ADMIRAL GROUP PLC

2008 INTERIM FINANCIAL STATEMENTS

Admiral Group plc Results for the 6 months ended 30 June 2008
30 July 2008

Admiral announces another record half-year profit and continued strong growth. Profit before tax at £100.3 million was 16% ahead of H1 2007, whilst turnover rose 13% to £472.5 million. The Board is therefore declaring a record dividend payment of 26.0p per share.

H1 2008 Highlights

- Profit before tax up 16% at £100.3 million (H1 2007: £86.3 million)
- Total interim dividend of 26.0p per share, up 26% (H1 2007: 20.6p)
- Turnover* up 13% at £472.5 million (H1 2007: £417.8 million)
- Net revenue up 15% at £204.1 million (H1 2007: £178.1 million)
- Profit from ancillary products and services up 21% at £45.5 million (H1 2007: £37.7 million). UK Ancillary income per vehicle up to £71 (H1 2007: £68)
- Number of customers up 16% to 1.63 million from 1.40 million at 30 June 2007. In the UK, customer numbers up 12% to 1.56 million from 1.39 million
- Confused.com revenue up at £36.6 million (H1 2007: £34.3 million), profits reduced to £15.6 million from £19.7 million
- Turnover from outside the UK £15 million and 70,000 customers
- Attractive new reinsurance contracts signed for 2009 – 2011
- Employee Share Scheme – over £3m of shares will be distributed to over 2,300 staff based on the H1 2008 result

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

Comment from Henry Engelhardt, Group Chief Executive

"When people in an organisation work together like people do at Admiral it makes my job very easy. I'm really proud of the results we've achieved in the first half of 2008. We set an all-time record for profits, the business grew in excess of 10%, and we will be paying a record dividend.

"The growth in our UK business of 12% from the end of June last year (up 8% from January 1!) is down to competitive prices coupled with great service. Ours is very much a people business: people communicating with people and the team at Admiral try to treat every customer as someone special. Not only did the core business grow, but we increased our ancillary income per vehicle to £71, up from £68 a year ago.

"We also continued to invest in our long-term future by developing our operations outside the UK. We now have 60,000 customers in Spain, more than 10,000 in Germany and saw the on-time, under-budget launch of our Italian operation at the end of May. Overall the business outside the UK contributed £15m in turnover in the first six months of the year.

"It's a great set of numbers for the Group and as a result of this effort I'm very pleased to say that every member of staff who was here for the entire period (January 1 to June 30) will get £1,500 of free shares in the Group, with more than £3 million in shares being given out in total."

Comment from David Stevens, Chief Operating Officer

"Rises in market premiums and a relatively benign claims experience over the last 18 months mean that, for the first time in seven years, we see a real prospect of falling underlying loss ratios in our core UK business.

"Our high level of underwriting profitability, combined with the evidence of the market turning, have allowed us to negotiate new quota share reinsurance contracts for 2009 to 2011, which are more remunerative than any previous reinsurance contracts and are broadly comparable in cost to the use of subordinated debt to fund our growth.

"The prospect of higher underwriting margins and continued volume growth, combined with our improved reinsurance terms create a particularly positive environment for Admiral to improve its underwriting returns over the coming years."

Comment from Alastair Lyons, Group Chairman

"Our business has continued strongly profitable and cash generative over the last six months, with profit before tax up 16%. We are, therefore, very pleased to be able to declare a dividend of 26.0p, which is 26% higher than at the same point last year.

"Our policy remains only to retain within the business what funds we need to provide a prudent contingency and support our plans for growth. In total our interim dividend will represent 95% of first-half earnings."

Interim management report

Key financial highlights

Profit before tax increased by 16% to £100.3m from £86.3m in H1 2007. Earnings per share grew by 19% to 27.3p per share (H1 2007: 23.0p).

Group profit before tax is broken down as follows:

	6 months ended:		Year ended:
	June 2008	June 2007	December 2007
	£000	£000	£000
Underwriting profit	20,024	14,685	37,502
Profit commission	14,257	9,355	20,448
Ancillary and other net income	54,642	45,399	93,363
Confused.com profit	15,600	19,702	36,727
Share scheme, pre-launch and other charges	(4,204)	(2,888)	(5,942)
Profit before tax	**100,319**	**86,253**	**182,098**

Most parts of the Group returned strong profit growth during the period. Another positive performance (including further positive reserve development) from the UK car insurance business contributed significantly to growth in underwriting profit of around 36% to just over £20m. This result led to higher profit commission income, which grew by over 50% to £14.3m.

Profit from ancillary products and services increased by 20% to £54.6m. Ancillary income per vehicle in the UK increased to £71, from £68 in H1 2007.

Confused.com, the Group's insurance price comparison business, gave a record number of motor quotes in the period and grew revenue compared to H1 2007. Having spent heavily on marketing to defend its market position, operating profit fell from £19.7m to £15.6m.

The number of customers serviced across the Group grew by 16% at 30 June 2008 compared to 30 June 2007 (and was up 9% on the position at 31 December 2007). Customer numbers are broken down as follows:

	6 months ended:		Year ended:
	June 2008	June 2007	December 2007
	000s	000s	000s
UK	1,484	1,335	1,382
Spain	59	17	47
Other European	10	-	-
Gladiator	76	52	62
Total customers	**1,629**	**1,404**	**1,491**

The UK motor book increased by 11% v H1 2007 and was up 7.4% on 31 December 2007.

Balumba's (the Group's Spanish car insurer) vehicle count at 30 June 2008 was substantially higher than at 30 June 2007, though the business only really started to grow significantly around the half year point last year. Growth since 31 December 2007 was 27%. The management team's focus on improving the loss ratio is bearing fruit, with a significant improvement in the 2008 underwriting year loss ratio at month six compared to 2007 at the same point.

Commercial vehicle insurance broker Gladiator grew its business by over 45% since the middle of 2007 and served in excess of 20% more customers at 30 June 2008 compared to 31 December 2007.

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) again grew strongly:

	6 months ended June 2008			6 months ended June 2007		
	UK GROUP £000	EUROPE £000	TOTAL £000	UK GROUP £000	EUROPE £000	TOTAL £000
Total premiums written	350,144	13,008	363,152	320,149	4,458	324,607
Other revenue	98,542	1,704	100,246	85,185	639	85,824
Net investment return	8,868	217	9,085	7,320	-	7,320
Turnover	**457,554**	**14,929**	**472,483**	**412,654**	**5,097**	**417,751**

	Year ended December 2007		
	UK GROUP £000	EUROPE £000	TOTAL £000
Total premiums written	617,023	14,228	631,251
Other revenue	174,641	2,237	176,878
Net investment return	16,662	133	16,795
Turnover	**808,326**	**16,598**	**824,924**

The overall growth of 13% includes growth in total premiums written of 12%, other revenue of 17% and net investment return of 24%.

The Group's European businesses generated turnover of around £15m – approaching what was achieved in the whole of 2007.

Geographical split of profit

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

	6 months ended June 2008			6 months ended June 2007		
	UK GROUP	EUROPE	TOTAL	UK GROUP	EUROPE	TOTAL
	£000	£000	£000	£000	£000	£000
Underwriting profit	23,508	(3,484)	20,024	15,334	(649)	14,685
Profit commission	14,257	-	14,257	9,355	-	9,355
Ancillary and other net income	53,176	1,466	54,642	44,886	513	45,399
Confused.com profit	15,600	-	15,600	19,702	-	19,702
Share scheme, pre-launch and other charges	(3,843)	(361)	(4,204)	(2,251)	(637)	(2,888)
Profit before tax	**102,698**	**(2,379)**	**100,319**	**87,026**	**(773)**	**86,253**

	Year Ended December 2007		
	UK GROUP	EUROPE	TOTAL
	£000	£000	£000
Underwriting profit	39,976	(2,474)	37,502
Profit commission	20,448	-	20,448
Ancillary and other net income	91,517	1,846	93,363
Confused.com profit	36,727	-	36,727
Share scheme, pre-launch and other charges	(4,534)	(1,408)	(5,942)
Profit before tax	**184,134**	**(2,036)**	**182,098**

Underwriting

Underwriting arrangements - 2008

As reported previously, Admiral increased its retention of UK motor premium to 27.5% in 2008 (from 22.5% in 2007). 55% of the UK total is underwritten by the Munich Re Group (specifically Great Lakes Reinsurance (UK) Plc) through a co-insurance agreement, and 17.5% is reinsured with Swiss Re and Partner Re.

The nature of the co-insurance arrangement is such that 55% of all motor premium and claims for the 2008 year accrues directly to Great Lakes and does not appear in the Group's income statement. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

In Spain, Germany and Italy, the Group retains 35% of the premium generated, with 65% co-insured or reinsured by the Munich Re Group.

New arrangements – 2009 and beyond

The Group has reviewed its premium retention options going forward and in particular has considered the alternatives of further reinsurance against raising subordinated debt to fund its own retention. The costs of each are broadly similar. However, reinsurance offers significant advantages over subordinated debt. It offers risk protection. It does not include any carrying cost in advance of the risks for which it is required. It also offers the certainty of execution that recent debt markets cannot guarantee

Consequently, the Group has decided to put in place new reinsurance agreements for the period 2009-2011. Under the terms of the new quota share reinsurance contracts, Hannover Re and New Re (a subsidiary of Munich Re) will each reinsure 6.25% of Admiral's UK premiums for 2009 under new quota share reinsurance agreements.

The new agreements run for a minimum of 3 years and include profit commission terms that allow for almost all of the underwriting profits to be rebated to Admiral. The after tax cost of the contracts to Admiral is projected to be approximately 1.2% of premium ceded. The new contracts allow for increased allocations to Hannover Re and New Re in 2010 and 2011, but also give Admiral an option to allocate further proportions of reinsurance to both for these years.

Admiral will continue to underwrite 27.5% of its premiums for its own account next year.

The premium proportions for 2009-2011 are as follows:

	2009	2010	2011
New contracts:			
Hannover Re	6.25%	7.5%	8.75%
New Re	6.25%	7.5%	8.75%
Existing contracts:			
Munich Re	50.0%	45.0%	40.0%
Swiss Re	10.0%	7.5%	5.0%
Admiral minimum	27.5%	25.0%	25.0%
Admiral discretion*	-	7.5%	12.5%

* this amount includes Admiral's options on the new contracts (these options allow Admiral to allocate up to 5% additional reinsurance in 2010 and up to 10% in 2011 to be shared equally between Hannover Re and New Re).

Underwriting results – UK motor

UK motor premium written grew by just over 9% to £350m, whilst the number of UK cars insured grew by over 11% to 1.48m. Slightly lower average premium accounted for the difference in growth rates.

Our premiums are around 3% higher than a year ago at 30 June, which is 2 to 3 percentage points lower than the increases reported by the overall market. Our conversion data and market surveys suggest that our price increases were roughly in line with those for the market as a whole for the 9 months to end March 2008. We did not match the apparently substantial price increases reported for the market in April/May, which contributed to the robust growth in vehicle count in the first half of 2008.

The combined operating ratio improved substantially on H1 2007 – moving to 80.1% from 88.7%. Within this total, the reported loss ratio fell by almost 11 points to 62.0% whilst the expense ratio moved up to 18.1% from 15.8%.

Reserve releases of £18.4m in H1 2008 positively impacted the reported UK motor loss ratio by 25%. This compares to £12.3m and 17% in H1 2007. There has been no change to the Group's reserving strategy over the period.

The increase in the expense ratio primarily reflects the mathematical result of increased premium retention in 2008. On a like-for-like retention basis, the UK motor expense ratio was in line with the 16.7% reported for 2007 as a whole.

Underwriting results – European businesses

In Spain, Balumba generated total premium of £10.7m in the first half of 2008 and ended the period with just under 60,000 policyholders. Comparisons to 30 June 2007 are not meaningful, as the business had only just started to grow at the same point last year.

As a result of rate increases along with other claims initiatives, the loss ratio has decreased from 141% at 31 December 2007 to 129% at the end of June 2008, whilst the combined operating ratio fell from over 230% for 2007 as a whole, to 175% at 30 June 2008 (the expense ratio fell from 91% to 47% primarily due to significant growth in earned premium).

On an underwriting year basis, the 2008 loss ratio stood at 107% at month six, 42 points lower than 2007 at the same point in time. Management at Balumba continue to focus on the claims aspect of the business and are encouraged with the progress made.

Elsewhere in Europe, AdmiralDirekt in Germany continues to improve its systems and prepare for the next renewal season, which takes place in the fourth quarter. Policies sold in late 2007 that came onto cover in January 2008 totalled around £2.5m. Since then, and until Q4 2008, volumes are expected be very small.

ConTe.it – the Group's new Italian car insurer launched successfully at the end of May and is working on marketing tests and continued improvements to systems. As with other launches, volumes will be small in the immediate future.

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.

During the first half of 2008 the Group has recognised £14.3m of income, which is over 50% up on the £9.4m in H1 2007. This is largely due to the impact of the increased reserve release recognised in this period.

The Group has signed new reinsurance deals for 2009, which are substantially more remunerative to Admiral than the existing deals in place. These are covered in further detail above.

The reinsurance and co-insurance contracts entered into with Munich Re in Spain, Germany and Italy also contain 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

	6 months ended June 2008			6 months ended June 2007		
	UK GROUP	EUROPE	TOTAL	UK GROUP	EUROPE	TOTAL
	£000	£000	£000	£000	£000	£000
Ancillary profit	44,177	1,340	45,517	37,230	513	37,743
Interest income	3,426	48	3,474	3,999	-	3,999
Instalment income	4,066	78	4,144	2,678	-	2,678
Gladiator profit	1,507	-	1,507	979	-	979
	53,176	**1,466**	**54,642**	**44,886**	**513**	**45,399**

	Year Ended December 2007		
	UK GROUP	EUROPE	TOTAL
	£000	£000	£000
Ancillary profit	75,836	1,767	77,603
Interest income	7,745	32	7,777
Instalment income	5,936	47	5,983
Gladiator profit	2,000	-	2,000
	91,517	**1,846**	**93,363**

Ancillary profit

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

Net ancillary profit in the UK increased by 19% during the first half of 2008 to £44.2m.

UK ancillary income per vehicle has increased over the past year and stood at £71 in the year to 30 June 2008 (up from £68 in the year to June 2007 and £69 to December 2007).

Balumba continues to enjoy strong results in the sale of ancillary products, and in the six months to June 2008 has achieved average income per new business policy sold of around £59. We reported £45 in 2007 as a whole, and whilst currency movements account for part of the increase, there has also been a good underlying improvement.

Gladiator

Gladiator had a very positive first half of 2008, growing operating profit by over 50% from just under £1m to over £1.5m.

The number of quotes provided grew by 63% to reach 184,000 (comparing favourably to 230,000 in the whole of 2007). Revenue also grew strongly to reach £4.9m in H1 2008, around a third up on last year.

The number of customers Gladiator services increased by around 46% year-on-year, and also increased by over 20% on 31 December 2007.

Confused.com

	6 months ended: June 2008 £000	June 2007 £000	Year ended: December 2007 £000
Confused.com operating profit	**15,600**	**19,702**	**36,727**

Confused gave nearly 6.4m motor quotes in the first half of the year – up from 6.1m in the same period last year and well up on the 5.3m in the second half of 2007. Total revenue also grew – by around 7% on H1 2007 to £36.6m.

It has been Confused's strategy to spend heavily on marketing to defend its position in the price comparison market and as a result there has been a decrease in its operating margin.

Confused achieved an operating profit of £15.6m, a decrease of around 20% on the first half of 2007.

Earnings per share (EPS)

Basic earnings per share rose by 19% to 27.3p from 23.0p. This rate of growth is higher than the pre-tax profit growth (16%) due to the change in the rate of UK corporation tax from April 2008 (30% down to 28%).

Taxation

The taxation charge reported in the income statement is £28.4m (H1 2007: £26.0m). This equates to 28.3% of profit before tax, which is close to the time-apportioned rate of tax applied to profits of 28.5%.

Related party transactions

Refer to note 24 of the condensed financial statements below.

Investments, cash and investment return

There has been no change in the Group's investment strategy during the period. Insurance funds continue to be invested in AAA-rated sterling liquidity funds. Across the Group there are now five such funds in use, all managed to the same basic guidelines.

The funds target a 7-day LIBID return with capital security and low volatility and they continue to achieve this. The average net rate of return during H1 2008 was 5.5% (up from 5.2% in H1 2007). As a result of the higher rate of return, plus higher average invested funds, net investment return for the period grew by almost a quarter to £9.1m (from £7.3m).

The Group's Investment Committee is comfortable that the investment strategy remains appropriate given high volatility in a number of asset classes. During the period, two new liquidity funds were opened with the objective of further diversifying holdings and averaging returns across providers.

Total investment plus interest income reached £12.6m, an 11% increase on H1 2007.

Dividends

The Directors are proposing an interim dividend of 26.0p. This comprises a 12.3p normal element and a 13.7p special distribution, representing an increase of 26% on the interim dividend in 2007.

The payment date is 25 September 2008, ex-dividend date 27 August and record date 29 August.

Principal risks and uncertainties

The Directors have considered the developing economic conditions in the UK and their impact on the Group. The Board does not expect the Group's plans for future growth and profitability to be significantly impacted by the economic climate.

The Directors also recognise that there is considerable uncertainty and volatility in debt and investment markets. However, the Group does not hold debt on its balance sheet and only invests in cash-based, capital secure investment funds.

As noted, the Group's price comparison business Confused.com operates in a very competitive market. The level of competition is expected to continue for the foreseeable future and hence there is uncertainty surrounding the level of future profitability of the business.

Reconciliation of turnover

	6 months ended: June 2008 £000	June 2007 £000	Year ended: December 2007 £000
Insurance premium revenue	139,135	108,983	233,075
Change in gross unearned premium provision	31,085	23,534	27,826
Group premiums written	170,220	132,517	260,901
Add: co-insurer's share of premium written	192,932	192,090	370,350
Total premiums written	363,152	324,607	631,251
Other revenue	100,246	85,824	176,878
Net investment return (note 6)	9,085	7,320	16,795
Turnover	**472,483**	**417,751**	**824,924**

Reconciliation of underwriting profit

	6 months ended: June 2008 £000	June 2007 £000	Year ended: December 2007 £000
Net insurance premium revenue	76,994	71,647	142,236
Net insurance claims	(52,459)	(54,191)	(99,795)
Net expenses related to insurance contracts	(13,596)	(10,091)	(21,734)
Net investment return (note 6)	9,085	7,320	16,795
Underwriting profit	**20,024**	**14,685**	**37,502**

Reconciliation of loss ratios reported

	6 months ended: June 2008 £000	June 2007 £000	Year ended: December 2007 £000
Net insurance claims	52,459	54,191	99,795
Deduct: claims handling costs	(2,407)	(1,801)	(3,471)
Adjusted net insurance claims	50,052	52,390	96,324
Net insurance premium revenue	76,994	71,647	142,236
Loss ratio	65.0%	73.1%	67.7%

Condensed consolidated income statement

	Note	6 months ended 30 June 2008 £000	6 months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Insurance premium revenue	3	139,135	108,983	233,075
Insurance premium ceded to reinsurers	3	(62,141)	(37,336)	(90,839)
Net insurance premium revenue		**76,994**	**71,647**	**142,236**
Other revenue	4	100,246	85,824	176,878
Profit commission	5	14,257	9,355	20,448
Investment and interest income	6	12,559	11,319	24,572
Net revenue		**204,056**	**178,145**	**364,134**
Insurance claims and claims handling expenses		(102,249)	(85,186)	(172,611)
Insurance claims and claims handling expenses recovered from reinsurers		49,790	30,995	72,816
Net insurance claims		**(52,459)**	**(54,191)**	**(99,795)**
Expenses	7	(48,227)	(36,033)	(78,986)
Share scheme charges	21	(3,050)	(1,455)	(2,971)
Total expenses		**(103,736)**	**(91,679)**	**(181,752)**
Operating profit		**100,320**	**86,466**	**182,382**
Finance charges	8	(1)	(213)	(284)
Profit before tax		**100,319**	**86,253**	**182,098**
Taxation expense	9	(28,405)	(26,033)	(54,682)
Profit after tax attributable to equity holders of the Company		**71,914**	**60,220**	**127,416**
Earnings per share:				
Basic	10	27.3p	23.0p	48.6p
Diluted	10	27.3p	23.0p	48.6p
Dividends paid (total)	11	60,473	62,412	116,016
Dividends paid (per share)	11	23.2p	24.0p	44.6p

Condensed consolidated balance sheet

		As at:		
	Note	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
ASSETS				
Property, plant and equipment	12	8,827	7,165	7,708
Intangible assets	13	71,280	67,638	69,063
Financial assets	14	536,599	470,065	481,848
Reinsurance assets	15	155,857	108,511	131,668
Deferred income tax	18	1,522	354	1,629
Trade and other receivables	16	26,839	20,578	22,633
Cash and cash equivalents	17	153,317	144,792	155,773
Total assets		**954,241**	**819,103**	**870,322**
EQUITY				
Share capital	21	264	262	263
Share premium account	22	13,145	13,145	13,145
Retained earnings	22	241,045	206,190	223,828
Other reserves	22	1,170	(10)	396
Total equity		**255,624**	**219,587**	**237,632**
LIABILITIES				
Insurance contracts	15	412,807	337,833	363,060
Trade and other payables	19	255,117	234,474	239,593
Current tax liabilities		30,693	27,209	30,037
Total liabilities		**698,617**	**599,516**	**632,690**
Total equity and total liabilities		**954,241**	**819,103**	**870,322**

Condensed consolidated statement of recognised income and expense

	6 months ended 30 June 2008 £000	6 months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Exchange differences on translation of foreign operations	774	23	429
Net expense recognised directly in equity	774	23	429
Profit for the period	71,914	60,220	127,416
Total recognised income and expense for the period	**72,688**	**60,243**	**127,845**

Condensed consolidated cash flow statement

	Note	6 months ended 30 June 2008 £000	6 months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Profit after tax		**71,914**	**60,220**	**127,416**
Adjustments for non-cash items:				
- Depreciation		1,644	1,589	3,227
- Amortisation of software		462	216	725
- Unrealised losses / (gains) on investments		129	(787)	(1,123)
- Share scheme charge		5,959	2,542	5,560
Loss on disposal of property, plant and equipment and software		-	18	6
Change in gross insurance contract liabilities		49,747	43,408	68,635
Change in reinsurance assets		(24,189)	(33,822)	(56,979)
Change in trade and other receivables, including from policyholders		(23,327)	(20,356)	(14,772)
Change in trade and other payables, including tax and social security		15,716	20,054	25,506
Interest expense		1	213	284
Taxation expense		28,405	26,033	54,682
Cash flows from operating activities, before movements in investments		**126,461**	**99,328**	**213,167**
Net cash flow into investments held at fair value		(37,317)	(57,394)	(76,849)
Cash flows from operating activities, net of movements in investments		89,144	41,934	136,318
Interest payments		(1)	(213)	(284)
Taxation payments		(27,825)	(23,407)	(49,477)
Net cash flow from operating activities		**61,318**	**18,314**	**86,557**
Cash flows from investing activities:				
Purchases of property, plant and equipment and software		(3,883)	(1,658)	(5,390)
Net cash used in investing activities		**(3,883)**	**(1,658)**	**(5,390)**
Cash flows from financing activities:				
Capital element of new finance leases		260	203	457
Repayment of finance lease liabilities		(452)	(920)	(1,506)
Equity dividends paid		(60,473)	(62,412)	(116,016)
Net cash used in financing activities		**(60,665)**	**(63,129)**	**(117,065)**
Net decrease in cash and cash equivalents		**(3,230)**	**(46,473)**	**(35,898)**
Cash and cash equivalents at 1 January		155,773	191,242	191,242
Effects of changes in foreign exchange rates		774	23	429
Cash and cash equivalents at end of period	17	**153,317**	**144,792**	**155,773**

Notes to the condensed interim financial statements

1. General information and basis of preparation

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

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2008 and the comparative periods for the 6-month period ended 30 June 2007 and the year ended 31 December 2007. The consolidated set of financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU and the Disclosure and Transparency Rules of the Financial Services Authority.

The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its subsidiaries. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The interim financial statements do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. They should be read in conjunction with the statutory accounts for the period ended 31 December 2007, which were prepared in accordance with IFRS as adopted by the EU. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Accounting policies

The condensed set of financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2007, except for the adoption of IFRIC 11 (IFRS 2: Group and treasury share transactions).

IFRIC 11 addresses whether share based payments accounted for as equity-settled in consolidated financial statements, should be treated as equity or cash settled in the subsidiary. As it does not address treatment in the consolidated financial statements, it has no impact on the consolidated financial results or position of the Group for the six months ended 30 June 2008.

Significant estimates

Estimation techniques used in calculation of claims provisions:

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

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

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

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.

Refer to note 15 for an analysis on the changes in estimates of claims provisions for each underwriting year.

2. Segment reporting

Revenue and results for the six month periods ended 30 June 2007 and 30 June 2008, along with the twelve months to 31 December 2007, split by business segment are shown below.

The Directors consider there to be two business segments. These are private motor insurance and insurance broking (Confused.com and Gladiator). No geographical business split has been presented, as the results of the Group's European operations are not material to the 2008 figures.

			30 June 2008
	Private motor insurance £000	Insurance broking £000	Group £000
Net revenue	162,035	42,021	204,056
Profit before tax	82,703	17,616	100,319
Other segment items:			
Depreciation	1,488	156	1,644
Amortisation	3,999	-	3,999

			30 June 2007
	Private motor insurance £000	Insurance broking £000	Group £000
Net revenue	140,258	37,887	178,145
Profit before tax	65,131	21,122	86,253
Other segment items:			
Depreciation	1,486	103	1,589
Amortisation	3,622	-	3,622

	31 December 2007		
	Private motor insurance £000	Insurance broking £000	Group £000
Net revenue	286,451	77,683	364,134
Profit before tax	142,368	39,730	182,098
Other segment items:			
Depreciation	3,011	216	3,227
Amortisation	9,174	-	9,174

3. Net insurance premium revenue

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Total motor insurance premiums before co-insurance	363,152	324,607	631,251
Group gross premiums written after co-insurance	170,220	132,517	260,901
Outwards reinsurance premiums	(71,204)	(59,691)	(119,049)
Net insurance premiums written	99,016	72,826	141,852
Change in gross unearned premium provision	(31,085)	(23,534)	(27,826)
Change in reinsurers' share of unearned premium provision	9,063	22,355	28,210
Net insurance premium revenue	76,994	71,647	142,236

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

4. Other revenue

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Ancillary revenue	54,590	45,259	94,216
Revenue from Confused.com	36,634	34,259	69,159
Instalment income earned	4,144	2,678	5,983
Revenue from Gladiator	4,878	3,628	7,520
Total other revenue	100,246	85,824	176,878

Ancillary revenue is primarily made up of commissions and fees earned on sales of insurance products (underwritten by external parties) and services complementing the motor policy.

5. Profit commission

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Total profit commission	14,257	9,355	20,448

6. Investment and interest income

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Net investment return	9,085	7,320	16,795
Interest receivable	3,474	3,999	7,777
Total investment and interest income	12,559	11,319	24,572

7. Expenses

	30 June 2008			30 June 2007		
	Insurance contracts £000	Other £000	Total £000	Insurance contracts £000	Other £000	Total £000
Acquisition of insurance contracts	5,401	-	5,401	3,877	-	3,877
Administration and marketing costs	8,195	34,631	42,826	6,214	25,942	32,156
Sub-total	13,596	34,631	48,227	10,091	25,942	36,033
Share scheme charges	-	3,050	3,050	-	1,455	1,455
Total expenses	13,596	37,681	51,277	10,091	27,397	37,488

	31 December 2007		
	Insurance contracts	Other	Total
	£000	£000	£000
Acquisition of insurance contracts	8,420	-	8,420
Administration and marketing costs	13,314	57,252	70,566
Sub-total	21,734	57,252	78,986
Share scheme charges	-	2,971	2,971
Total expenses	21,734	60,223	81,957

The £8,195,000 (H1 2007: £6,214,000 Full year: £13,314,000) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and marketing costs:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Ancillary sales expenses	9,073	7,516	16,613
Confused.com operating expenses	21,034	14,557	32,432
Gladiator operating expenses	3,371	2,649	5,520
Central overheads	1,153	1,220	2,687
Total	34,631	25,942	57,252

The gross amount of expenses, before recoveries from co-insurers and reinsurers is £100,293,000 (H1 2007: £78,312,000 Full year: £167,773,000). This amount can be reconciled to the total expenses and share scheme charges above of £51,277,000 (H1 2007: £37,488,000 Full year: £81,957,000) as follows:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Gross expenses	100,293	78,312	167,773
Co-insurer share of expenses	(34,580)	(31,327)	(66,430)
Expenses, net of co-insurer share	65,713	46,985	101,343
Adjustment for deferral of acquisition costs	(2,124)	(2,582)	(3,687)
Expenses, net of co-insurer share (earned basis)	63,589	44,403	97,656
Reinsurer share of expenses (earned basis)	(12,312)	(6,915)	(15,699)
Total expenses and share scheme charges	51,277	37,488	81,957

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

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Insurance contract expenses from above	13,596	10,091	21,734
Add: claims handling expenses	2,407	1,801	3,471
Adjusted expenses	16,003	11,892	25,205
Net insurance premium revenue	76,994	71,647	142,236
Reported expense ratio	20.8%	16.6%	17.7%

8. Finance charges

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Finance lease interest	1	197	243
Letter of credit charges	-	16	41
Total finance charges	1	213	284

9. Taxation

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
UK Corporation tax			
Current charge at 28.5%* (comparative periods, 30%)	28,481	27,210	56,194
Over provision relating to prior periods – corporation tax	-	-	(87)
Current tax charge	28,481	27,210	56,107
Deferred tax			
Current period deferred taxation movement	(76)	(1,177)	(1,422)
Over provision relating to prior periods deferred tax	-	-	(3)
Total tax charge per income statement	28,405	26,033	54,682

* The change in the UK corporation tax rate from 30% to 28% became effective on 1 April 2008. The 28.5% rate applied to the Group's profit for the six months ended 30 June 2008 has been calculated on a time apportionment basis.

Factors affecting the tax charge are:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Profit before taxation	100,319	86,253	182,098
Corporation tax thereon at 28.5% (comparative periods 30%)	28,588	25,876	54,629
Adjustments in respect of prior year insurance technical provisions	-	-	-
Expenses and provisions not deductible for tax purposes	-	-	178
Other timing differences	(183)	157	(36)
Adjustments relating to prior periods	-	-	(89)
Tax charge for the period as above	28,405	26,033	54,682

10. Earnings per share

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Profit for the period after taxation	71,914	60,220	127,416
Weighted average number of shares – basic	263,186,944	261,369,556	261,981,843
Earnings per share – basic	27.3p	23.0p	48.6p
Weighted average number of shares – diluted	263,596,944	261,709,556	262,291,843
Earnings per share – diluted	27.3p	23.0p	48.6p

11. Dividends

Dividends were declared and paid as follows:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
March 2007 (24.0p per share, paid May 2007)	-	62,412	62,412
September 2007 (20.6p per share, paid October 2007)	-	-	53,604
March 2008 (23.2p per share, paid May 2008)	60,473	-	-
Total dividends	60,473	62,412	116,016

The dividends declared in March 2007 and March 2008 represent the final dividends paid in respect of the 2006 and 2007 financial years (September 2007 - interim payment for 2007).

12. 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 2007	2,333	11,191	4,169	1,812	12	19,517
Additions	267	675	262	108	12	1,324
Disposals	-	(6)	(2)	(3)	(12)	(23)
At 30 June 2007	2,600	11,860	4,429	1,917	12	20,818
Depreciation						
At 1 January 2007	648	7,348	2,716	1,350	7	12,069
Charge for the year	283	938	281	84	3	1,589
Disposals	-	(2)	(1)	(1)	(1)	(5)
At 30 June 2007	931	8,284	2,996	1,433	9	13,653
Net book amount						
At 30 June 2007	1,669	3,576	1,433	484	3	7,165
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
Cost						
At 1 January 2008	2,746	13,314	4,950	1,979	12	23,001
Additions	436	1,648	578	109	-	2,771
Disposals	-	(8)	-	-	-	(8)
At 30 June 2008	3,182	14,954	5,528	2,088	12	25,764
Depreciation						
At 1 January 2008	1,225	9,204	3,327	1,527	10	15,293
Charge for the year	319	888	348	95	2	1,652
Disposals	-	(8)	-	-	-	(8)
At 30 June 2008	1,544	10,084	3,675	1,622	12	16,937
Net book amount						
At 30 June 2008	1,638	4,870	1,853	466	-	8,827

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

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Computer equipment	1,858	2,575	2,149

13. Intangible assets

	Goodwill £000	Deferred acquisition costs £000	Software £000	Total £000
Carrying amount:				
At 1 January 2007	62,354	3,445	958	66,757
Additions	-	4,169	334	4,503
Amortisation charge	-	(3,406)	(216)	(3,622)
At 30 June 2007	62,354	4,208	1,076	67,638
At 1 January 2007	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
Additions	-	5,096	1,120	6,216
Amortisation charge	-	(3,537)	(462)	(3,999)
At 30 June 2008	62,354	6,139	2,787	71,280

14. Financial instruments

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

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Investments held at fair value	372,797	315,815	335,608
Receivables – amounts owed by policyholders	163,802	154,250	146,240
Total financial assets as per consolidated balance sheet	536,599	470,065	481,848
Trade and other receivables	26,839	20,578	22,633
Cash and cash equivalents	153,317	144,792	155,773
	716,755	635,435	660,254
Financial liabilities:			
Trade and other payables	255,117	234,474	239,593

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

All investments held at fair value are invested in AAA-rated money market liquidity funds. These funds (spread across five very large managers) target a 7-day LIBID return with capital security and low volatility and continue to achieve these goals.

15. Reinsurance assets and insurance contract liabilities

A) Analysis of recognised amounts:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Gross:			
Claims outstanding	260,374	222,306	242,576
Unearned premium provision	152,433	115,527	120,484
Total gross insurance liabilities	412,807	337,833	363,060
Recoverable from reinsurers:			
Claims outstanding	90,622	59,199	76,055
Unearned premium provision	65,235	49,312	55,613
Total reinsurers' share of insurance liabilities	155,857	108,511	131,668
Net:			
Claims outstanding	169,752	163,107	166,521
Unearned premium provision	87,198	66,215	64,871
Total insurance liabilities – net	256,950	229,322	231,392

B) Analysis of net claims reserve releases:

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

	Six months ended				
	30 June 2006 £000	31 December 2006 £000	30 June 2007 £000	31 December 2007 £000	30 June 2008 £000
Underwriting year:					
2000	370	740	-	740	-
2001	692	1,187	494	989	-
2002	1,937	323	646	646	-
2003	2,311	2,773	1,386	1,849	1,386
2004	4,091	3,857	4,675	2,914	2,922
2005	437	2,186	5,096	7,449	7,056
2006	-	-	-	2,588	4,913
2007	-	-	-	-	2,080
Total net release	9,838	11,066	12,297	17,175	18,357
Net insurance premium revenue	74,863	70,092	71,647	70,589	76,994
Release as % of net premium revenue	13.1%	15.8%	17.2%	24.3%	23.8%

	Financial year ended 31 December				
	2003 £000	2004 £000	2005 £000	2006 £000	2007 £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 insurance 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%

C) Reconciliation of movement in net claims reserve:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Net claims reserve at start of period	166,521	154,711	154,711
Net claims incurred	50,052	54,188	96,324
Net claims paid	(46,821)	(45,792)	(84,514)
Net claims reserve at end of period	169,752	163,107	166,521

D) Reconciliation of movement in net unearned premium provision:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Net unearned premium provision at start of period	64,871	65,025	65,025
Written in the period	99,016	72,826	141,851
Earned in the period	(76,689)	(71,636)	(142,005)
Net unearned premium provision at end of period	87,198	66,215	64,871

16. Trade and other receivables

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Trade debtors	24,213	18,586	20,747
Prepayments and accrued income	2,626	1,992	1,886
Total trade and other receivables	26,839	20,578	22,633

17. Cash and cash equivalents

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Cash at bank and in hand	153,286	140,169	150,902
Cash on short term deposit	31	4,623	4,871
Total cash and cash equivalents	153,317	144,792	155,773

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

18. Deferred income tax

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
(Asset) / liability brought forward at start of period	(1,629)	981	981
Movement in period – through income statement	(76)	(1,177)	(1,425)
Movement in period – through equity	183	(158)	(1,185)
Asset carried forward at end of period	(1,522)	(354)	(1,629)

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

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Tax treatment of Lloyd's Syndicates	-	510	541
Tax treatment of share scheme charges	(1,443)	(1,014)	(2,091)
Capital allowances	126	150	126
Other differences	(205)	-	(205)
Deferred tax asset at end of period	(1,522)	(354)	(1,629)

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	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Tax treatment of Lloyd's Syndicates	541	1,426	1,395
Tax treatment of share scheme charges	(465)	3	53
Capital allowances	-	(24)	23
Other differences	-	(228)	(46)
Net deferred tax credited to income	76	1,177	1,425

19. Trade and other payables

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Trade payables	10,970	3,940	5,960
Amounts owed to co-insurers and reinsurers	136,837	132,910	134,659
Finance leases due within 12 months	157	653	345
Finance leases due after 12 months	-	28	4
Other taxation and social security liabilities	11,628	7,571	8,557
Other payables	20,576	17,261	15,545
Accruals and deferred income (see below)	74,949	72,111	74,523
Total trade and other payables	255,117	234,474	239,593

Analysis of accruals and deferred income:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Premium receivable in advance of policy inception	40,182	36,180	38,477
Accrued expenses	28,696	26,356	26,948
Deferred income	6,071	9,575	9,098
Total accruals and deferred income as above	74,949	72,111	74,523

20. Obligations under finance leases

	At 30 June 2008			At 30 June 2007		
Analysis of finance lease liabilities:	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	162	5	157	690	37	653
Between one and five years	-	-	-	32	4	28
	162	5	157	722	41	681

	At 31 December 2007		
	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	360	15	345
Between one and five years	4	-	4
	364	15	349

The average term of leases outstanding is eight months. 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.

21. Share capital

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Authorised:			
500,000,000 ordinary shares of 0.1p	500	500	500
Issued, called up and fully paid:			
264,219,055 ordinary shares of 0.1p	264	-	-
262,721,426 ordinary shares of 0.1p	-	-	263
262,375,407 ordinary shares of 0.1p	-	262	-
	264	262	263

During the first half of 2008, 1,497,629 new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

266,629 of these were issued to the Admiral Group Share Incentive Plan (SIP) Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

1,231,000 shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Admiral Group Senior Executive Restricted Share Plan (also known as the Discretionary Free Share Scheme or DFSS). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time. Rights to dividends have now been waived on a total of 3,558,000 ordinary shares in issue.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
SIP charge	1,160	609	1,268
DFSS charge	1,890	846	1,703
Total share scheme charges	3,050	1,455	2,971

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross credit to reserves reported in note 22.

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.

Number of free share awards committed at 30 June 2008:

	Awards outstanding	Vesting date
SIP H1 05 scheme	581,565	September 2008
SIP H2 05 scheme	350,034	March 2009
SIP H1 06 scheme	350,811	September 2009
SIP H2 06 scheme	277,538	March 2010
SIP H1 07 scheme	353,444	September 2010
SIP H2 07 scheme	337,770	March 2011
SIP H1 08 scheme	410,000	September 2011
DFSS 2005 scheme – 2nd Award	74,943	October 2008
DFSS 2006 scheme – 1st Award	604,187	April 2009
DFSS 2006 scheme – 2nd Award	105,369	September 2009
DFSS 2007 scheme – 1st Award	1,210,006	April 2010
DFSS 2007 scheme – 2nd Award	26,350	December 2010
DFSS 2008 scheme – 1st Award	1,285,099	April 2011
Total awards committed	5,967,116	

This reflects the maximum number of awards expected to vest before accounting for staff attrition. Of the 5,967,116 share awards outstanding above, 5,557,116 have been issued to the trusts administering the schemes, and are included in the issued share capital figures above.

22. Analysis of movements in capital and reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign exchange reserve £000	Retained profit and loss £000	Total equity £000
At 1 January 2007	261	13,145	17	(50)	205,682	219,055
Retained profit for the period	-	-	-	-	60,220	60,220
Dividends	-	-	-	-	(62,412)	(62,412)
Issues of share capital	1	-	-	-	-	1
Currency translation differences	-	-	-	23	-	23
Share scheme charges	-	-	-	-	2,542	2,542
Deferred tax credit on share scheme charges	-	-	-	-	158	158
As at 30 June 2007	262	13,145	17	(27)	206,190	219,587
At 1 January 2007	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
Retained profit for the period	-	-	-	-	71,914	71,914
Dividends	-	-	-	-	(60,473)	(60,473)
Issues of share capital	1	-	-	-	-	1
Currency translation differences	-	-	-	774	-	774
Share scheme charges	-	-	-	-	5,959	5,959
Deferred tax credit on share scheme charges	-	-	-	-	(183)	(183)
As at 30 June 2008	264	13,145	17	1,153	241,045	255,624

23. Financial commitments

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

Operating leases expiring:	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Within one years	-	-	-
Within two to five years	1,875	1,997	2,139
Over five years	26,070	28,520	27,357
Total commitments	27,945	30,517	29,496

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:

	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Expenditure contracted to	-	226	489

24. Related party transactions

There were no related party transactions occurring during the six months ended 30 June 2008 that require disclosure. Details relating to the remuneration and shareholdings of key management personnel were set out in the remuneration report of the 2007 annual report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

The Board considers that only the Board of Directors of Admiral Group plc are key management personnel.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Henry Engelhardt
Chief Executive Officer
30 July 2008

Kevin Chidwick
Finance Director
30 July 2008

Independent review report to Admiral Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Group Income Statement, the Group Balance Sheet, the Group statement of recognised income and expense, the Group cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit plc,
Chartered Accountants,
Cardiff,
30 July 2008

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