Admiral Group plc Results for the Year to 31 December 2007
4 March 2008

Admiral Reports Record Profits and Strong Growth

Admiral Group plc ("Admiral" or "the Group") today announces a record annual result with a profit of £182.1 million for the year to December 2007, an increase of 24% over the previous year. Turnover, comprising total premiums written, gross other income and investment income, rose 16% to £824.9 million.

2007 Highlights

- Profit before tax up 24% at £182.1 million (2006: £147.3 million)
- Total final dividend of 23.2p comprising normal dividend of 11.6p; special dividend of 11.6p per share
- Total 2007 dividend of 43.8p (£115 million) up 22% on 2006
- Turnover* up 16% at £824.9 million
- Net revenue up 17% at £364 million
- Revenue from products and services not underwritten by the Group up 34% at £176.9 million
- Year-end vehicle count up 16% to 1.5m from 1.3m at 31 December 2006
- Confused.com gave 13 million quotes (up 42%) and made a profit of £36.7 million (2006: £23.1 million)
- All employee Share Scheme - over 2,200 staff are to receive around 310,000 free shares based on the H2 2007 results. This means that staff will have received the full allocation of £3,000 worth of free shares for 2007

* Turnover is defined as total premiums written (including co-insurers' share), other revenue and net investment return. It is reconciled in the financial review below.

Comment from Henry Engelhardt, Group Chief Executive

"2007 was a good year for the Admiral Group. We continue to grow our UK business and invest in our overseas ventures. We had a bumper year in absolute terms and we made great strides towards the creation of an even better future.

"In the UK, our car insurance business grew substantially whilst maintaining its combined ratio advantage over the market. The UK business also achieved record ancillary income, growing consistently in line with the growth in the policy base.

"Confused has continued to perform very well, considering the influx of aggregator sites. Confused's market share has declined during 2007, but this has been in a growing market and its quote volumes have held up well. As we've previously said, we will spend money to defend this market-leading position, but realistically, 2008 will be a much tougher year within which to grow.

"Balumba in Spain and AdmiralDirekt.de in Germany are building our future and our operation launching in Italy this year will further help grow the Admiral Group."

Comment from Alastair Lyons, Group Chairman

"After a year in which the Group made significant progress in implementing its agreed strategy we are very pleased to be able to propose a total final dividend of 23.2p per share, comprising a normal dividend of 11.6p and a special of 11.6p, the latter following our principle of returning available surpluses to shareholders. Our total dividends for the year at 43.8p per share mean that we will have distributed £115 million to shareholders, up 22% on 2006.

"A highlight of 2007 was admission in December to the FTSE 100, an achievement of which everyone at Admiral can justifiably be proud in slightly over three years since flotation. Over this period, taking dividends and share appreciation together we achieved a 335% total return for shareholders."

Final dividend

Subject to approval at the Company's AGM, the final dividend of 23.2p per share will be paid on 7 May 2008. The ex-dividend date is 9 April 2008, the record date 11 April 2008.

Chairman's statement

I ended my statement last year by saying that our strategy remained clear and straightforward – to continue to grow our share of the UK direct private motor market, maximising the value derived from each customer relationship, whilst also identifying profitable opportunities, in particular our expansion overseas, to exploit the knowledge, skills and resources attaching to our core business. As Henry Engelhardt sets out in detail in his statement, 2007 was a year in which the Group made significant progress in that strategic direction.

In the UK, despite market conditions remaining challenging, Admiral increased both underwriting and ancillary profits whilst substantially growing the number of vehicles insured. At the end of the year our brands covered 1.49 million vehicles, 16% up on December 2006. The 13% increase achieved in profit derived from ancillary products and services is testament to the success we continue to derive from our focus on maximising the value of each customer relationship.

An upward trend in pricing does now seem to have become established with a general increase of 4% over the year as a whole. Whilst only sufficient to offset general claims inflation, this breaks a 5 year pattern of flat or even slightly falling rates. Against this backdrop we were happy to take back 5% of the underwriting risk when it came available at the end of last year, increasing the proportion of gross premiums underwritten by Admiral in 2008 from 22½% to 27½%.

We have made significant progress during 2007 with our international strategy. Balumba.es, the on-line Spanish motor insurer that we launched in October 2006, ended 2007 with 47,000 customers – a great achievement in little over a year from a standing start. We followed this with the launch in October 2007 of AdmiralDirekt.de, our new on-line German motor insurer based in Cologne, and we announced at the time of our half-year results that we were well advanced with plans to launch into Italy during 2008. Our teams in each country have built on the learning of their colleagues who launched before them and I would take this opportunity to give them credit for their enthusiasm, resilience, and consequent achievements. Staying with the international theme I should also mention the establishment of our new customer service centre in Halifax, Canada where we now employ directly over 100 staff helping to share the load of our long opening hours with our teams in the UK.

During the year we announced that we had entered discussions with potential private equity investors regarding the sale of a minority interest in our price comparison business, Confused.com. Having, however, understood in detail the implications of such an investment for the flexibility of Confused's ongoing management, the Board determined that taking such a step would materially constrain our ability to maximise Confused's contribution to the Group in the medium to long term. We, therefore, determined that it was in our shareholders' best interests to terminate the discussions and retain a 100% interest in Confused. We will continue our strategy of maintaining Confused's strong market position in car insurance price comparison and developing its potential to extend into price comparison within other product areas. 2007 was another very successful year for Confused, profits growing by 59% to £37million. As we have said previously, there is growing competition in this sector and we will continue to work hard to defend our leadership position in this rapidly expanding market.

In a strongly competitive market we are pleased to be able to announce a 24% increase in Group pre-tax profits to £182million off an 11% growth in total written premiums. Taking into account the increased solvency capital required by the higher underwriting retained in 2008, this allows us to lift our dividends for the year by 22% to 43.8p per share (23.2p final: 20.6p interim).

We have maintained our approach of considering dividends in two parts. The first element, being the normal dividend, is based on a 45% pay-out ratio. The second element - the special dividend - derives from our principle of returning to shareholders available surpluses, calculated as the Group's net assets less its required solvency; cover against any specific expansion plans, being at this year-end £5m in respect of overseas; and a prudent margin - currently £25m - against contingencies. Special dividends since flotation in September 2004 amount to £146.6m, this being in addition to £149.5m normal dividends over the same period.

A highlight of 2007 was our admission in December to the FTSE 100, an achievement of which the executive team can be justifiably proud in slightly over three years since flotation. Over this period, taking dividends and share appreciation together, we achieved a 335% total return for shareholders.

Alignment of the interests of our staff and our shareholders is one of our core principles. Our Free Share Schemes are designed to strengthen that alignment over time. We are delighted that strong out-performance against our plan during 2007 resulted in eligible employees once again realising the maximum award of £3,000 free shares under our Approved Scheme. The 2007 financial year marked the end of the first 3-year period for the Discretionary Free Share Scheme. A 54.8% outperformance of growth in earnings per share over and above the risk-free return qualified the scheme to vest the maximum share entitlement under the individual awards. Following the 2007 awards there are now 1,645 employees participating in the Discretionary Free Share Scheme, itself consistent with our philosophy of achievement through teamwork.

As at the end of the year we employed 2,500 staff, 90% of whom live and work in South Wales. This makes Admiral a significant part of the local community and we encourage our staff to be associated with the local projects that are important to both them and their families. During 2007 we provided financial support to 110 such projects. In addition Admiral sponsored a number of high profile local events within South Wales – the Admiral Cardiff Big Weekend and the Swansea Waterfront Winterland, of both of which, Admiral was the main sponsor in 2007, together attracted over 365,000 visitors. More details of which will be found in the report on corporate responsibility. This report also describes the steps we take to minimise the impact of our operations on the environment.

May I end by thanking everyone who has contributed so much to achieve the successes that I have been able to outline above – first and foremost our staff who make Admiral the Company it is: our executive management team whose quality of leadership justifies our being placed for 8 consecutive years amongst The Sunday Times Top 100 Companies to Work For in the UK: and our non-executive directors for their commitment and wise counsel.

Chief Executive's statement

2007 was a good year for the Admiral Group.

I should quit right there!

But I won't. Why was it a good year? Well, the Group made more money than ever before. A lot more. We made more money by serving more customers than ever before, which resulted in a larger turnover than ever before. All these new records were set within the context of a challenging, highly competitive environment.

But those items don't tell the whole story. As compelling as they may be, they only account for part of the reason why I think the year was successful. For me, the reason it was such a good year is that we did all the good things already mentioned while simultaneously making large investments of time and money in our future. These investments could easily have retarded our 2007 trading performance. But they didn't. We had a bumper year in absolute terms AND we made great strides towards the creation of an even better future.

The list of achievements:

- Profit before tax up 24% to £182m;
- Number of customers up 16% to 1.5m;
- Net revenue up 17% to £364m;
- Turnover* up 16% to £825m;
- Confused record pre-tax profit of £37m on 13m quotes;
- Combined ratio improved to 85% from 87%;
- Top 10 in the FT Best Companies To Work For; 57th in The Sunday Times Best Companies To Work For in the UK;
- Invested in Balumba in Spain where we ended the year with 47,000 customers and £16.6m turnover;
- Invested in AdmiralDirekt.de, our new operation in Germany that launched on October 16 and had 9,000 customers on January 1, 2008;
- Began investing in an operation in Italy which is planned to launch in 2008.

* Turnover is defined and reconciled in the financial review below

Only in a few years time, when Spain, Germany, Italy, etc. are running at full throttle, will we really appreciate how good 2007 was. Here's a closer look at our results and the UK car insurance market.

UK CAR INSURANCE: SLOTH-LIKE

The UK car insurance market cycle is turning with sloth-like speed. Have you ever seen a sloth up close? Their muscle control is quite incredible. You try moving that slowly! (See http://animals.nationalgeographic.com/animals/mammals/three-toed-sloth.html) Sloths are an appropriate metaphor for the UK car insurance market today. The market is moving. But slooooowwwwllllyyyy.

It is just possible that in 2007, on a written basis, premium inflation for the market will have outpaced claims inflation for the first time since 2000. But, when all the results are tallied, I think that this move will be modest, and, as an earned basis lags rate movements, it won't fully flow through to the market's results until 2008.

We put 4% on our rates during the year against a claims inflation factor above 3%.

So the market is moving, keeping up with claims inflation, but will we see a definitive improvement in results? It looks like the market has found the corner and is, well, considering turning. But it hasn't quite turned yet. It is somewhat reminiscent of what happened in 1997-98-99 (showing my age). In 1997 the market moved up, maybe a bit faster than claims costs but in 1998 the market failed to follow through on those increases, leading to a combined ratio in excess of 120%. Only in 1999 did the market start to move in earnest. 1997 – 98 was something of a false dawn, which we might see again in the 2007-08 years.

According to Deloitte, the UK market average pure year combined ratio for 2006 (latest data available) was 113%, again confirming the UK's status as one of (if not the) most competitive car insurance markets in the world; a market where companies are willing to subsidise consumers. This is the true power of a free market. For those that think regulation is the key to lower prices, just look at the UK. Strange as it might seem, collectively UK Insurers seem happy to subsidise consumers, not once in a while, but for years on end.

As we are fond of saying: Admiral's different. We actually are not keen to subsidise consumers. We're very happy to offer a precise rate for every risk and give a great service to every customer, but we believe we should do these things without making a loss ourselves. The sustainable way to offer consumers lower rates is to operate more efficiently than the competition.

This philosophy manifests itself in our advantage over the market in both claims ratio and loss ratio in the UK. Our UK loss ratio for the year was 66.7% and our expense ratio was 16.7% for a combined ratio of 83.4%. On a comparable basis, Deloitte predicts that the market loss ratio will be 79% and the expense ratio will be 28%, resulting in a combined ratio, including releases, of 107%.

In addition to a combined ratio more than 20 points better than the market average, we also grew the business. Our UK turnover increased by 14% (£708m to £808m) and the number of vehicles we insure rose 13% (1.28m to 1.44m).

Our conservative reserving philosophy meant we released £29.5m from prior years into this year's profit. We build claims reserves because history tells us that this is an area that changes quite quickly. It has not been unusual to see changes in the claims environment result in additional costs to all your open claims, some of which are four or more years old. So there is a method to our madness, we reserve in case the world changes and then release if it does not. From what I know at the moment, I do not see any reason to believe that this pattern will not continue.

The biggest development in the market in 2007 has been the rapid growth of price comparison websites as a leading channel of distribution in the industry. With the growth in the number of price comparison sites during the year and with more sites planned to launch in 2008, I can only see this growth trend accelerating.

The important point of this change in distribution is that small insurers can get exposure to consumers equal to that of big insurers. Previously smaller insurers wouldn't have the muscle to get equal exposure. The big insurers, who could spend a lot of money advertising and/or be on lots of broker sites, could dominate the market by the very fact that they were always visible to consumers. Now small insurers, without spending a penny of marketing money, can get equal time. For car insurance this is revolutionary stuff.

This means that the market is pinned to the lowest quote for any given risk. That is, a single firm could undercut the entire market or, for any given risk, one firm could undercut the rest. Either way, this chain is going to move only as quickly as the slowest link.

Typically the UK cycle is around seven years (1985 cyclical worst point, to 1991 worst point, to 1998 worst point). On an earned basis it looks like 2007 or 2008 will be the worst point in this cycle, which is 9 or 10 years on from the previous worst point of 1998. Think sloths. And if the 2007 rate rises prove to be a false dawn, think slow-moving sloths!

CHANGING DISTRIBUTION: THE GROWTH OF PRICE COMPARISON

However, when one bemoans the effect of price comparison sites on the market keep in mind that the leader in car insurance price comparison is our own Confused.com.

Confused had it rather cosy for a number of years, amassing a market share of some 65%. But we predicted back in March 2006 that this market would be a competition magnet and we've only been surprised at how long it took for the competition to materialise. But materialise it has!

At last count there were more than half a dozen price comparison sites actively touting for business. Not surprisingly, consumers have been seduced by the ease in which they can now get countless quotes. Overall ad spend in the market, which had been on the decline in 2006 began to rise again in 2007 and continues to rise, setting new records along the way. Price comparison sites accounted for approximately 35% of the car insurance tv and press spend in 2007. However, this figure grew throughout the year and in January 2008 it was 67%. Advertising as a stand-alone car insurance brand to generate direct quotes has become awfully expensive, as it is almost impossible for a single brand to better the proposition of multiple quotes put forward by price comparison sites.

Given the development of the price comparison sector, it is not surprising that Confused's market share declined during 2007. However, this decline has been into a growing market and as a result its quote and sale volumes have held up rather well. We accept that some erosion of share is unavoidable in the short term but, as we've said previously, we will spend money to defend our market-leading position.

BEYOND THE UK: SPAIN, GERMANY AND ITALY

2007 was a dramatic year in the development of the Group's business beyond the UK. Balumba in Spain, which launched at the end of October 2006, grew quickly. A year after Balumba's start, AdmiralDirekt.de successfully launched in Germany and during the year we began implementation of our plan to launch in Italy during 2008.

Balumba in Spain ended the year with 47,000 policyholders and a turnover of £16.6m. It posted a loss of just £0.7m in its first full year of trading. Balumba's combined ratio totalled 232%, with a loss ratio of 141% and an expense ratio of 91%. The ratio of expenses to premium written during the year was 51%, a very credible figure. Balumba's result was helped by contribution from ancillary products.

As you can imagine, there is still a lot of work to do on Balumba, particularly in the pricing and claims areas, although high loss ratios are not unusual in a Company's first year of trading. The key question surrounding Balumba beginning the year was: could it market to consumers efficiently? It appears that the answer to that question is a resounding 'yes' as we gave over 396,000 quotes in the year.

The launch in Germany, some 50 weeks after the launch in Spain, was very satisfying. Most of the German market renews its car insurance on January 1. In addition, consumers have to give their insurers one month notice if they are planning to switch. So the window for attracting new business is about 8 weeks long, from early October through early December. It was imperative that we launch the operation in October to get some experience in the ‘season’.

Once again, the key test was marketing. And, once again, we were pleased by the results. AdmiralDirekt.de made 9,000 sales with income of £1.7m, all with a policy start date of January 1, 2008. Lo and behold, the first claim occurred the morning of January 2, 2008, when one of our customers hit a boar at 5:30 a.m. I suspect this will be a first claim not soon forgotten!

Project Chianti, otherwise known as The Italian Job, is moving forward at pace with an anticipated launch later in 2008. The operation will be based in Rome.

GLADIATOR GROWS AND WE BEGIN TO TAKE CALLS IN CANADA

Other notable accomplishments during the year include the growth in customer numbers of Gladiator Commercial and the creation of a call centre in Halifax, Nova Scotia primarily to handle evening calls from the UK.

Gladiator is our commercial vehicle intermediary and it turned in a profit before tax of £2m. However, Gladiator increased its customer base significantly during the year and now boasts over 62,000 customers up from 43,000 last year (+44%), which bodes well for the future

A combination of a strong service ethic and a four-hour time difference led us to open a call centre in eastern Canada. We now have almost 100 agents on the phones, taking over from the UK in the early evening (mid-afternoon there).

ALMOST THE END OF THIS REPORT

I’m proud to say that it was another very good year for return on capital. This is the benefit of our model, where we have reinsurers put up the capital pro-rata for their share of the underwriting, but we get profit commissions from them when we make profits and we keep the revenue from everything else we do, like Confused, for ourselves. Although we do sacrifice some profit to get this reinsurance support it gives us a layer of protection against losses and serves to make us capital efficient. A good measure of this is our return on capital, which in 2007 was 58% (2006: 57%). Another important indicator is our return on income – 57% in 2007, up from 53% in 2006.

Finally, the best possible tribute to our staff: the first lot of free shares distributed since our 2004 float will vest in 2008. We want all our staff to feel like they own part of the Company and the best way to do that is to give them part of the Company to own. We are very pleased that those who qualified in 2005 and earned free shares will take control of those shares later this year. Our staff give a lot of themselves to the organisation and it is great to share the fruits of our communal efforts with every person in the Company.

Last point of note, at the end of 2007 we joined the FTSE 100. We are the only Welsh Company in this elite club. In fact, we are only the second Welsh Company in history to be in the 100, the first one having been a member for 9 months back in 1992-93. (I hope that by the time you read this we’re still a member!) Our rapid rise into the FTSE 100 is a tribute to all the staff across our six sites in five countries who are building a great business by working hard every day to give customers great service.

This is a very exciting time for the Admiral Group and we’re looking forward to another great year in 2008.

Henry Engelhardt

Financial review

Key financial highlights

Group profit before tax again grew strongly in 2007 – moving up 24% to £182.1m from £147.3m last year. Earnings per share grew 22% to 48.6p from 39.8p.

	2007 £000	2006 £000
Underwriting profit	37,502	28,351
Profit commissions	20,448	19,926
Ancillary and other net income	93,363	79,262
Confused.com profit	36,727	23,080
Share scheme, pre-launch and other charges	(5,942)	(3,277)
Profit before tax	182,098	147,342

Group underwriting profits grew significantly in 2007 (by around one third) – this despite a very slowly turning pricing environment in the UK motor market and the inclusion of a first full year's result for Balumba.es (the Group's Spanish motor insurer).

In UK motor, the Group reduced its share of the underwriting to 22.5% (from 25.0%) in a year when this cycle possibly hit its worst point. The number of customers grew significantly once again:

	2007 000s	2006 000s
UK year end private vehicle count	1,382	1,240
Spanish private vehicles	47	2
Gladiator Commercial vehicles	62	43
Total vehicle count	1,491	1,285

Within the overall increase of 16%, UK vehicles insured grew by 11½%, and Gladiator grew by 47%. Balumba increased its customer base to end the year at 47,000 (having ended 2006, two months after launch, with around 2,200).

October 2007 saw the successful launch of AdmiralDirekt.de – the Group's German car insurer, based in Cologne. In the relatively short period before the end of the year, AdmiralDirekt sold 9,000 policies, generating around £1.7m in premium and ancillary income. Cover for these risks started 1 January 2008.

A more detailed split of Group profit, including geographical analysis follows below. Each element is discussed in the following notes.

	2007 UK GROUP £000	2007 EUROPE £000	2007 TOTAL £000	2006 UK GROUP £000	2006 EUROPE £000	2006 TOTAL £000
Underwriting profit	39,976	(2,474)	37,502	28,541	(190)	28,351
Profit commissions	20,448	-	20,448	19,926	-	19,926
Ancillary and other net income	91,517	1,846	93,363	79,186	76	79,262
Confused.com profit	36,727	-	36,727	23,080	-	23,080
Share scheme, pre-launch and other charges	(4,534)	(1,408)	(5,942)	(2,782)	(495)	(3,277)
Profit before tax	184,134	(2,036)	182,098	147,951	(609)	147,342

Europe figures include the results of Balumba in Spain, and set up and pre-launch costs relating to AdmiralDirekt (Germany) and the Italian business.

Turnover, comprising total premiums written (including premium underwritten by co-insurers), gross other income and net investment return (as a measure of the combined size of the Group's businesses) continued to grow strongly:

	2007 UK GROUP £000	2007 EUROPE £000	2007 TOTAL £000	2006 UK GROUP £000	2006 EUROPE £000	2006 TOTAL £000
Total premiums written	617,023	14,228	631,251	566,048	560	566,608
Other revenue	174,641	2,237	176,878	131,536	85	131,621
Net investment return	16,662	133	16,795	9,925	-	9,925
Turnover	808,326	16,598	824,924	707,509	645	708,154

A reconciliation of turnover to figures appearing in the income statement is shown at the end of this review.

Overall growth of 16% was made up of an 11% increase in total premium, a 34% rise in other revenue (predominantly ancillary income and Confused.com revenue) and a 69% increase in investment return after a disappointing investment year in 2006. Net revenue in the income statement increased by 17% to £364m.

Balumba (providing all the European figures above) contributed 2% of total turnover.

Underwriting

Underwriting arrangements

During 2007 the Group retained 22.5% (2006: 25%) of UK motor underwriting on a net basis. 60% of the total is underwritten by Great Lakes Reinsurance (UK) Plc (a UK subsidiary of Munich Re) under a long-term co-insurance arrangement. The remaining 17.5% is ceded to two reinsurers – Swiss Re, 10.0% and Partner Re, 7.5%.

The nature of the co-insurance arrangement is such that 60% of all motor premium and claims for the 2007 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.

The Group also retains 35% of the risks generated by Balumba in Spain and AdmiralDirekt in Germany, with 65% being reinsured.

In 2008, the share of the UK motor underwriting retained increases to 27.5% as Great Lakes' share declines by the 5% set out in the revised co-insurance arrangement.

Underwriting results

Total premiums increased by around 11% to £631m from £567m – Balumba accounted for around £14m of this total (having written less than £1m in 2006). The total number of vehicles insured (excluding Gladiator) rose by around 15% to 1.43m from 1.24m. Balumba grew its customer count from around 2,000 to 47,000 at the end of the year.

Vehicle growth exceeded premium growth due in part to lower average premiums in Spain and also in the UK due to mix effects. As noted above, German motor risks sold in the latter part of 2007 do not incept until 2008 and are not included in the premium or results.

Premium rate rises of around 4% have been implemented in the UK and data suggests similar increases have been seen across the market.

Net insurance premium revenue fell marginally to £142m - due to the decrease in the proportion of UK premium retained.

The overall loss ratio improved to 68% - four points down from the 72% reported in 2006. The UK motor ratio improved significantly to 67% from 72%. Balumba's reported loss ratio in its first full year of trading is 141%.

Positive development of prior year reserves continued, and the 2007 result includes releases of almost £30m (up from £21m last year) – improving the loss ratio by around 21 percentage points. The pure year loss ratio (including Balumba) declined to 88% from 86% in 2006.

The UK expense ratio was 16.7%, up 1 percentage point on the previous year, primarily as a result of lower average premiums resulting from changes in the mix of the portfolio. When the Balumba figures are included, the Group expense ratio totals 17.7%.

The expense ratio is reconciled to the figures included in the income statement in note 9 below, whilst the underwriting result is reconciled later in this review.

As a consequence, the Group's combined ratio improved by two points to 85% (87% in 2006). Taken together with the increase in premiums, this resulted in a 32% rise in underwriting profits, to £37.5m from £28.4m.

Part VII transfer

During November 2007, the Group completed the transfer of the remaining liabilities of Syndicate 2004 (through which the Group underwrote UK private motor insurance from 2000 to 2002) into one of its active insurers - Admiral Insurance Company Limited. Whilst the transfer has a number of advantages in terms of simplifying Group structure and administrative requirements, the transfer has not had a material financial impact on the results in 2007.

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.

Around £20.4m was recognised in 2007, which is £0.5m higher than 2006, although as reported last year, the 2006 total included £2.0m relating to earlier year contracts (£0.5m in 2007).

The reinsurance contracts entered into with Munich Re in Spain and Germany also have profit commission clauses, though these require the underwriting results to move into cumulative profitability before any commission will be earned.

Ancillary and other net income

	2007			2006		
	UK GROUP	EUROPE	TOTAL	UK GROUP	EUROPE	TOTAL
	£000	£000	£000	£000	£000	£000
Ancillary profit	75,836	1,767	77,603	66,946	76	67,022
Interest income	7,745	32	7,777	4,539	-	4,539
Instalment income	5,936	47	5,983	5,676	-	5,676
Gladiator Commercial profit	2,000	-	2,000	2,025	-	2,025
	91,517	1,846	93,363	79,186	76	79,262

Ancillary profit & instalment income

This is primarily made up of commissions and fees earned on sales of insurance products and services complementing the motor policy, but which are underwritten by external parties. It continues to be a major component of Group profit.

Net ancillary contribution increased by 16% in 2007 to £78m from £67m, broadly in line with the growth in vehicles insured. Gross UK ancillary income per average active vehicle was £69 for both years, with no notable change in the component elements. Balumba has also been successful in selling ancillary products, with income per policy sold of around £45.

Gladiator Commercial

Gladiator made a contribution to profit of £2m in 2007, consistent with 2006. In a highly competitive market, Gladiator grew market share by increasing its customer base by 44% to 62,000. This was partly as a result of new distribution through price comparison sites, and partly the result of improved conversion from a larger and more comprehensive panel.

Gladiator offered 230,000 quotes in 2007, up 68% on last year. Increased investment in new business growth meant that Gladiator's net margin reduced to 27% from 34% in 2006.

Confused.com

	2007	2006
	£000	£000
Confused.com profit	36,727	23,080

Confused enjoyed another year of significant growth in 2007. Increased media activity (along with the return of large numbers of previous visitors to the site) led to an increase in the total number of insurance quotes provided by Confused of 43%, to 13.0m from 9.1m in 2006. Revenue increased by 81% to £69.2m from £38.5m.

Operating profit rose 59% to £36.7m from £23.1m in 2006.

Confused also increased its share of the home and travel insurance markets by improving market coverage and panel depth, and revenue growth has also been achieved in a number of other general insurance areas including van and motorbike insurance. Home insurance quotes increased by almost 80% to 0.9m from 0.5m, whilst Confused also gave 0.5m travel insurance quotes (up substantially from just over 0.1m last year).

As noted in the Chief Executive's statement, Confused faced a significant increase in the level of competition in the motor insurance price comparison market during 2007. In spite of this, Confused maintained its position as market leader. Advertising spend by the main competitors in this market has grown substantially over the past year and continues to grow into 2008.

International operations

Balumba has completed its first full year of trading and has progressed well. Management are pleased with the development of the business, which has grown ahead of plan and is well positioned to continue to grow market share and move towards profitability. The European figures above show Balumba made a loss of around £0.7m in the year (the net effect of the underwriting loss, offset by ancillary profits).

AdmiralDirekt launched successfully in Cologne, Germany during October, just under one year after Balumba. The German market brings new challenges, not least the large proportion of motor policies that incept 1 January. AdmiralDirekt sold around 9,000 policies in its short period of trading, managing to commence operating in time to target the January renewals. The business will continue to develop its infrastructure over the coming months, building towards the next peak period in Q4 2008.

The Group's Italian motor insurer is expected to launch later in the year. The business, based in Rome, is making made good progress towards launch in all the key areas (management team, premises, IT system, pricing and marketing).

Earnings per share (EPS)

Earnings per share rose 22% to 48.6p from 39.8p in 2006. The difference in the increase compared to pre-tax profit growth (which was 23.5%) is due to the issue of new share capital in the year to the trustees of the Group's share schemes.

Taxation

The taxation charge reported in the income statement is £54.7m (2006: £43.6m) representing 30.0% of pre-tax profit (2006: 29.6%).

Refer to note 13 to the financial statements for further detail on taxation.

Investments and cash

The Group invests its insurance funds in three AAA-rated sterling liquidity funds which have performed very consistently in 2007. Against a background of extreme volatility in other asset classes during the year, the three funds delivered a net return of 5.6%, with the variance between the highest and lowest fund's performance in the year being just 0.1%.

The funds target a 7-day LIBID return with capital security and low volatility and they continue to achieve this.

Of the total Group cash and investments of £491m at the end of the year (2006: £449m), £336m (2006: £258m) was held in these money market funds.

Total investment return and interest income was £24.6m up substantially from the £14.5m earned last year. This increase is due in part to the higher level of cash and investments held, but more to the increase in investment return rates.

Dividends

The Directors propose a final dividend for 2007 of 23.2p per share, which is made up of 11.6p per share normal element, plus 11.6p per share special distribution based on the Group's resources at the end of the year.

The total distribution for 2007 will be 43.8p per share – up 21% on the 36.1p declared in 2006.

Reconciliation of turnover

	2007 £000	2006 £000
Insurance premium revenue	233,075	188,288
Change in gross unearned premium provision	27,826	8,090
Group premiums written	260,901	196,378
Add: co-insurer's share of premium written	370,350	370,230
Total premiums written	631,251	566,608
Other revenue	176,878	131,621
Net investment return	16,795	9,925
Turnover	824,924	708,154

Reconciliation of underwriting profit

	2007 £000	2006 £000
Net insurance premium revenue	142,236	144,955
Net insurance claims	(99,795)	(107,145)
Net expenses related to insurance contracts	(21,734)	(19,384)
Investment return (see note 8)	16,795	9,925
Underwriting profit	37,502	28,351

Reconciliation of loss ratios reported

	2007 £000	2006 £000
Net insurance claims	99,795	107,145
Deduct: claims handling costs	(3,471)	(3,538)
Adjusted net insurance claims	96,324	103,607
Net premium revenue	142,236	144,955
Loss ratio	67.7%	71.5%

Reconciliation of alternative operating ratios

	2007 £000	2006 £000
Profit before tax	182,098	147,342
Income:		
Net insurance premium revenue	142,236	144,955
Other revenue	176,878	131,621
	319,114	276,576
Return on income	**57%**	**53%**

Consolidated income statement (audited)

	Note:	Year ended: 31 December 2007 £000	31 December 2006 £000
Insurance premium revenue		233,075	188,288
Insurance premium ceded to reinsurers		(90,839)	(43,333)
Net insurance premium revenue	5	**142,236**	**144,955**
Other revenue	6	176,878	131,621
Profit commission	7	20,448	19,926
Investment and interest income	8	24,572	14,464
Net revenue		**364,134**	**310,966**
Insurance claims and claims handling expenses		(172,611)	(136,472)
Insurance claims and claims handling expenses recovered from reinsurers		72,816	29,327
Net insurance claims		**(99,795)**	**(107,145)**
Expenses	9	(78,986)	(54,528)
Share scheme charges	9, 25	(2,971)	(933)
Total expenses		**(181,752)**	**(162,606)**
Operating profit		**182,382**	**148,360**
Finance charges	12	(284)	(1,018)
Profit before tax	10	**182,098**	**147,342**
Taxation expense	13	(54,682)	(43,620)
Profit after tax attributable to equity holders of the Company		**127,416**	**103,722**
Earnings per share:			
Basic	15	48.6p	39.8p
Diluted	15	48.6p	39.8p
Dividends declared (total)	14	116,016	70,104
Dividends declared (per share)	14	44.6p	27.0p

Consolidated balance sheet (audited)

	Note	As at: 31 December 2007 £000	31 December 2006 £000
ASSETS			
Property, plant and equipment	16	7,708	7,448
Intangible assets	17	69,063	66,757
Financial assets	18	481,848	395,938
Reinsurance assets	19	131,668	74,689
Deferred income tax	24	1,629	-
Trade and other receivables	20, 18	22,633	16,931
Cash and cash equivalents	21, 18	155,773	191,242
Total assets		**870,322**	**753,005**
EQUITY			
Share capital	25	263	261
Share premium account	26	13,145	13,145
Retained earnings	26	223,828	205,682
Other reserves	26	396	(33)
Total equity attributable to equity holders of the Company		**237,632**	**219,055**
LIABILITIES			
Insurance contracts	19	363,060	294,425
Deferred income tax	24	-	981
Trade and other payables	22, 18	239,593	215,137
Current tax liabilities		30,037	23,407
Total liabilities		**632,690**	**533,950**
Total equity and total liabilities		**870,322**	**753,005**

Consolidated statement of recognised income and expense (audited)

	As at: 31 December 2007 £000	31 December 2006 £000
Exchange differences on translation of foreign operations	429	(50)
Net income / (expense) recognised directly in equity	**429**	**(50)**
Profit for the period	127,416	103,722
Total recognised income and expense for the period	**127,845**	**103,672**

Consolidated cash flow statement (audited)

	Note	31 December 2007 £000	31 December 2006 £000
Profit after tax		**127,416**	**103,722**
Adjustments for non-cash items:			
- Depreciation		3,227	2,489
- Amortisation of software		725	446
- Unrealised gains on investments		(1,123)	(624)
- Share scheme charge	25	5,560	2,667
Loss on disposal of property, plant and equipment and software		6	151
Change in gross insurance contract liabilities		68,635	40,295
Change in reinsurance assets		(56,979)	(20,523)
Change in trade and other receivables, including from policyholders		(14,772)	(23,150)
Change in trade and other payables, including tax and social security		25,506	33,652
Interest expense		284	1,018
Taxation expense		54,682	43,620
Cash flows from operating activities, before movements in investments		**213,167**	**183,763**
Net cash flow into investments held at fair value		(76,849)	(1,073)
Cash flows from operating activities, net of movements in investments		136,318	182,690
Interest payments		(284)	(1,018)
Taxation payments		(49,477)	(40,931)
Net cash flow from operating activities		**86,557**	**140,741**
Cash flows from investing activities:			
Purchases of property, plant and equipment and software		(5,390)	(6,046)
Net cash used in investing activities		**(5,390)**	**(6,046)**
Cash flows from financing activities:			
Repayments of borrowings		-	(22,000)
Capital element of new finance leases		457	1,519
Repayment of finance lease liabilities		(1,506)	(2,970)
Equity dividends paid		(116,016)	(70,104)
Net cash used in financing activities		**(117,065)**	**(93,555)**
Net (increase) / decrease in cash and cash equivalents		**(35,898)**	**41,140**
Cash and cash equivalents at 1 January		191,242	150,152
Effects of changes in foreign exchange rates		429	(50)
Cash and cash equivalents at end of period	**21**	**155,773**	**191,242**

Notes to the 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 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 2007 and comparative figures for the year ended 31 December 2006. 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. The Parent Company financial statements present information about the Company as a separate entity and not about its Group. In accordance with International Accounting Standard (IAS) 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

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

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2007, including all amendments to extant standards that are not effective until later accounting periods, except for those listed below:

- IFRS 8 (Operating Segments); and
- IFRIC 11 (IFRS 2: Group and Treasury Share Transactions')

IFRS 8 becomes effective for the period commencing 1 January 2009, whilst IFRIC 11 will become effective for the period commencing 1 January 2008. The application of either the standard or the interpretation would not have had a material impact on these financial statements.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2007 but have yet to be endorsed by the EU. Of these, only the amendment to IAS 1 (Presentation of financial statements: a revised presentation) is expected to have any impact on the Group's financial statements. This amendment introduces a number of changes to the primary financial statements, but does not change the recognition, measurement or disclosure of transactions or events that are required by other IFRS.

The following IFRS have been adopted and applied by the Group for the first time in these financial statements:

- IFRS 7 (Financial instruments: Disclosure); and
- Amendment to IAS 1 (Capital disclosures)

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

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed if this revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

2. Critical accounting judgements and estimates

Judgements:

In applying the Group's accounting policies as described in note 3, management has primarily applied judgement in the classification of the Groups contracts with reinsurers as quota share 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 the contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make these judgements.

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. They include allowance for unreported claims.

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

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

3. Significant accounting policies

a) Revenue recognition

Premiums, ancillary income and profit commission:

Premiums relating to insurance contracts are recognised as revenue proportionally over the period of cover.

Income earned on the sale of ancillary products and income from policies paid by instalments is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining contractual obligations, the income is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of ancillary amounts charged.

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

Income is allocated to profit commission in the income statement when the right to consideration is achieved, and is capable of reliable measurement.

Revenue from Gladiator Commercial and Confused.com:

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

Investment income:

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

b) Segment reporting

The Group's primary format for segment reporting is business segments. There is no secondary segment. A business segment is defined as a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from other business segments.

For the Group, the risks and returns of its insurance broking activities, namely Gladiator Commercial and Confused.com, are clearly distinguishable from its motor insurance segment. This is reflected in the Group's management and organisation structure and internal financial reporting systems.

Management classify the private motor insurance underwriting and private motor insurance ancillary income results as one business segment (private motor insurance). This is because although the results are distinguishable between underwriting and non-underwriting, the activities carried out in generating the income are not independent of each other and are carried on as one business. This mirrors the approach in management reporting.

c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Translation of financial statements of foreign branches

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

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

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

d) Insurance contracts and reinsurance assets

Premium:

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 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 each 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 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 an insurance or reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

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

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

e) Intangible assets

Goodwill:

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

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption).

In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IFRS 3.

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

The Goodwill held on the balance sheet at 31 December 2007 is allocated solely to the private motor insurance segment.

Impairment of goodwill:

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

The recoverable amount is the greater of the net realisable value and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cashflow projections in the value in use calculations is 10.3%, based on the Group's weighted average cost of capital.

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.

Deferred acquisition costs:

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

Software:

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

f) Property, plant and equipment and depreciation

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

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

Impairment of property, plant and equipment

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

g) Leased assets

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

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

h) Financial assets – investments and receivables

Financial assets are classified according to the purpose for which they were acquired. The Group's investments in money market liquidity funds are designated as financial assets at fair value through profit or loss (FVTPL) at inception.

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

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

Receivables are stated at their historic cost (discounted if material) unless they are impaired. Impairment losses are recognised through the income statement.

i) 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.

j) Share capital

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

k) Loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the life of the borrowings on an effective interest basis.

l) Employee benefits

Pensions:

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

Employee share schemes:

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

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

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

Refer to note 25 for further details on share schemes.

m) Taxation

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

Current tax:

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

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 are expected to apply in the period when the liability is settled or the asset is realised.

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

The principal temporary differences arise from depreciation of property and equipment, share scheme charges and the tax treatment of Lloyd's profits. 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.

o) Government grants

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

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

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

4. Segment reporting

Revenue and results for the year ended 31 December 2007, split by business segment are shown below. Consolidation adjustments represent the elimination of inter–segment trading, specifically interest charged on inter-company loans.

As noted above, the Directors consider there to be two business segments. These are private motor insurance and insurance broking (Confused.com and Gladiator Commercial). No geographical business split has been presented as the results of the Group's European operations are not material to the 2007 figures.

	31 December 2007			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Net revenue	286,451	77,683	-	364,134
Profit after tax	99,644	27,772	-	127,416
Other segment items:				
Depreciation	3,011	216	-	3,227
Amortisation	9,174	-	-	9,174

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year are as follows. Consolidation adjustments represent the elimination of inter-company balances.

	31 December 2007			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Total assets excluding deferred tax balances	842,742	27,722	(1,771)	868,693
Total liabilities excluding current and deferred tax balances	597,647	6,778	(1,771)	602,654
Capital expenditure:				
Intangible assets	11,480	-	-	11,480
Plant, property and equipment	3,099	394	-	3,493

Revenue and results for the corresponding business segments for the year ended 31 December 2006 are reported below.

	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

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year are as follows.

	31 December 2006			
	Private motor insurance £000	Insurance broking £000	Consolidation adjustment £000	Group £000
Total assets	736,160	18,780	(1,935)	753,005
Total liabilities excluding current and deferred tax balances	506,426	5,071	(1,935)	509,562
Capital expenditure:				
Intangible assets	6,764	-	-	6,764
Plant, property and equipment	5,088	364	-	5,452

5. Net insurance premium revenue

	31 December 2007 £000	31 December 2006 £000
Total motor insurance premiums before co-insurance	631,251	566,608
Group gross premiums written after co-insurance	260,901	196,378
Outwards reinsurance premiums	(119,049)	(57,731)
Net insurance premiums written	141,852	138,647
Change in gross unearned premium provision	(27,826)	(8,090)
Change in reinsurers' share of unearned premium provision	28,210	14,398
Net insurance premium revenue	142,236	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.

6. Other revenue

	31 December 2007 £000	31 December 2006 £000
Ancillary revenue	94,216	81,527
Revenue from Confused.com	69,159	38,517
Instalment income earned	5,983	5,676
Revenue from Gladiator Commercial	7,520	5,901
Total other revenue	176,878	131,621

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

7. Profit commission

	31 December 2007 £000	31 December 2006 £000
Total profit commission	20,448	19,926

8. Investment and interest income

	31 December 2007 £000	31 December 2006 £000
Net investment return	16,795	9,925
Interest receivable	7,777	4,539
Total investment and interest income	24,572	14,464

9. Expenses and share scheme charges

	31 December 2007			31 December 2006		
	Insurance contracts £000	Other £000	Total £000	Insurance contracts £000	Other £000	Total £000
Acquisition of insurance contracts	8,420	-	8,420	7,375	-	7,375
Administration and other marketing costs	13,314	57,252	70,566	12,009	35,144	47,153
Expenses	21,734	57,252	78,986	19,384	35,144	54,528
Share scheme charges	-	2,971	2,971	-	933	933
Total expenses and share scheme charges	21,734	60,223	81,957	19,384	36,077	55,461

Analysis of other administration and other marketing costs:

	31 December 2007 £000	31 December 2006 £000
Ancillary sales expenses	16,613	14,505
Confused.com operating expenses	32,432	15,437
Gladiator Commercial operating expenses	5,520	3,876
Central overheads	2,687	1,326
Total	57,252	35,144

The £13,314,000 (2006: £12,009,000) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

The gross amount of expenses, before recoveries from co-insurers and reinsurers is £167,773,000 (2006: £122,343,000). This amount can be reconciled to the total expenses and share scheme charges above of £81,957,000 (2006: £55,461,000) as follows:

	31 December 2007 £000	31 December 2006 £000
Gross expenses	167,773	122,343
Co-insurer share of expenses	(66,430)	(59,075)
Expenses, net of co-insurer share	101,343	63,268
Adjustment for deferral of acquisition costs	(3,687)	(1,044)
Expenses, net of co-insurer share (earned basis)	97,656	62,224
Reinsurer share of expenses (earned basis)	(15,699)	(6,763)
Total expenses and share scheme charges	81,957	55,461

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

	31 December 2007 £000	31 December 2006 £000
Insurance contract expenses from above	21,734	19,384
Add: claims handling expenses	3,471	3,538
Adjusted expenses	25,205	22,922
Net insurance premium revenue	142,236	144,955
Reported expense ratio	17.7%	15.8%

10. Staff costs and other expenses

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

	31 December 2007 £000	31 December 2006 £000
Salaries	45,022	36,083
Social security charges	6,231	3,337
Pension costs	588	517
Share scheme charges (see note 25)	5,560	2,667
Total staff expenses	57,401	42,604

Depreciation charge:		
- Owned assets	2,127	1,009
- Leased assets	1,100	1,480
Amortisation charge:		
- Software	725	446
- Deferred acquisition costs	8,449	6,062
Operating lease rentals:		
- Buildings	3,018	3,292
Auditor's remuneration:		
- Fees payable for the audit of the Company's annual accounts	25	19
- Fees payable for the audit of the Company's subsidiary accounts	169	154
- Fees payable for other services	85	60
Loss on disposal of property, plant and equipment	6	151
Net foreign exchange gains	171	-

Analysis of fees paid to the auditor for other services:

Tax services	85	45
Other services	-	15
Total as above	85	60

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

11. Staff numbers (including Directors)

	Average for the year 2007 Number	2006 Number
Direct customer contact staff	1,839	1,593
Support staff	525	404
Total	2,364	1,997

12. Finance charges

	31 December 2007 £000	31 December 2006 £000
Term loan interest	-	166
Finance lease interest	243	481
Letter of credit charges	41	221
Other interest payable	-	150
Total finance charges	284	1,018

13. Taxation

	31 December 2007 £000	31 December 2006 £000
UK Corporation tax		
Current charge at 30%	56,194	45,430
Over provision relating to prior periods – corporation tax	(87)	(648)
Current tax charge	56,107	44,782
Deferred tax		
Current period deferred taxation movement	(1,422)	(1,249)
(Over) / Underprovision relating to prior periods – deferred tax	(3)	87
Total tax charge per income statement	54,682	43,620

Factors affecting the tax charge are:

	31 December 2007 £000	31 December 2006 £000
Profit before taxation	182,098	147,342
Corporation tax thereon at 30%	54,629	44,203
Adjustments in respect of prior year insurance technical provisions	-	17
Expenses and provisions not deductible for tax purposes	178	114
Other differences	(36)	(153)
Adjustments relating to prior periods	(89)	(561)
Tax charge for the period as above	54,682	43,620

14. Dividends

Dividends were declared and paid as follows.

	31 December 2007 £000	31 December 2006 £000
March 2006 (14.9p per share, paid May 2006)	-	38,667
September 2006 (12.1p per share, paid October 2006)	-	31,437
March 2007 (24.0p per share, paid May 2007)	62,412	-
September 2007 (20.6p per share, paid October 2007)	53,604	-
Total dividends	116,016	70,104

The dividends declared in March represent the final dividends paid in respect of the 2006 and 2005 financial years. Dividends declared in September are interim distributions in respect of 2007 and 2006.

A final dividend of 23.2p per share has been proposed in respect of the 2007 financial year. Refer to the Chairman's statement and financial review for further detail.

15. Earnings per share

	31 December 2007	31 December 2006
Profit for the financial year after taxation (£000s)	127,416	103,722
Weighted average number of shares – basic	261,981,843	260,632,740
Unadjusted earnings per share – basic	48.6p	39.8p
Weighted average number of shares – diluted	262,291,843	260,906,740
Unadjusted earnings per share – diluted	48.6p	39.8p

The difference between the basic and diluted number of shares at the end of 2007 (being 310,000) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 25 for further detail.

16. 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	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 1 January 2006	252	3,931	303	142	8	4,636
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	413	2,129	781	170	-	3,493
Disposals	-	(6)	-	(3)	-	(9)
At 31 December 2007	2,746	13,314	4,950	1,979	12	23,001
Depreciation						
At 1 January 2007	648	7,348	2,716	1,350	7	12,069
Charge for the year	577	1,858	611	178	3	3,227
Disposals	-	(2)	-	(1)	-	(3)
At 31 December 2007	1,225	9,204	3,327	1,527	10	15,293
Net book amount						
At 31 December 2007	1,521	4,110	1,623	452	2	7,708

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

	31 December 2007 £000	31 December 2006 £000
Computer equipment	2,149	2,996

17. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£000	£000	£000	£000
Carrying amount:				
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	62,354	3,445	958	66,757
Additions	-	9,584	1,896	11,480
Amortisation charge	-	(8,449)	(725)	(9,174)
At 31 December 2007	62,354	4,580	2,129	69,063

18. Financial instruments

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

	31 December 2007	31 December 2006
Financial assets:	£000	£000
Investments held at fair value	335,608	257,634
Receivables – amounts owed by policyholders	146,240	138,304
Total financial assets per consolidated balance sheet	481,848	395,938
Trade and other receivables	22,633	16,931
Cash and cash equivalent	155,773	191,242
	660,254	604,111
Financial liabilities:		
Trade and other payables	239,593	215,137

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

All investments held at fair value are invested in money market liquidity funds.

19. Reinsurance assets and insurance contract liabilities

A) Sensitivity of recognised amounts to changes in assumptions:

The following table sets out the impact on equity at 31 December 2007 that would result from a 1 per cent change in the loss ratios used for each underwriting year for which material amounts remain outstanding.

	UNDERWRITING YEAR					TOTAL
	2003	2004	2005	2006	2007	
Loss ratio	56.0%	62.5%	74.0%	86.0%	89.0%	
Impact of 1% change (£000s)	1,214	1,552	2,017	1,822	529	7,134

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.

B) Analysis of recognised amounts:

	31 December 2007 £000	31 December 2006 £000
Gross:		
Claims outstanding	242,576	202,421
Unearned premium provision	120,484	92,004
Total gross insurance liabilities	363,060	294,425
Recoverable from reinsurers:		
Claims outstanding	76,055	47,710
Unearned premium provision	55,613	26,979
Total reinsurers' share of insurance liabilities	131,668	74,689
Net:		
Claims outstanding	166,521	154,711
Unearned premium provision	64,871	65,025
Total insurance liabilities – net	231,392	219,736

C) Analysis of re-estimation of claims provisions:

The following tables set out the cumulative impact, to 31 December 2007, of the retrospective re-estimation of claims provisions initially established at the end of the financial years stated. Figures are shown gross and net of reinsurance. These tables present data on an accident year basis.

Gross amounts:	Financial year ended 31 December				
	2003	2004	2005	2006	2007
	£000	£000	£000	£000	£000
Gross claims provision as originally estimated	115,169	142,968	170,216	202,421	242,576
Provision re-estimated as of:					
One year later	111,599	137,075	162,205	192,283	-
Two years later	105,748	127,613	149,317	-	-
Three years later	100,880	119,625	-	-	-
Four years later	97,850	-	-	-	-
Five years later	-	-	-	-	-
As re-estimated at 31 December 2007	97,850	119,625	149,317	192,283	-
Gross cumulative overprovision	(17,319)	(23,343)	(20,899)	(10,138)	-

Net amounts:	Financial year ended 31 December				
	2003	2004	2005	2006	2007
	£000	£000	£000	£000	£000
Net claims provision as originally estimated	75,549	98,120	128,631	154,711	166,521
Provision re-estimated as of:					
One year later	72,579	93,910	122,423	146,435	-
Two years later	67,726	87,761	111,964	-	-
Three years later	63,954	82,004	-	-	-
Four years later	61,620	-	-	-	-
Five years later	-	-	-	-	-
As re-estimated at 31 December 2007	61,620	82,004	111,964	146,435	-
Net cumulative overprovision	(13,929)	(16,116)	(16,667)	(8,276)	-

D) Analysis of net claims provision 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.

	Financial year ended 31 December				
	2003	2004	2005	2006	2007
	£000	£000	£000	£000	£000
Underwriting year:					
2000	5,176	1,480	370	1,110	740
2001	7,938	2,967	5,043	1,879	1,483
2002	2,975	3,229	5,166	2,260	1,292
2003	-	1,513	4,622	5,084	3,235
2004	-	-	2,076	7,948	7,589
2005	-	-	-	2,623	12,545
2006	-	-	-	-	2,588
Total net release	16,089	9,189	17,277	20,904	29,472
Net premium revenue	79,327	107,501	139,454	144,955	142,236
Release as % of net premium revenue	20.3%	8.5%	12.4%	14.4%	20.7%

E) Reconciliation of movement in net claims provision:

	31 December 2007 £000	31 December 2006 £000
Net claims provision at start of period	154,711	128,631
Net claims incurred	96,324	103,607
Net claims paid	(84,514)	(77,527)
Net claims provision at end of period	166,521	154,711

F) Reconciliation of movement in net unearned premium provision:

	31 December 2007 £000	31 December 2006 £000
Net unearned premium provision at start of period	65,025	71,333
Written in the period	141,851	138,647
Earned in the period	(142,005)	(144,955)
Net unearned premium provision at end of period	64,871	65,025

20. Trade and other receivables

	31 December 2007 £000	31 December 2006 £000
Trade receivables	20,747	14,982
Prepayments and accrued income	1,886	1,949
Total trade and other receivables	22,633	16,931

21. Cash and cash equivalents

	31 December 2007 £000	31 December 2006 £000
Cash at bank and in hand	150,902	164,989
Cash on short term deposit	4,871	26,253
Total cash and cash equivalents	155,773	191,242

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.

22. Trade and other payables

	31 December 2007 £000	31 December 2006 £000
Trade payables	5,960	4,601
Amounts owed to co-insurers and reinsurers	134,659	124,238
Finance leases due within 12 months	345	1,337
Finance leases due after 12 months	4	61
Other taxation and social security liabilities	8,557	4,742
Other payables	15,545	13,708
Accruals and deferred income (see below)	74,523	66,450
Total trade and other payables	239,593	215,137

Analysis of accruals and deferred income:

	31 December 2007 £000	31 December 2006 £000
Premium receivable in advance of policy inception	38,477	31,772
Accrued expenses	26,948	25,456
Deferred income	9,098	9,222
Total accruals and deferred income as above	74,523	66,450

23. Obligations under finance leases

Analysis of finance lease liabilities:

	At 31 December 2007			At 31 December 2006		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	£000	£000	£000	£000	£000	£000
Less than one year	360	15	345	1,383	46	1,337
Between one and five years	4	-	4	63	2	61
More than five years	-	-	-	-	-	-
	364	15	349	1,446	48	1,398

The average term of leases outstanding is two years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

24. Deferred income tax (asset) / liability

	31 December 2007	31 December 2006
	£000	£000
Brought forward at start of period	981	3,550
Movement in period	(2,610)	(2,569)
Carried forward at end of period	(1,629)	981

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

Analysis of net deferred tax (asset) / liability:	31 December 2007	31 December 2006
	£000	£000
Tax treatment of Lloyd's Syndicates	541	1,936
Tax treatment of share scheme charges	(2,091)	(853)
Capital allowances	126	149
Other differences	(205)	(251)
Deferred tax (asset) / liability at end of period	(1,629)	981

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

Amounts credited to income or expense:	31 December 2007 £000	31 December 2006 £000
Tax treatment of Lloyd’s Syndicates	1,395	1,880
Tax treatment of share scheme charges	53	(239)
Capital allowances	23	(541)
Other differences	(46)	62
Net deferred tax credited to income	1,425	1,162

The closing deferred tax balance reflects the change in UK corporation tax rate from 30% to 28% which becomes effective on 1 April 2008. The change in rate does not have a significant impact on the value of the asset.

25. Share capital

	31 December 2007 £000	31 December 2006 £000
Authorised:		
500,000,000 ordinary shares of 0.1p	500	500
Issued, called up and fully paid:		
262,721,426 ordinary shares of 0.1p	263	-
261,186,599 ordinary shares of 0.1p	-	261
	263	261

During 2007, 1,534,827 new ordinary shares of 0.1p were issued to the trusts administering the Group’s share schemes.

570,827 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.

964,000 were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary free share scheme. The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	31 December 2007 £000	31 December 2006 £000
SIP charge (note i)	1,268	495
DFSS charge (note ii)	1,703	438
Total share scheme charges	2,971	933

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross charge reported in note 10 (2007: £5,560,000, 2006: £2,667,000) and the gross credit to reserves reported in note 26.

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

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

Eligible employees qualify for awards under the SIP based upon the performance of the Group in each half-year against budget. The current maximum award for each half-year amounts to 600,000 shares (or a maximum annual award of £3,000 per employee if smaller).

The awards are made with reference to the Group’s performance against its budget. Employees must remain in employment for the holding period (three years from the date of award), otherwise the shares will be 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 scheme, details of which are contained in the remuneration report, individuals receive an award of free shares at no charge. A total of 1,645 employees received awards under this scheme during 2007. Staff must remain in employment until the vesting date in order to receive the shares. The maximum number of shares that can vest relating to the 2007 scheme is 964,000.

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 DFSS 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 (as stated in the remuneration report).

Number of free share awards committed at 31 December 2007:

	Awards outstanding (*1)	Vesting date
SIP H105 scheme	581,565	September 2008
SIP H205 scheme	330,306	March 2009
SIP H106 scheme	316,328	September 2009
SIP H206 scheme	224,808	April 2010
SIP H107 scheme	346,019	September 2010
SIP H207 scheme	310,000	April 2011
DFSS 2005 scheme	685,000	June 2008
DFSS 2006 scheme, 1st award	604,187	April 2009
DFSS 2006 scheme, 2nd award	77,248	September 2009
DFSS 2007 scheme	964,000	June 2010
Total awards committed	4,439,461	

*1 – being the maximum number of awards expected to be made before accounting for expected staff attrition. Of the 4,439,461 share awards outstanding above, 4,129,461 have been issued to the trusts administering the schemes, and are included in the issued share capital figures above.

26. 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
As 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	-	-	-	-	127,416	127,416
Dividends	-	-	-	-	(116,016)	(116,016)
Issues of share capital	2	-	-	-	-	2
Currency translation differences	-	-	-	429	-	429
Share scheme charges	-	-	-	-	5,560	5,560
Deferred tax credit on share scheme charges	-	-	-	-	1,186	1,186
As at 31 December 2007	263	13,145	17	379	223,828	237,632

The capital redemption reserve arose in 2002 on the redemption of shares previously in issue at below par.

The foreign exchange reserve represents the net gains or losses on translation of the Group's net investment in foreign operations.

27. Financial commitments

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

Operating leases expiring:	31 December 2007 £000	31 December 2006 £000
Within one years	-	-
Within two to five years	2,139	-
Over five years	27,357	33,425
Total commitments	29,496	33,425

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

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

	31 December 2007 £000	31 December 2006 £000
Expenditure contracted to	489	1,539

28. Related party transactions

There were no related party transactions occurring during 2007 that require disclosure. Details relating to the remuneration and shareholdings of key management personnel are set out in the remuneration report, which will be included in the statutory accounts referred to below. No key management personnel sit outside of the Board of Directors. 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%.

29. Non-statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2007 or 2006. Statutory accounts for 2006 have been delivered to the registrar of companies and those for 2007 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

30. Annual Report

The Company's annual report and accounts for the year ended 31 December 2007 is expected to be posted to shareholders by 7 April 2008. Copies of both this announcement and the annual report and accounts will be available to the public at the Company's registered office at Capital Tower, Greyfriars Road, Cardiff CF10 3AZ and through the Company's website at www.admiralgroup.co.uk.

Consolidated financial summary

Basis of preparation:

The 2007, 2006, 2005 and 2004 figures below are as stated in the financial statements preceding this financial summary and issued previously. Only selected lines from the income statement and balance sheet have been included.

Figures for 2003 have not been restated under IFRS, although have been reclassified into the formats used in these financial statements.

Income statement

	IFRS				UK GAAP
	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Total motor premiums	**631.3**	**566.6**	**533.6**	**470.4**	**371.6**
Net insurance premium revenue	142.2	145.0	139.5	107.5	79.3
Other revenue	176.9	131.6	93.4	69.5	50.8
Profit commission	20.5	19.9	14.7	21.7	1.4
Investment and interest income	24.6	14.5	15.5	11.9	6.8
Net revenue	**364.2**	**311.0**	**263.1**	**210.6**	**138.3**
Net insurance claims	(99.8)	(107.1)	(100.5)	(74.3)	(43.5)
Total expenses	(82.0)	(55.5)	(40.9)	(28.9)	(34.4)
Operating profit	**182.4**	**148.4**	**121.7**	**107.4**	**60.4**

Balance sheet

	IFRS				UK GAAP
	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Property, plant and equipment	7.7	7.5	4.6	3.3	5.8
Intangible assets	69.1	66.8	66.5	66.5	62.4
Financial assets	481.8	395.9	378.7	300.7	241.6
Reinsurance assets	131.7	74.7	54.2	66.1	56.7
Deferred income tax	1.6	-	-	-	-
Trade and other receivables	22.6	16.9	9.4	16.7	12.5
Cash and cash equivalents	155.8	191.2	150.2	119.3	70.1
Total assets	**870.3**	**753.0**	**663.6**	**572.6**	**449.1**
Equity	**237.6**	**219.1**	**181.4**	**144.6**	**108.1**
Insurance contracts	363.1	294.4	254.1	216.1	174.8
Financial liabilities	-	-	22.0	33.1	35.4
Provisions for other liabilities and charges	-	-	-	-	11.7
Deferred income tax	-	1.0	3.6	4.8	6.4
Trade and other payables	239.6	215.1	182.9	164.3	104.0
Current tax liabilities	30.0	23.4	19.6	9.7	8.7
Total liabilities	**870.3**	**753.0**	**663.6**	**572.6**	**449.1**