFSS 2007 scheme	<u>964,000</u>	April 2010
Total awards committed	<u>4,172,634</u>	

This reflects the maximum number of awards expected to vest before accounting for staff attrition. Of the 4,172,634 share awards outstanding above, 3,832,634 have been issued to the trusts administering the schemes, and are included in the issued share capital figures above.

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22. Analysis of movements in capital and reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign exchange reserve £000	Retained profit and loss £000	Total equity £000
At 1 January 2006	260	13,145	17	-	167,990	181,412
Retained profit for the period	-	-	-	-	48,093	48,093
Dividends	-	-	-	-	(38,666)	(38,667)
Issues of share capital	1	-	-	-	-	1
Share scheme charges	-	-	-	-	1,200	1,201
As at 30 June 2006	261	13,145	17	-	178,617	192,040
At 1 January 2006	260	13,145	17	-	167,990	181,412
Retained profit for the period	-	-	-	-	103,722	103,722
Dividends	-	-	-	-	(70,104)	(70,104)
Issues of share capital	1	-	-	-	-	1
Currency translation differences	-	-	-	(50)	-	(50)
Share scheme charges	-	-	-	-	2,667	2,667
Deferred tax credit on share scheme charges	-	-	-	-	1,407	1,407
As at 31 December 2006	261	13,145	17	(50)	205,682	219,055
Retained profit for the period	-	-	-	-	60,220	60,220
Dividends	-	-	-	-	(62,412)	(62,412)
Issues of share capital	1	-	-	-	-	1
Currency translation differences	-	-	-	23	-	23
Share scheme charges	-	-	-	-	2,542	2,542
Deferred tax credit on share scheme charges	-	-	-	-	158	158
As at 30 June 2007	262	13,145	17	(27)	206,190	219,587

23. Financial commitments

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

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
Operating leases expiring:			
Within one years	-	-	-
Within two to five years	1,997	-	-
Over five years	28,520	23,647	33,425
Total commitments	30,517	23,647	33,425

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

	30 June 2007 £000	30 June 2006 £000	31 December 2005 £000
Expenditure contracted to	226	1,021	1,539

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 2007.

KPMG Audit plc, Cardiff, 3 September 2007

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