ADMIRAL GROUP PLC

2005 INTERIM FINANCIAL STATEMENTS

Admiral Group plc Results for the six months ended 30 June 2005

6 September 2005

Admiral Group plc ("Admiral", or "the Group") today announces its results for the six months ended 30 June 2005.

2005 H1 Highlights

- Core profit* up 17% at £56.9 million (2004 H1: £48.6 million)
- Group turnover up 19% at £319.3 million (2004 H1: £269.3 million)
- Total motor premiums written up 15% at £268.5 million (2004 H1: £233.3 million)
- Net income from products and services not underwritten by the Group up 38% at £36.5 million (2004 H1: £26.5 million)
- Active customers at period-end up 5% to 1,057,000 from 1,008,000 at 31 December 2004 and up 16% from the 911,000 customers at 30 June 2004
- Underwriting ratios:

	H1 05	FY 04	H2 04	H1 04
Loss ratio	71.6%	67.0%	69.6%	63.9%
Expense ratio	14.9%	15.0%	16.3%	13.6%
Combined ratio	86.5%	82.0%	85.8%	77.5%

- Interim dividend of 9.7p per share, payable 5 October 2005 – includes special element of 2.9p per share

* Core profit is operating profit less charges for staff share schemes and bonuses paid in lieu of dividends. 2004's comparatives exclude £6 million of profit commission from Great Lakes accounted for in 2004 but relating to premiums earned in 2003. A reconciliation of this figure to the income statement is set out below.

Chief Executive's statement

Not surprisingly, we're very pleased with our results for the first half of 2005. Not only did we make a record core profit (£56.9m) but we did this in an environment of declining market profitability. Furthermore, we raised our rates in this period and yet we were still able to grow our premium income and customer numbers.

As noted in our recent trading statement, this is still a cyclical market and we are in the poorer part of the cycle. This has been independently reconfirmed by actuarial analysis of the industry's 2004 regulatory returns. There is nothing that has occurred since our trading statement that leads us to believe that the market will not be cyclical or that we are anywhere but in the declining part of the cycle. We continue to hold the view, however, that the cyclical pattern has changed and that the cycle will be less volatile and less severe than previous cycles.

In the short term, we plan to maintain a significant combined ratio advantage over the market average and continue to grow our book of business. As part of our longer-term strategy we continue to investigate opportunities for business outside the UK.

The board has declared a normal interim dividend of 6.8p per share, amounting to £17.5m, 45% of post tax profits. Also, the board has reviewed the amount of cash in the business, as we previously said we would do, and as a result of this review the board has decided to declare a special dividend of 2.9p per share, amounting to £7.5m, making the total interim dividend £25m, 9.7p per share.

Financial review

Key financial highlights

Core profit increased by 17% from £48.6m in H1 2004 to £56.9m. Core profit is used by the directors to measure the underlying profitability of the Group, and a reconciliation of this measure to the income statement is set out later in this section. Core profit is split into three to reflect the key components of the Group's business:

Analysis of core profit	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Underwriting profit	14,730	14,452	27,969
Profit commission (*1)	5,666	7,732	15,679
Net other income	36,476	26,462	56,916
Core profit	56,872	48,646	100,564

*1: 2004 comparatives both adjusted to deduct £5,994,000 of profit commission recognised in the 2004 results, but relating to premium earned in 2003.

As shown below, the Group increased turnover by 19% in H1 2005, from £269.3m to £319.3m. All components of turnover achieved double-digit growth and are reviewed in more detail below.

Analysis of Group turnover	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Total premiums written	268,462	233,297	470,400
Gross other income	44,769	33,180	69,457
Net investment return	6,087	2,792	8,135
Group turnover	319,318	269,269	547,992

Underwriting business review

Underwriting structure

The Group's underwriting structure is as follows:

65% of the business continues to be taken by Great Lakes under the long-term co-insurance contract.

35% of the business is underwritten by the Group through Admiral Insurance (Gibraltar) Limited and Admiral Insurance Company Limited. 10% (of the total business) is ceded via quota share contracts that qualify for deductions in required solvency capital.

Of the 10%, 5% is ceded to Axis Re under a contract covering 2005 and 2006 and 5% is ceded to Gen Re for 2005 only.

In accordance with accounting guidelines, the Gen Re contract has not been accounted for as reinsurance in the financial statements. This has the effect (for contracts incepted in 2005 only) of grossing-up premiums and claims retained by the Group to a net 30%.

Underwriting results

As reported previously, The Group decreased the rate of total premium growth during H1 2005 by implementing premium rate increases. In line with plans, total premiums written increased by 15% to £268.5m, with average premium rates around 3% higher than at the end of 2004. Market premium rates in the first half of the year were broadly flat.

The closing policy-count (being the number of active policies on risk) at the end of June 2005 was 1,057,000, up 5% from 1,008,000 at December 2004 and 16% on the 911,000 policies at the end of June 2004.

The loss ratio for the half-year (excluding claims handling costs) was 71.6%, compared to 69.6% in the second half of 2004 and 67.0% in the full financial year.

Back year claims reserve releases included in the income statement amount to £5.2m, or 8.1% of net premium revenue. This compares to £5.2m in H1 2004 (10.3% of net premium revenue) and £9.2m for the full 2004 year (8.5% of net premium revenue). A table analysing historical reserve release patterns is set out in note 18 below.

The H1 2005 expense ratio (including claims handling expenses) was 14.9%, up from 13.6% in H1 2004 and consistent with 15.0% in the full year.

The Group's combined ratio, being the aggregate of the loss and expense ratios equated to 86.5% in H1 2005, compared to 77.5% in the first half of 2004 and 82.0% for the full year. For comparison, analysis of insurers' regulatory returns shows the private motor market's combined ratio for 2004 was over 100%.

Profit commission

The Group continues to earn profit commission from both the co-insurance and reinsurance contracts to which it is party.

Amounts recognised:

	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Total profit commission recognised	5,666	13,725	21,673
Great Lakes 2003 adjustment	-	(5,993)	(5,994)
Adjusted profit commission	5,666	7,732	15,679

The amounts recognised in the 2005 year to date are lower than for the comparative period due to the higher loss ratio on the more recent underwriting years, reflecting the development of the cycle.

Net other income

This can be further analysed as follows:

	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Ancillary contribution	29,630	23,491	48,493
Instalment income	1,657	1,210	2,603
Gladiator Commercial contribution	900	773	1,756
Net Inspop.com Limited contribution	2,314	(140)	1,283
Interest receivable	2,268	1,242	3,348
Other Group overheads	(293)	(114)	(567)
Net other income	36,476	26,462	56,916

Ancillary contribution continues to comprise the bulk of this source of profit, showing an increase of 26% between half-years from £23.5m to £29.6m. Gross ancillary revenue per policy sold was £56 in the first-half of 2005, compared to £50 in the equivalent period last year and £51 for the full year 2004.

Financial investments and cash

Total cash plus financial investments can be broken down as follows:

	Period end:		
	June 2005	June 2004	Dec 2004
Liquid funds in underwriting companies:	£000	£000	£000
Government and sovereign bond holdings	68,188	20,329	42,980
Corporate bonds and similar instruments	179,330	117,263	160,438
Deposits with credit institutions	21,799	25,862	31,070
Cash at bank	46,711	51,109	38,035
	316,028	214,563	272,523
Liquid funds held outside underwriting companies:			
Cash at bank	50,666	57,718	50,096
	366,694	272,281	322,619

The Group has increased its total cash plus invested funds by 14% since the end of 2004 and by 35% since the end of the equivalent six-month period in 2004. This is after distributions to shareholders of £37.8m in the second half of 2004 and £24.0m in 2005 to date.

The Group's net investment return rose sharply in the first half of 2005 – up by 118% from £2.8m in H1 2004 to £6.1m in H1 2005 (£8.1m in the full year 2004). The increase reflected the positive impact on fixed income securities resulting from changes in the market's view of future interest rates.

There have been no changes to the Group's investment strategy, with funds continuing to be invested in government and high quality corporate bonds.

Dividends

The directors have declared an interim dividend of 9.7p per share. This figure includes a regular interim dividend (based on the established policy of distributing a minimum of 45% of post-tax profits) of 6.8p along with a special element of 2.9p per share, reflecting surplus cash available at the balance sheet date.

The dividend is payable on 5 October 2005, the ex-dividend date being 14 September 2005 and the record date 16 September 2005.

International financial reporting standards (IFRS)

These interim financial statements are the first results published by the Group under IFRS. As noted in the 2004 Annual Report, the only significant impacts on the income statement are the cessation of goodwill amortisation, the valuation of financial investments at bid as opposed to mid-market price, and the inclusion of dividends in the retained profits of the period in which they were declared as opposed to allocated.

A section of the financial statements (note 3) is devoted to explaining the transition and includes reconciliations of profit and equity for the 2004 comparative periods included in the financial statements.

The changes have no impact on the Group's ability to pay dividends.

Reconciliation of profit before tax to core profit

	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Profit before tax	55,587	54,654	104,906
Add back: bonuses paid in lieu of dividends	-	3,361	3,345
Add back / (deduct) share scheme charges	125	(4,602)	(4,144)
Add back: finance charges	1,160	1,227	2,451
Deduct: 2003 profit commission adjustment	-	(5,994)	(5,994)
Core profit	56,872	48,646	100,564

Reconciliation of loss ratios reported:

	Six months to June 2005 £000	Six months to June 2004 £000	Year ended Dec 2004 £000
Net insurance claims from income statement	47,294	33,357	74,272
Deduct; claims handling costs (*1)	(1,611)	(1,400)	(2,352)
Adjusted net insurance claims	45,683	31,957	71,920
Net premium revenue	63,833	50,049	107,501
Loss ratio	71.6%	63.9%	67.0%

*1 Claims handling costs are allocated to insurance related expenses in calculating ratios

Consolidated income statement

	Note	6 months ended 30 June 2005 £000	6 months ended 30 June 2004 £000	Year ended 31 December 2004 £000
Insurance premium revenue		84,865	70,787	151,864
Insurance premium ceded to reinsurers		(21,032)	(20,738)	(44,363)
Net insurance premium revenue	4	**63,833**	**50,049**	**107,501**
Other revenue	7	44,769	33,180	69,457
Investment and interest income	6	8,355	4,411	11,884
Profit commission	5	5,666	13,725	21,673
Net revenue		**122,623**	**101,365**	**210,515**
Insurance claims and claims handling expenses		(61,334)	(45,845)	(102,604)
Insurance claims and claims handling expenses recovered from reinsurers		14,040	12,488	28,332
Net insurance claims		**(47,294)**	**(33,357)**	**(74,272)**
Total operating expenses	8	(18,457)	(16,729)	(33,030)
Share scheme charges	25	(125)	4,602	4,144
Total expenses		**(65,876)**	**(45,484)**	**(103,158)**
Operating profit		**56,747**	**55,881**	**107,357**
Finance charges	11	(1,160)	(1,227)	(2,451)
Profit before tax	9	**55,587**	**54,654**	**104,906**
Taxation expense	12	(16,316)	(16,601)	(14,400)
Profit after tax attributable to equity holders of the Company		**39,271**	**38,053**	**90,506**
Dividends declared (total)	13	24,049	14,179	51,996
Dividends declared (per share)	13	9.3p	5.5p	20.1p
Earnings per share:	14			
Basic		15.2p	14.7p	35.0p
Diluted		15.1p	14.7p	35.0p

All results relate to continuing operations.

Refer to notes 1 and 3 for an explanation of the transition from UK GAAP to IFRS.

Also refer to basis of preparation and significant accounting policies sections below.

Consolidated balance sheet

	Note	As at: 30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
ASSETS				
Property, plant and equipment	15	2,986	3,625	3,349
Intangible assets	16	66,754	66,749	66,467
Financial assets	17	366,875	234,240	300,722
Reinsurance assets	18	60,699	61,338	66,137
Trade and other receivables	20	29,604	27,081	16,739
Cash and cash equivalents	19	119,176	134,689	119,201
Total assets		**646,094**	**527,722**	**572,615**
EQUITY				
Share capital	25	259	25	259
Retained earnings	26	146,435	116,269	131,213
Other reserves	26	13,519	15,746	13,162
Total equity		**160,213**	**132,040**	**144,634**
LIABILITIES				
Insurance contracts	18	241,628	195,255	216,107
Financial liabilities	21	29,471	33,072	33,122
Provisions for other liabilities and charges	22	-	7,137	-
Trade and other payables	23	190,066	137,133	164,329
Deferred income tax	24	6,377	2,073	4,838
Corporation tax liabilities		18,339	21,012	9,585
Total liabilities		**485,881**	**395,682**	**427,981**
Total equity and total liabilities		**646,094**	**527,722**	**572,615**

Refer to notes 1 and 3 for an explanation of the transition from UK GAAP to IFRS.

Also refer to basis of preparation and significant accounting policies sections below.

Consolidated statement of recognised income and expense

No separate consolidated statement of recognised income and expense has been prepared as all recognised income and expenses are included in the income statement above.

Consolidated cash flow statement

	Note	6 months ended 30 June 2005 £000	6 months ended 30 June 2004 £000	Year ended 31 December 2004 £000
Cash flows from operating activities, before movements in investments	27	**77,904**	**61,869**	**160,870**
Net cashflow into investments held at fair value	27	(41,624)	5,904	(59,154)
Cash flows from operating activities, net of movements in investments	27	36,280	67,773	101,716
Interest payments		(1,144)	(1,244)	(2,423)
Taxation payments		(6,023)	(8,600)	(15,060)
Net cash flow from operating activities		**29,113**	**57,929**	**84,233**
Cash flows from investing activities:				
Purchases of property, plant and equipment and software		(1,333)	(740)	(1,394)
Proceeds from sales of property, plant and equipment		8	10	16
Net cash used in investing activities		**(1,325)**	**(730)**	**(1,378)**
Cash flows from financing activities:				
Issue of shares		-	-	-
Repayments of borrowings		(3,667)	(2,333)	(2,333)
Repayment of finance lease liabilities		(97)	(537)	(1,510)
Payments of transaction expenses		-	-	(2,354)
Equity dividends paid		(24,049)	(14,179)	(51,996)
Net cash used in financing activities		**(27,813)**	**(17,049)**	**(58,193)**
Net (decrease) / increase in cash and cash equivalents		**(25)**	**40,150**	**24,662**
Cash and cash equivalents at 1 January		119,201	94,539	94,539
Cash and cash equivalents at end of period		**119,176**	**134,689**	**119,201**

Refer to notes 1 and 3 for an explanation of the transition from UK GAAP to IFRS.

Also refer to basis of preparation and significant accounting policies sections below.

Notes to the interim financial statements

1. General information and basis of preparation

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

The interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the two six month periods ended 30 June 2004 and 2005 and also the year ended 31 December 2004.

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Company, for the year ended 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU (adopted IFRS).

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2005 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRS.

Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied, which are as set out below, when the first annual IFRS financial statements are prepared for the year ended 31 December 2005. In particular, the directors have assumed that the Amendment to IAS 39 (The Fair Value Option) issued by the International Accounting Standards Board will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ended 31 December 2005:

In addition, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ended 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ended 31 December 2005.

The comparative figures for the financial year ended 31 December 2004 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices (UK GAAP), have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The financial statements have also been prepared under the historical cost accounting convention, as modified for the revaluation of certain financial assets at fair value.

An explanation of the impact of the transition to IFRS is set out in note 3. This includes reconciliations of the following:

- profit for the 6 months ended 30 June 2004 and year ended 31 December 2004 under previous GAAP to the comparative figures stated in the consolidated income statement above reported under IFRS
- equity as at 1 January 2004, 30 June 2004 and 31 December 2004 from previous GAAP to the comparatives included in the consolidated balance sheet above reported under IFRS

The preparation of financial statements involves the use of certain critical accounting estimates. Actual results may differ from these estimates.

2. Significant accounting policies

a) Consolidation

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.

b) Intangible assets

A) 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.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGU's) and is no longer amortised, but is reviewed annually for impairment.

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.

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

B) 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.

C) 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.

c) 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.

d) 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.

e) Financial assets - investments

The Group's investments in quoted fixed income and other debt securities are classified as financial assets at fair value (based on closing bid prices on the balance sheet date, or the last trading day before the balance sheet date).

Changes in the fair value of these investments are recognised through the income statement.

f) Revenue recognition

A) Premiums

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

B) Other income

Income earned on the sale of ancillary products is credited to income over the period matching the Group's obligations to provide services. Where the Group has no remaining contractual obligations, the income is recognised immediately. A provision is made for expected cancellations where the customer may be entitled to a refund of ancillary amounts charged.

Instalment income is credited to income in line with the earning of the motor premium to which the instalment income relates. Provision is made for expected cancellations.

Commission from broking activities is credited to income on the sale of the underlying insurance policy having regard to the profile of services provided.

C) ***Profit commission***

Under some of the co-insurance and reinsurance contracts to which the Group is party, 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 commission 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.

g) 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.

h) Reinsurance contracts

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 material 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.

i) Employee benefits

A) 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.

B) 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 (excluding the impact of non-market vesting conditions). Non-market conditions (such as profitability targets) 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.

Prior to 2005, only one equity based compensation scheme had been operated (the Employee Share Ownership Trust or ESOT). All benefits due under this scheme were settled during 2004 at the time of the Company's flotation on the London Stock Exchange. No further benefits will accrue. In accordance with the exemption available under IFRS 1, the transactions relating to this scheme have not been restated in accordance with IFRS 2 (Share based payment).

Refer to note 25 for further details on share schemes.

j) Taxation

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

A) Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates in effect at the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

B) 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.

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.

3. Explanation of the transition to IFRS

As stated in note 1, these are the first financial statements prepared by the Group under IFRS and the accounting policies detailed in note 2 have been applied in preparing the financial statements, comparative data and the IFRS transition balance sheet at 1 January 2004.

An explanation of the impact of the transition from UK GAAP to IFRS is set out in the following reconciliations and notes.

A) Reconciliation of equity

There is no difference in equity reported on the transition balance sheet (i.e. at 1 January 2004) under IFRS and that under previous (UK) GAAP.

The following tables contain summaries of the differences in the balance sheets at 30 June 2004 and 31 December 2004:

(all £000)		At 30 June 2004		
	Note	UK GAAP	Impact	IFRS
ASSETS				
Property, plant and equipment		3,625	-	3,625
Intangible assets	(i)	64,796	1,953	66,749
Financial assets		234,240	-	234,240
Reinsurance assets		61,338	-	61,338
Trade and other receivables		27,081	-	27,081
Cash and cash equivalents		134,689	-	134,689
Total assets		**525,769**	**1,953**	**527,722**
EQUITY				
Share capital		25	-	25
Retained earnings	(ii)	76,499	39,770	116,269
Other reserves		15,746	-	15,746
Total equity		**92,270**	**39,770**	**132,040**
LIABILITIES				
Insurance contracts		195,255	-	195,255
Financial liabilities		33,072	-	33,072
Provisions for other liabilities and charges		7,137	-	7,137
Trade and other payables	(iii)	174,950	(37,817)	137,133
Deferred income tax		2,073	-	2,073
Corporation tax liabilities		21,012	-	21,012
Total liabilities		**433,499**	**(37,817)**	**395,682**
Total equity and total liabilities		**525,769**	**1,953**	**527,722**

(all £000)	Note	At 31 December 2004		
		UK GAAP	Impact	IFRS
ASSETS				
Property, plant and equipment		3,349	-	3,349
Intangible assets	(i)	62,561	3,906	66,467
Financial assets		300,722	-	300,722
Reinsurance assets		66,137	-	66,137
Trade and other receivables		16,739	-	16,739
Cash and cash equivalents		119,201	-	119,201
Total assets		**568,709**	**3,906**	**572,615**
EQUITY				
Share capital		259	-	259
Retained earnings	(ii)	103,258	27,955	131,213
Other reserves		13,162	-	13,162
Total equity		**116,679**	**27,955**	**144,634**
LIABILITIES				
Insurance contracts		216,107	-	216,107
Financial liabilities		33,122	-	33,122
Provisions for other liabilities and charges		-	-	-
Trade and other payables	(iii)	188,378	(24,049)	164,329
Deferred income tax		4,838	-	4,838
Corporation tax liabilities		9,585	-	9,585
Total liabilities		**452,030**	**(24,049)**	**427,981**
Total equity and total liabilities		**568,709**	**3,906**	**572,615**

Notes on table A:

(i) Intangible assets

The adjustments to goodwill at both balance sheet dates relate to reinstating goodwill to the balance standing at the transition balance sheet date as required under the transition provisions of IFRS 3 (Business Combinations).

(ii) Retained earnings

The following table sets out the reconciling items to retained earnings:

	30 June 2004 £000	31 December 2004 £000
Retained earnings under UK GAAP	76,499	103,258
Reinstatement of goodwill (see note (i) above)	1,953	3,906
Elimination of dividend liability (see note (iii) below)	37,817	24,049
Retained earnings under IFRS	116,269	131,213

(iii) Trade and other payables

The adjustments to this balance relate to the elimination of dividends for which liabilities had been recognised under UK GAAP. Under IAS 10 (Events after the balance sheet date) liabilities for dividends are only recognised when the dividends are declared. At both balance sheet dates above, liabilities had been recognised for dividends declared after the balance sheet date. These liabilities have been eliminated.

B) Reconciliation of profit for 2004 comparatives

The following tables reconcile the differences in profit after tax (but before distributions to equity shareholders), for the six months to 30 June 2004 and the year ended 31 December 2004:

(all £000)		Six months ended 30 June 2004		
	Note	UK GAAP	Impact	IFRS
Insurance premium revenue		70,787	-	70,787
Insurance premium ceded to reinsurers		(20,738)	-	(20,738)
Net insurance premium revenue		**50,049**	**-**	**50,049**
Other revenue		33,180	-	33,180
Profit commission		13,725	-	13,725
Investment and interest income		4,411	-	4,411
Net revenue		**101,365**	**-**	**101,365**
Insurance claims and claims handling expenses		(45,845)	-	(45,845)
Insurance claims and claims handling expenses recovered from reinsurers		12,488	-	12,488
Net insurance claims		**(33,357)**	**-**	**(33,357)**
Total operating expenses	(i)	(18,682)	1,953	(16,729)
Share scheme charges		4,602	-	4,602
Total expenses		**(47,437)**	**1,953**	**(45,484)**
Operating profit		**53,928**	**1,953**	**55,881**
Finance charges		(1,227)	-	(1,227)
Profit before tax		**52,701**	**1,953**	**54,654**
Taxation expense		(16,601)	-	(16,601)
Profit after tax attributable to equity holders of the Company		**36,100**	**1,953**	**38,053**

(all £000)		Year ended 31 December 2004		
	Note	UK GAAP	Impact	IFRS
Insurance premium revenue		151,864	-	151,864
Insurance premium ceded to reinsurers		(44,363)	-	(44,363)
Net insurance premium revenue		**107,501**	**-**	**107,501**
Other revenue		69,457	-	69,457
Profit commission		21,673	-	21,673
Investment and interest income		11,884	-	11,884
Net revenue		**210,515**	**-**	**210,515**
Insurance claims and claims handling expenses		(102,604)	-	(102,604)
Insurance claims and claims handling expenses recovered from reinsurers		28,332	-	28,332
Net insurance claims		**(74,272)**	**-**	**(74,272)**
Total operating expenses	(i)	(36,936)	3,906	(33,030)
Share scheme charges		4,144	-	4,144
Total expenses		**(107,064)**	**3,906**	**(103,158)**
Operating profit		**103,451**	**3,906**	**107,357**
Finance charges		(2,451)	-	(2,451)
Profit before tax		**101,000**	**3,906**	**104,906**
Taxation expense		(14,400)	-	(14,400)
Profit after tax attributable to equity holders of the Company		**86,600**	**3,906**	**90,506**

Notes on table B:

(i) Other operating expenses

Both adjustments relate solely to the reinstatement of goodwill to the transition date balance. Refer to the reconciliation of equity above.

4. Net insurance premium revenue

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Total motor insurance premiums written (*1)	268,462	233,297	470,400
Group gross premiums written	93,962	82,362	165,343
Outwards reinsurance premiums	(14,075)	(24,453)	(48,606)
Net premiums written	79,887	57,909	116,737
Change in gross unearned premium provision	(9,097)	(11,575)	(13,479)
Change in reinsurers' share of unearned premium provision	(6,957)	3,715	4,243
Net insurance premium revenue	63,833	50,049	107,501

*1 = before co-insurance and reinsurance

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

5. Profit commission

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Total profit commission	5,666	13,725	21,673

As reported in the 2004 Annual Report, both 2004 comparative figures above include £5,994,000 attributable to premiums earned in the year to 31 December 2003.

6. Investment and interest income

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Net investment return	6,087	3,169	8,536
Interest receivable	2,268	1,242	3,348
Total investment and interest income	8,355	4,411	11,884

7. Other revenue

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Ancillary revenue (*1)	35,954	28,699	59,175
Instalment income earned	1,657	1,210	2,603
Revenue from Gladiator Commercial	2,544	2,141	4,475
Revenue from Inspop.com Limited (*2)	4,614	1,130	3,204
Total other revenue	44,769	33,180	69,457

*1 Ancillary revenue:

Ancillary revenue primarily constitutes commission from sales of insurance products that complement the motor policy, but which are underwritten by external parties. It also includes revenue not earned from product sales, mainly administrative fees.

*2 = Net of intra-group consolidation adjustments.

8. Total operating expenses

Net expenses related to insurance contracts:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Administrative expenses	29,689	25,195	55,827
Expenses recovered from co-insurers	(24,354)	(21,223)	(45,098)
Gross acquisition costs payable	4,331	4,215	8,464
Movement in deferred acquisition costs	(117)	(591)	(688)
Expense contributions from reinsurers	(1,653)	(2,189)	(4,709)
Net expenses related to insurance contracts	7,896	5,407	13,796
Other operating expenses:			
Special unit-holder bonus	-	3,361	3,345
Expenses associated with ancillary sales	6,324	5,208	10,682
Gladiator Commercial operations expenses	1,644	1,368	2,719
Inspop.com Limited operating expenses	2,300	1,270	1,921
Other expenses	293	115	567
Total other operating expenses	10,561	11,322	19,234
Total operating expenses	18,457	16,729	33,030

9. Profit before taxation

Profit before taxation is stated after charging:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Depreciation charge:			
- Owned assets	465	443	915
- Leased assets	878	829	1,641
Operating lease rentals:			
- Buildings	1,377	756	1,574
Auditor's remuneration:			
- Statutory audit fees	110	80	160
- Other audit fees	-	-	16
- Other services	84	37	116
Loss on disposal of property, plant and equipment	504	4	4

During 2004, fees of £827,000 were paid to the Group's auditor in respect of professional services relating to the listing of the Company's shares on the London Stock Exchange, which were debited against the share premium account.

10. Staff expenses

Analysis of staff expenses:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Salaries	14,166	13,262	29,046
Social security charges	1,314	1,164	2,406
Pension costs	226	181	399
Share scheme charges (*1) (see note 25)	357	-	308
ESOT credit (see note 25)	-	(4,602)	(4,452)
Total staff expenses	16,063	10,005	27,707

*1 The share scheme charge stated here differs from that included in the income statement. This is because an element of the gross cost is recharged and the net amount is shown in the income statement.

11. Finance charges

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Term loan interest	896	990	2,020
Finance lease interest	154	144	256
Letter of credit charges	110	93	175
Total finance charges	1,160	1,227	2,451

12. Taxation

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
UK Corporation tax			
Current charge at 30%	14,777	20,894	31,342
Tax relief in respect of ESOT share provision	-	-	(16,985)
Under provision relating to prior periods – corporation tax	-	-	1,571
Current tax charge	**14,777**	**20,894**	**15,928**
Deferred tax			
Current period deferred taxation movement	1,539	(4,293)	(651)
(Over) provision relating to prior periods – deferred tax	-	-	(877)
Total tax charge per income statement	16,316	16,601	14,400

Factors affecting the tax charge are:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Profit on ordinary activities before taxation	55,587	54,654	104,906
Corporation tax thereon at 30%	16,676	16,396	31,472
Exceptional ESOT tax relief	-	-	(16,985)
Utilisation of brought forward tax losses	(360)	-	(582)
Adjustments in respect of prior year insurance technical provisions	-	-	(216)
Expenses and provisions not deductible for tax purposes	-	-	29
Other timing differences	-	205	(4)
Impact of using lower tax rate	-	-	(8)
Adjustments relating to prior periods	-	-	694
Tax charge for the period as above	16,316	16,601	14,400

13. Dividends

Dividends were declared and paid as follows.

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
January 2004 (5.5p per share, paid February 2004) (*1)	-	14,179	14,179
July 2004 (14.62p per share, paid August 2004) (*1)	-	-	37,817
March 2005 (9.3p per share, paid May 2005)	24,049	-	-
Total dividends	24,049	14,179	51,996

*1 = for comparability, the per-share amounts for these two dividends have been re-stated to reflect the share capital in issue at the 2004 year-end and 2005 half year-end.

On 5 September 2005 the directors declared a dividend of 9.7p per share to be paid on 5 October 2005.

14. Earnings per share

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
1) Unadjusted EPS			
Profit for the financial year after taxation	39,271	38,053	90,506
Weighted average number of shares – basic	258,595,400	258,595,400	258,595,400
Unadjusted earnings per share – basic	15.2p	14.7p	35.0p
Weighted average number of shares – diluted	259,861,400	258,595,400	258,595,400
Unadjusted earnings per share – diluted	15.1p	14.7p	35.0p
2) Adjusted EPS			
Profit for the financial year after tax	39,271	38,053	90,506
Deduct exceptional ESOT tax credit	-	-	(16,985)
Adjusted profit after tax	39,271	38,053	73,521
Adjusted earnings per share – basic	15.2p	14.7p	28.4p
Adjusted earnings per share – diluted	15.1p	14.7p	28.4p

15. Property, plant and equipment

	Improvements to short leasehold buildings	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2004	1,658	6,542	2,785	1,583	-	12,568
Additions	26	468	57	36	7	594
Disposals	(5)	(6)	-	-	-	(11)
At 30 June 2004	1,679	7,004	2,842	1,619	7	13,151
Depreciation						
At 1 January 2004	1,405	3,729	2,127	1,483	-	8,744
Charge for the year	70	511	167	35	1	784
Disposals	-	(2)	-	-	-	(2)
At 30 June 2004	1,475	4,238	2,294	1,518	1	9,526
Net book amount						
At 30 June 2004	204	2,766	548	101	6	3,625
Cost						
At 1 January 2004	1,658	6,542	2,785	1,583	-	12,568
Additions	278	588	193	44	12	1,115
Disposals	(5)	(338)	-	-	-	(343)
At 31 December 2004	1,931	6,792	2,978	1,627	12	13,340
Depreciation						
At 1 January 2004	1,405	3,729	2,127	1,483	-	8,744
Charge for the year	149	1,024	340	62	1	1,576
Disposals	-	(329)	-	-	-	(329)
At 31 December 2004	1,554	4,424	2,467	1,545	1	9,991
Net book amount						
At 31 December 2004	377	2,368	511	82	11	3,349
Cost						
At 1 January 2005	1,931	6,792	2,978	1,627	12	13,340
Additions	340	555	71	43	-	1,009
Disposals	(1,818)	-	(512)	(404)	-	(2,734)
At 30 June 2005	453	7,347	2,537	1,266	12	11,615
Depreciation						
At 1 January 2005	1,554	4,424	2,467	1,545	1	9,991
Charge for the year	122	534	183	26	2	867
Disposals	(1,351)	(1)	(501)	(376)	-	(2,229)
At 30 June 2005	325	4,957	2,149	1,195	3	8,629
Net book amount						
At 30 June 2005	128	2,390	388	71	9	2,986

16. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£000	£000	£000	£000
Carrying amount:				
At 1 January 2004	62,354	2,270	2,025	66,649
Additions	-	3,110	143	3,253
Amortisation charge	-	(2,664)	(489)	(3,153)
At 30 June 2004	62,354	2,716	1,679	66,749
At 1 January 2004	62,354	2,270	2,025	66,649
Additions	-	6,271	275	6,546
Amortisation charge	-	(5,747)	(981)	(6,728)
At 31 December 2004	62,354	2,794	1,319	66,467
Additions	-	3,727	317	4,044
Amortisation charge	-	(3,281)	(476)	(3,757)
At 30 June 2005	62,354	3,240	1,160	66,754

17. Financial assets

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

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Investments held at fair value	247,518	137,592	203,418
Receivables – amounts owed by policyholders	119,357	96,648	97,304
Total financial assets	366,875	234,240	300,722

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

Analysis of investments held at fair value:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Fixed income securities:			
Government bonds	68,188	20,329	42,980
Other listed securities	168,640	98,077	139,573
Variable interest securities:			
Other listed securities	10,690	19,186	20,865
	247,518	137,592	203,418

18. Reinsurance assets and insurance contract liabilities

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Gross:			
Claims outstanding	159,392	124,019	142,968
Unearned premium provision	82,236	71,236	73,139
Total gross insurance liabilities	241,628	195,255	216,107
Recoverable from reinsurers:			
Claims outstanding	46,367	40,577	44,848
Unearned premium provision	14,332	20,761	21,289
Total reinsurers' share of insurance liabilities	60,699	61,338	66,137
Net:			
Claims outstanding	113,025	83,442	98,120
Unearned premium provision	67,904	50,475	51,850
Total insurance liabilities – net	180,929	133,917	149,970

Estimation techniques used in calculation of claims provisions:

Estimation techniques are used in the calculation of the technical provision 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 accurate setting of claim provisions on a case-by-case basis, for all but the simplest of claims.

The sum of these provisions are compared with projected ultimate costs using a variety of different projection techniques (including incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their likely accuracy and to include allowance for unreported claims.
The most significant sensitivity in the use of the projection techniques arises from any future step change in claims costs, which would cause future claim cost inflation to deviate from historic trends. This is most likely to arise from a change in the regulatory or judicial regime that leads to an increase in awards or legal costs for bodily injury claims that is significantly above or below the historical trend.

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

Development of claims provisions:

The following table sets out an analysis of the impact of movements in prior year claims provisions, in terms of their net value, and their impact on the reported loss ratio:

	Six months ended 30 June:		Financial year:			
	2005	2004	2004	2003	2002	2001
	£000	£000	£000	£000	£000	£000
2000	370	740	1,480	5,176	6,188	3,923
2001	1,483	1,978	2,967	7,938	2,490	-
2002	1,937	1,937	3,229	2,975	-	-
2003	1,387	518	1,513	-	-	-
2004	-	-	-	-	-	-
Total net release	5,177	5,173	9,189	16,089	8,678	3,923
Net premium revenue	63,833	50,049	107,501	79,327	81,336	84,135
Release as % of net premium revenue	8.1%	10.3%	8.5%	20.3%	10.7%	4.7%

Reconciliation of movement in net claims provisions:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Net claims provision at start of period	98,120	75,549	75,549
Net claims incurred	45,951	31,959	71,919
Net claims paid	(31,046)	(24,066)	(49,348)
Net claims provision at end of period	113,025	83,442	98,120

Reconciliation of movement in net unearned premium provision:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Net unearned premium provision at start of period	51,850	42,614	42,614
Increase in the period	80,539	58,830	118,102
Released in the period	(64,485)	(50,969)	(108,866)
Net unearned premium provision at end of period	67,904	50,475	51,850

19. Cash and cash equivalents

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Cash at bank and in hand	97,377	108,827	88,131
Cash on short term deposit	21,799	25,862	31,070
Total cash and cash equivalents	119,176	134,689	119,201

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.

20. Trade and other receivables

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Profit commission due from co-insurers	7,438	11,931	2,434
Profit commission due from reinsurers	1,420	509	804
Other trade debtors	19,097	12,621	11,867
Prepayments and accrued income	1,649	2,020	1,634
Total trade and other receivables	29,604	27,081	16,739

21. Financial liabilities

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Interest bearing bank loans	29,471	33,072	33,122

Analysis of borrowings:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Repayments falling due within 12 months	11,471	7,739	11,455
Repayments falling due after 12 months	18,000	25,333	21,667
	29,471	33,072	33,122

The Company's debt consists of a facility negotiated in 2002 with Lloyds TSB and Bank of Scotland. This consists of a £40m term loan (paid down during the year to £33m), along with a £10m revolving credit facility that was cancelled by the directors during 2004. The term loan is to be repaid according to a set repayment schedule over six years from October 2002.

Interest is charged on amounts drawn down based on three elements:

a) LIBOR
b) a margin – as set out in the facility agreement, varying between 1.25% and 2.25%
c) a "mandatory costs" contribution – currently around 0.01%

Accrued interest is paid off at the end of quarterly interest periods. Security granted in respect of the facility is in the form of fixed and floating charges over most Group assets (excluding assets subject to regulatory restriction) and charges over the shares in some subsidiary companies.

22. Provisions for other liabilities and charges

Employee share trust (ESOT)	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Brought forward at start of period	-	11,739	11,739
Movement in period	-	(4,602)	(11,739)
Carried forward at end of period	-	7,137	-

Notes on ESOT

The ESOT crystallised at the time of the Company's flotation in September 2004, and the 2004 Annual Report contains significant detail on the scheme. Refer to this report (available at www.admiralgroup.co.uk or from the Company Secretary at Capital Tower, Greyfriars Road, Cardiff CF10 3AZ) for further detail.

23. Trade and other payables

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Trade payables	3,475	2,749	3,381
Amounts owed to co-insurers and reinsurers	105,325	63,075	91,347
Finance leases due within 12 months	1,696	2,065	1,543
Finance leases due after 12 months	491	1,190	741
Other taxation and social security liabilities	3,943	3,619	3,236
Other payables	13,294	13,882	12,320
Accruals and deferred income (see below)	61,842	50,553	51,761
Total trade and other payables	190,066	137,133	164,329

Analysis of accruals and deferred income:

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Premium receivable in advance of policy inception	31,626	25,224	23,960
Accrued expenses	22,067	18,143	20,288
Deferred income	8,149	7,186	7,513
Total accruals and deferred income as above	61,842	50,553	51,761

24. Deferred income tax liability

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Brought forward at start of period	4,838	6,366	6,366
Movement in period	1,539	(4,293)	(1,528)
Carried forward at end of period	6,377	2,073	4,838

The net balance provided at the end of the current period is made up of a gross deferred tax liability of £6,671,000 (June 2004: £2,762,000; December 2004: £5,132,000) relating to the tax treatment of Lloyd's Syndicates, and a deferred tax asset of £294,000 (June 2004: £689,000; December 2004: £294,000) in respect of other timing differences.

There was no unprovided deferred tax at the period-end (June 2004: £782,000 unprovided asset; December 2004: £531,000 unprovided asset; both in respect of losses carried forward).

25. Share capital

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Authorised:			
500,000,000 ordinary shares of 0.1p	500	-	500
132,488 A ordinary shares of 10p	-	13	-
60,176 B ordinary shares of 10p	-	6	-
27,500 C ordinary shares of 10p	-	3	-
29,836 D ordinary shares of 10p	-	3	-
20,164 E ordinary shares of 10p	-	2	-
	500	27	500
Issued, called up and fully paid:			
258,595,400 ordinary shares of 0.1p	259	-	259
132,488 A ordinary shares of 10p	-	13	-
60,176 B ordinary shares of 10p	-	6	-
12,042 C ordinary shares of 10p	-	1	-
29,836 D ordinary shares of 10p	-	3	-
20,164 E ordinary shares of 10p	-	2	-
	259	25	259

All ordinary shares in issue at the period end have the same rights.

Staff share schemes

Analysis of share scheme costs included within other operating expenses (note 8):

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
SIP charge (note i)	54	-	-
UFSS charge (note ii)	71	-	-
ESOT credit (refer to note 22)	-	(4,602)	(4,452)
Non executive director option charges (note iii below)	-	-	308
Total share scheme charges	125	(4,602)	(4,144)

Notes

(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 maximum award is made if the Group's core profit exceeds budget by 11.5 per cent. Employees must remain in employment until the vesting date (three years from the date of award) in order to receive the shares awarded.

The fair value of shares to be awarded is estimated at latest share price available when drawing up the interim financial statements, and will be adjusted to reflect the actual share price on the award date. Awards under the SIP are entitled to receive dividends, and hence no adjustment has been made to this fair value.

(ii) The Unapproved Free Share Scheme (the UFSS)

This scheme is open to managers within the Group (excluding executive directors) with variable awards available.

Under the scheme, individuals receive an award of free shares at no charge. 271 employees received awards under this scheme during June 2005. Staff must remain in employment until the vesting date (in June 2008) to receive any award.

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

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

The range of awards is as follows:

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

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

Awards under the UFSS are not eligible for dividends and hence the fair value of free shares to be awarded under this scheme has been revised downwards to take account of these distributions. The unadjusted fair value is based on the share price at the balance sheet date (being £3.62).

Number of free share awards outstanding at 30 June 2005

	Awards outstanding (*1)	Vesting date
SIP H105 scheme	581,000	September 2008
UFSS 2005 scheme	685,000	June 2008
Total awards outstanding	1,266,000	

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

(iii) Non-executive director option charges:

None of the Group's current directors participate in the new share schemes, and there were no share options outstanding at any balance sheet date.

In the year-ended 31 December 2004, two non-executive directors within the Admiral group (one, Keith James, a director of Admiral Group plc) were issued with share options (during September 2004). Each was granted (free of charge) options over 56,000 Admiral Group plc 0.1p ordinary shares, and each exercised their options shortly after grant, also during September 2004. The exercise price per share was 0.1p, and the fair value of each option at grant and exercise was £2.75. The full-year 2004 income statement account includes a charge of £308,000 in respect of these options.

26. Consolidated statement of changes in equity

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Equity Reserve (*1) £000	Retained profit and loss £000	Total equity £000
At 1 January 2004 – as restated	25	15,746	-	-	92,395	108,166
Retained profit for the period	-	-	-	-	38,053	38,053
Dividends	-	-	-	-	(14,179)	(14,179)
As at 30 June 2004	25	15,746	-	-	116,269	132,040
At 1 January 2004 – as restated	25	15,746	-	-	92,395	108,166
Retained profit for the period	-	-	-	-	90,506	90,506
Issues of share capital	251	(247)	-	-		4
Share issue expenses		(2,354)	-	-		(2,354)
Dividends		-	-	-	(51,996)	(51,996)
Share option charges		-	-	-	308	308
Cancellation of shares	(17)	-	17	-		-
As at 31 December 2004	259	13,145	17	-	131,213	144,634
Retained profit for the period	-	-	-	-	39,271	39,271
Dividends	-	-	-	-	(24,049)	(24,049)
Share scheme charges	-	-	-	357	-	357
As at 30 June 2005	259	13,145	17	357	146,435	160,213

*1 – The credit to the equity reserve in respect of share schemes is higher than the charge shown in the income statement. This is because an element of the gross cost is recharged whereas the equity reserve above is credited with the gross amount.

27. Cash flow statement

Reconciliation of profit after tax to cash flow from operating activities

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Profit after tax	39,271	38,053	90,506
Adjustments for non-cash items:			
- Depreciation	867	784	1,576
- Amortisation of software	476	489	981
- Unrealised (gains) / losses on investments	(2,476)	961	200
- Share option charge	-	-	308
- Share scheme credit, net of employer's NIC	357	(4,602)	(4,452)
Employer's NIC charge on ESOT	-	-	(7,284)
Loss on disposal of property, plant and equipment and software	504	4	4
Change in gross insurance contract liabilities	25,521	20,426	41,278
Change in reinsurance assets	5,438	(4,672)	(9,471)
Change in trade and other receivables, including from policyholders	(35,364)	(41,283)	(31,675)
Change in trade and other payables, including tax and social security	25,834	33,881	62,048
Net change in investments held at fair value	(41,624)	5,904	(59,154)
Interest expense	1,160	1,227	2,451
Taxation expense	16,316	16,601	14,400
Cash flow from operating activities	36,280	67,773	101,716

28. Financial commitments

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

Operating leases expiring	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Within one years	308	-	-
Within two to five years	62	484	509
Over five years	1,056	1,184	1,465
Total commitments	1,426	1,668	1,974

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

	30 June 2005 £000	30 June 2004 £000	31 December 2004 £000
Expenditure contracted to	75	167	373

Independent review report to Admiral Group plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 7 to 35 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities

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

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG Audit Plc, Cardiff, 5 September 2005.

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