Admiral Group plc

annual report 2008

Contents

Admiral Group in 2008

UK car insurance

Admiral	Bell	Diamond	elephant.co.uk
1993	1997	1997	2000

- We are the third largest private car insurer in the UK, insuring 1.6m cars across our four brands. We grew by 15% in 2008
- We sell through direct channels (telephone and internet) and increasingly via comparison websites
- Total insurance premium generated in 2008 was £690m, 12% higher than 2007
- Our business is consistently and significantly more profitable than the UK market – the 2008 combined ratio (measuring the ratio of costs to income) was 81%

2008 Performance:

Strong growth	• Customer numbers increased 15% to 1.59m from 1.38m • Turnover* rose 13% to £805m (2007: £715m)
Profitability	• Overall profit increased 27% to £180m, from £142m • Combined ratio of 81%, down from 83% • Ancillary contribution per vehicle up to £70.7 from £69.0

*Turnover (a non-GAAP measure) comprises total premiums written and other revenue

Price comparison

Confused.com

2002

- Launched in 2002, Confused.com is the UK's leading car insurance comparison website
- Confused also offers a comparison service for household insurance, along with a range of other insurance and financial products
- The UK market experienced fierce competition in 2008 – TV and press spend by the industry increased by approximately 50%
- Confused rebuilt and re-launched its website at the end of 2008 and also began a new media campaign
- New Spanish comparison website, Rastreator.es to launch in 2009

2008 Performance:

Revenue	• Total revenue fell by 4% to £66m from £69m • Non-car insurance revenue increased 28% to £13m
Profitability	• Profit fell 30% to £26m from £37m

Non-UK car insurance

balumba.es	AdmiralDirekt.de	ConTe.it ® Admiral Group plc UK
2006	2007	2008

- We have launched three new direct car insurance businesses over the past three years
- Our aim is to build profitable, sustainable businesses, leveraging our knowledge of the UK car insurance market
- Pleasing progress to date, though challenges experienced in each new market
- Aiming to launch a US car insurer in late 2009 / early 2010

2008 Performance:

Volumes	• Number of customers increased 57% to 73,700 from 46,900 • Total premiums generated rose 83% to £26m (60% excluding currency impact)
Result	• Loss from combined operations £4.1m

Other Group activities

- Total Group cash and financial investments increased 13% to £555m, investment and interest income steady at £24m
- Investment strategy remains very cautious – no write-offs in our portfolios

GLADIATOR part of the Admiral Group

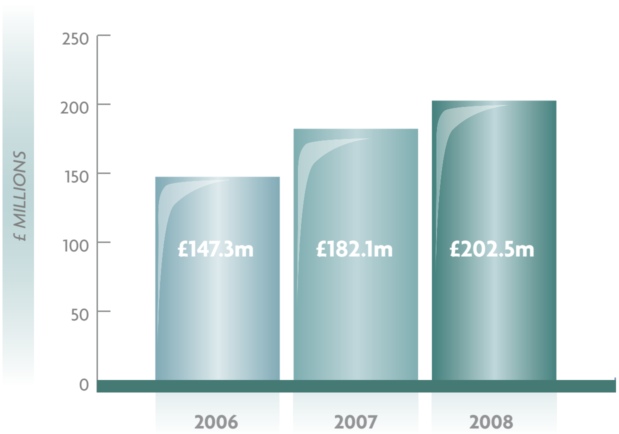
1998

- The Group's UK van insurance broker Gladiator increased its customer numbers by 36% in 2008 to nearly 85,000, and increased revenue to £9.5m (+ 27%)
- Profits also increased, by 40% to nearly £3m

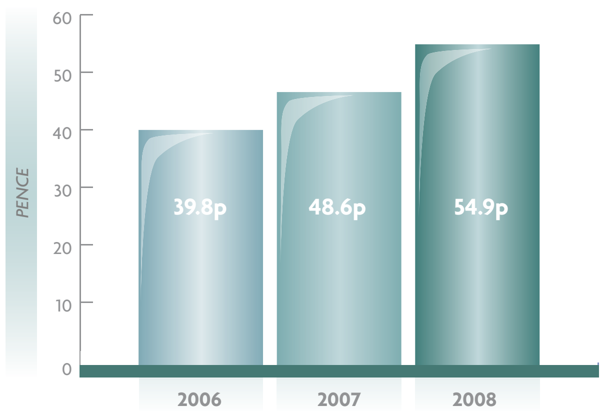
Financial highlights

	2006	2007	2008
Profit before tax (£m)	147.3	182.1	202.5
Earnings per share (p/share)	39.8	48.6	54.9
Full year dividend (p/share)	36.1	43.8	52.5
Net revenue (£m)	311.0	364.1	422.8
Customer numbers (m)	1.29	1.49	1.75
Group combined ratio	87.3%	85.4%	86.4%

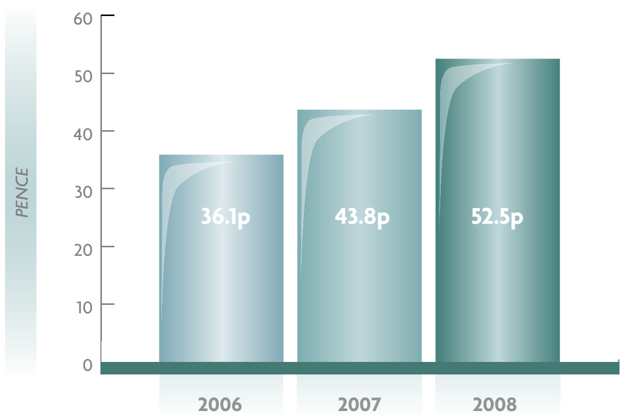
Profit before tax



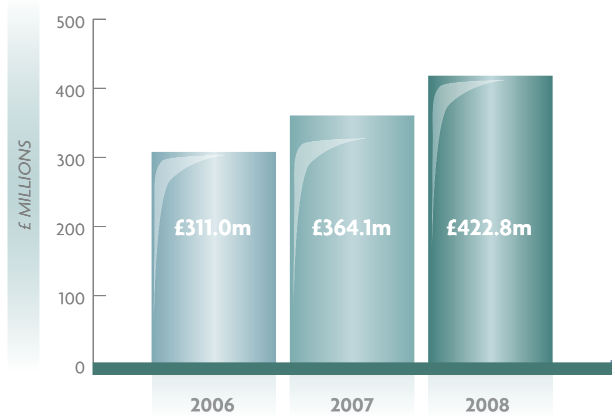
Earnings per share



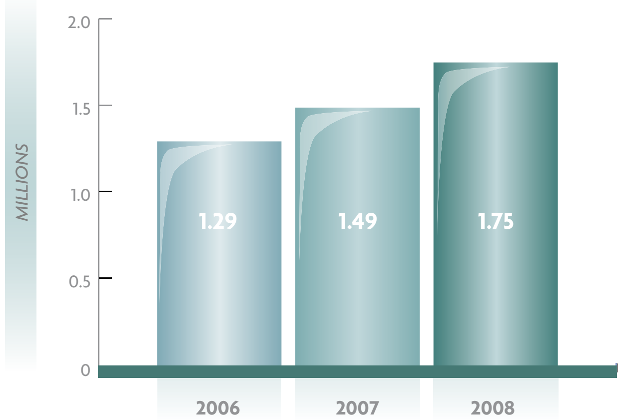
Full year dividend



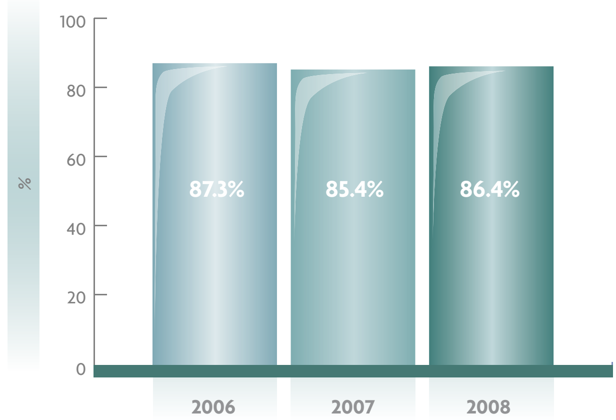
Net revenue



Customer numbers



Group combined ratio



"Admiral has been able to create 326 new jobs in Wales over the past 12 months."

Alastair Lyons, CBE

Chairman's statement

Amid all the market turbulence it is pleasing to be able to report another year of sustained growth in turnover, profits, and dividend. Also that in the gloom of widespread job losses Admiral has been able to create 326 new jobs in Wales over the past 12 months, not to mention 290 posts outside the UK. 2008, therefore, marked another year of successfully advancing our strategy, being to grow our share of the UK private motor market and exploit the knowledge, skills and resources attaching to our core business to promote our expansion overseas and our position in price comparison.

We estimate that we now account for some 6% of the UK private motor market covering 1.6 million vehicles, 15% up on December 2007 and placing us third in terms of premium in this market. Since the business floated in September 2004 our vehicle count has grown by over 12% p.a. compound, testament to the relevance of our customer proposition; the effectiveness with which the business has seized the opportunities presented by the internet and the rise of aggregators; and continuing innovation such as Admiral MultiCar. This growth in our book in 2008 was accompanied by a 17% increase in profit derived from ancillary products and services.

The upward trend in pricing that started to emerge a year ago has been sustained during 2008. As Henry Engelhardt discusses more fully in his CEO's report, we increased our rates by around 4%, generally in line with the market as a whole, whilst claims frequency continued to fall. Our established reserving methodology under which we make a prudent assessment of claims in their early stages engendered further significant releases as these prior year claims aged.

In my statement last year I underlined the rapid growth of competition in car insurance price comparison.

With another enormous increase in marketing expenditure in this sector, it was inevitable that the market share held historically by Confused would reduce, albeit that the overall market has continued to expand rapidly, growing by an estimated 60% in 2008. In determining how much to commit ourselves we sought to balance our margin of profitability and defence of our leadership position. Across 2008 as a whole Confused's turnover held broadly steady, being down 4% on the year, but at a significantly higher marketing cost such that Confused profits fell from £37 million to £26 million. Price comparison now accounts for 38% of the private motor market, up from 24% in 2007, and shows no sign of stopping its growth which is good news both for Confused and for the Admiral brands, for which it represents the principal source of new business. We would, however, anticipate that this sector will remain highly competitive whilst some players continue to be prepared to incur losses to attempt to build share.

Having launched Balumba.es in Spain in 2006 and AdmiralDirekt.de in Germany in 2007, 2008 was the turn of ConTe.it in Italy at the end of May. It has always been the Admiral way to learn by doing, taking relatively small and inexpensive steps to test different approaches and identify the best way forward. Our expansion overseas is central to our long-term strategy of growth of our direct private motor franchise, and this will require sustained investment until we achieve the scale to support the infrastructure necessary in each country, and have selected the best model to write profitable business. In this context we congratulate our Spanish team on bringing their loss ratio at month 12 down from 137% for the 2007 underwriting year to 102% for 2008 whilst growing their book 18% to 55,000 customers by the year-end. Our teams in Germany and Italy are both at an early stage of determining how best to penetrate their respective markets, and we now also have a team working in Richmond, Virginia towards a launch in the US.

With a very prudent investment philosophy, only employing cash deposits or money market funds, it was inevitable that the sharp fall in general interest rates should have had an equivalent impact on our investment income. 100% of our, and our policyholders', money was, however, secure.

The result for the year was a pre-tax profit of £202.5 million, an 11% increase on 2007 off a 13% growth in total written premiums.

As a principle we return all available surpluses to shareholders after taking into account our required solvency, our overseas expansion plans, and a prudent margin – currently £25m – against contingencies. We, therefore, commit to pay a standard normal dividend that has grown in line with our growth in profits based on a 45% pay-out ratio, and pay whatever remains as available surplus as a special dividend which will, therefore, fluctuate from year to year.

This year our normal dividend amounted to 24.7p per share, and our special to 27.8p per share, bringing to £220m the total we have declared as special dividends since flotation in September 2004, this being in addition to £215m normal dividends over the same period. Total dividends for the year, therefore, amounted to 52.5p per share, a 20% increase on last year, representing a yield of 6.1% based on the closing share price on 27 February 2009.

Our success reflects both excellent strategic leadership and first-class execution by our staff across all aspects of our operations. Our staff have been shareholders in Admiral for the last 9 years, initially under private equity ownership and now through the Free Share Schemes put in place at flotation. We see this alignment of the interests of our staff and our shareholders as fundamental to our success, and we are strongly of the view that there is a direct link between our staff being owners of the business and our having been placed for 9 consecutive years amongst the Sunday Times Top 100 Companies to Work For in the UK. Our remuneration philosophy combines base salary and performance-related shares across our entire business and we are delighted that achievement in full of the objectives set for 2008 meant that eligible employees again realised the maximum award of £3,000 free shares under our Approved Scheme. The second 3-year period for the Discretionary Free Share Scheme significantly exceeded the performance conditions, qualifying the scheme to vest the maximum share entitlement under the individual awards.

Admiral is now one of the largest private employers in Wales and, as such, is a significant part of the local community. The contribution that the company has made to Wales was recognised by the award of an honorary CBE to Henry Engelhardt in April 2008, on which may I once again extend to him our hearty congratulations. We encourage our staff to work with local projects and we provided financial support during the year to such disparate events as the Admiral Cardiff Big Weekend offering 3 days of quality live music, and the South Wales Echo Community Champion Awards.

I would like to take this opportunity to extend the thanks of the Board to everyone who has contributed to another successful year – our staff at home and overseas; our Board, executive and non-executive; our suppliers; and above all our 1.7 million customers, whose satisfaction through great products and great service will provide the basis of our continuing success.

Alastair Lyons
Chairman

"Our strategy is rather simple: continue our profitable growth in the UK and take what we know and do well and do it elsewhere."

Henry Engelhardt, CBE

Chief Executive's statement

At the end of 2008 the market capitalisation of Admiral Group was almost twice that of General Motors. Funny year 2008!

Normally at this point in my commentary I like to get right to the highlights so that shareholders can see straight away what we accomplished in the year. This year, however, I think there are few key messages that I need to get across and, for those of you who never read beyond the third paragraph of these reports, I'd better put them next to make sure you get them. The highlights, and there were plenty of them, will follow, further down the page.

Key messages:

1 Resistant, not proof
2 Freight train gaining speed
3 Headlines don't mirror reality
4 Fierce competition
5 It's not just add water and stir
6 Stick to the strategy

So, for those of you who only do three paras, thanks for your time. For those who want to know more, please read on.

Resistant, not proof

Car insurance is probably as good an industry as there is in a recession. The very simple fact that it's compulsory purchase means consumers aren't deciding whether or not to buy it this year, they're just asking 'who from?' I don't think any industry is airtight, recession-proof, but this one is recession-resistant – it's a compulsory purchase product! I don't see people giving up their cars en masse and so they'll have to buy the insurance. I do see consumers shopping around even more to ensure they get the best deal. In the UK, I think this additional shopping, especially when it's done on price comparison sites, plays very nicely in Admiral's hands, because it becomes more and more a survival of the fittest. And we're one of, if not the, fittest. And in those markets where we have fledgling businesses, additional shopping around will only make our job easier.

Freight Train Gaining Speed

The aforementioned freight train is our UK direct business. We continue to grow the number of customers we serve, premium income, ancillary revenues and, not surprisingly, our profits. The number of vehicles we insure in the UK grew by 15% in 2008. 15%! The profits increased from £142m to £180m. Other signs of our excellent performance here are:

- Premium income increased by 12%, from £617m to £690m;
- Combined ratio fell from 83% to 81%;
- Ancillary income per vehicle rose from £69 to £71;

All of this was achieved in an environment where distribution patterns were changing rapidly and price hikes were hard to come by.

In particular, we're really quite proud of our ability to increase the ancillary contribution per vehicle, albeit modestly (£69.00 to £70.70). Growing or even keeping the ancillary contribution per vehicle stable is challenging in the current economic climate. However, our track record on this is good and we feel comfortable that ancillary income per vehicle in 2009 will be close to, if not above, the 2008 figure.

You might now wonder what the 'gaining speed' part of the freight train is all about. Well, we've made changes to our reinsurance arrangements that will mean we get a greater share of any underwriting profits in the future. This means that even if we stand still, we'll be more profitable.

A couple of years ago we revised the existing agreement with Munich Re in favour of an agreement that goes until at least 2014. The new agreement gives us better profit share terms in 2007-8-9 and then further improvements in 2010 and beyond. The benefits of these profit share improvements are only just starting to hit the bottom line with releases from the 2007 underwriting year. In addition, in order to give us greater control over our book, Munich Re is in the middle of a multi-year process of stepping back from underwriting 65% (2006) to 40% (2011). For 2008 they took 55% and for 2009 they will take 50%. We have been fortunate to replace this capacity for 2009, 2010 and 2011 with other reinsurers, with arrangements that are shorter in duration and smaller in size, such that we retain a greater proportion of the profits than the Munich Re deal.

In addition to getting a greater share of the profits through improved reinsurance arrangements we fully expect the UK business to grow further in 2009. The combination of all these factors means that the low-risk, capital-lite, high-dividend model moves forward in 2009.

Headlines don't mirror reality

The UK car insurance market remains a very competitive place. The market performed pretty much as we forecast with rates grudgingly (sloth-like?), inching upwards in 2008. Based on our data, headlines of 5%-10% rate increases during the year are misleading. I don't know the exact methodology of either the AA or

Deloitte's price trackers but I'd be surprised if they pick up on special offers (like Direct Line's early 2009 offer of 12 months cover for 10 months cost implying a 16.6% price reduction) or any special rates on price comparison sites. A recent review of prices done solely on price comparison sites indicated, for instance, that the best rate offered for a variety of risks actually declined by 1% in January 2009.

Rate increases are being muted by the dominance of price comparison sites, where consumers naturally drift to the lowest price offered. One measure we use to gauge price changes by the market is the percentage times one of our brands comes up first on price comparison sites. This percentage stayed roughly the same throughout 2008. Meanwhile, during the year we moved our rates up, on average, 4%. This leads me to think that the market moved its rates up about 4% as well.

However, I don't think this modest price move means the results for the market will be poor. In my opinion, subdued claims inflation, led by reduced accident frequency, will result in this year being no worse for the market than 2007. I think 2008 will again be marked by large reserve releases by the market as a whole.

It's not yet clear how rates will trend in 2009. There are competing factors that influence the potential of rate increases and rate decreases. On the 'rates moving up' side, there is the decline in interest rates and therefore investment income. With firms earning less investment income there is added pressure to produce a better underwriting result. In addition, lower petrol prices might spur more driving, which would result in more accidents, which in turn should lead to price increases. Already the winter has been more severe than many recent winters, with a corresponding rise in frequency. All of these factors weigh in favour of rate increases.

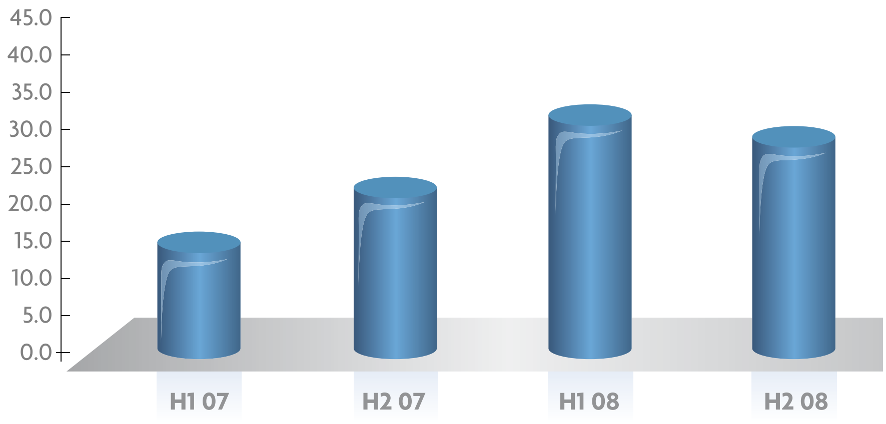
On the 'rates stable or moving down' side there is lack of intense pain in the industry. It does not appear that the industry as a whole is suffering a lot; combined ratios plus profits from ancillary products, after releases for 2007 (latest data available) indicate the market makes a reasonable return on capital. Economic pain is always the greatest catalyst for price increases and if that pain does not exist then insurers generally do not increase rates. In addition, the further growth of price comparison sites means more and more consumers will get the industry's lowest rate, pinning the industry to rate increases only as dictated by the slowest mover for any individual risk. Lastly, the recession might result in people driving less and, despite the difficult winter, this would have a beneficial effect on frequency, which might lead to insurers deciding to hold the line on, or even decrease, rates.

All in all, I think it means a bit of a sleepy year on rates, with the above cocktail of factors working to produce rate increases similar to 2008. For those needing animal imagery I'd suggest the koala bear. There are a number of idiosyncrasies about the koala bear that resonate with similarity to the UK car insurance market. Here are three, I leave it to you to pick and choose which ones best represent the UK car insurance market: koalas sleep some 16 hours a day, they can be nasty if provoked and they are known to smell quite bad.

The UK car insurance market?

Fierce competition

Confused had a pretty good year. However, as predicted, competition was fierce and as a result profits reduced from £37m in 2007 to £26m in 2008. The spend on TV and press by price comparison sites has gone from approximately £5.5m in 2006 to £51m in 2007 to £76m in 2008. Confused's portion of this spend has gone from virtually 100% in 06, to a third of the spend in 07 to around a fifth of the



Price comparison market media spend £m

spend in 08. Simply put, competition has taken a lot of profit out of this market through increased marketing costs, despite continued growth in the number of people using price comparison sites. The dominance of price comparison sites as the method of choice for buying car insurance in the UK is reflected by:

- The fact that in 2008 73% of Admiral's new business originated through price comparison sites, up from 50% in 2007, up from 30% in 2006.
- TV and press advertising by price comparison sites as a percentage of all car insurance TV and press advertising rose from 35% in 2007 to 52% in 2008.
- The fact that only one brand has yet to have a presence on any price comparison site and that's Direct Line. Even all the other RBS insurance brands have joined price comparison panels.

But enough whinging about what a tough world it is, let me tell you what Confused is doing to respond. First, we took the better part of 2008 to rebuild the quote engine. It's now faster and easier for the customer. It also looks better. Second, we've launched a new TV campaign which, given the number of times people have seen the old campaign over the last few years, will certainly be welcomed by the British public. Third, we are improving Confused's offerings of other products. In particular we're seeing growth in household insurance and energy comparisons.

It is very hard to predict Confused's result for 2009, the sector remains under intense competitive pressures. However, the market is still growing and this, coupled with the changes Confused made at the end of 2008, has resulted in Confused producing the biggest number of car insurance quotes ever in January 2009. But, I'm sorry to say, it was not a record month for profits. The missing data point to the future is how much money each of the competitors in this sector is willing to spend in 2009 to try and reach, or grow, profitability. If January is anything to go by then Britain will be seeing a lot of price comparison advertising during the year!

It's not just add water and stir

We are in the process of sowing the seeds of our future growth and success with the development of our businesses outside the UK. In 10 years time I expect these seeds to be a forest of profit growth for the Group. However, the non-UK operations should not be expected to make any noticeable return for a few years. Building profitable, growing, sustainable direct operations takes time. Balumba, in Spain, has only just completed its second full year of trading, AdmiralDirekt in Germany is less than two years old and ConTe in Italy only launched at the very end of May 2008. The development of these businesses outside the UK will take not only time, but also money. Not a lot of money, but money nonetheless.

The new Confused.com website.

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We don't do things on a grand scale until we are quite confident of the result and we work hard to learn as we go, but as we grow these businesses on top of each other the capital requirement increases. This should not put off investors, as our business model generates cash and we have no debt to repay.

Balumba was challenged to improve its loss ratio in 2008 and it did so. The loss ratio for 2007 at the end of 2007 was 137%. The loss ratio for 2008 at the end of 2008 was 102%. We are looking for continued improvement in 2009. Improving the loss ratio was our primary focus during the year and while we were making adjustments to pricing and claims management we pulled back a bit on our advertising spend, resulting in the number of customers Balumba services growing by 8,500, from 46,900 to 55,400 (18%). Balumba's earned combined ratio was 165% for the year, compared to 232% in 2007. Overall however, Balumba posted a loss of only £1.2m (€1.5m). This sum appears modest largely due to the sale of ancillary products and services to its customers. This is very nice income to have but the key to long-term success for Balumba is to become a good insurer.

The German market is an odd beast (certainly bigger and arguably even less friendly than a koala). There is a season for car insurance in Germany that runs about 10 weeks, from early October to early December. There is very limited activity during the rest of the year. This comes about because almost the entire market renews on a single date, January 1, and consumers have to give their insurers a month's notice to leave them, which means they have to give notice by the end of November. After that the only substantial group of people shopping are those who are changing vehicle. Besides the difficult logistics of trying to gear up for a short sales window, you lose the ability to test, re-calibrate, re-test, re-re-calibrate, etc. that we employ everywhere else. You can test but then you have to wait 42 weeks to re-calibrate!

There's good news and bad news from AdmiralDirekt.de. On the 1st of January 2009 (from the '2008 season') we had around 30,000 policyholders. This was at the high end of our expectations. That's the good news. The bad news is that the 8,000 policyholders that went on risk on January 1, 2008 did not perform well. The loss ratio for the 2008 year at the end of 2008 was 142%. Part of this is the volatility inherent in a small book of business where one or two large claims make a big difference. But part of this too is down to an inexperience in claims handling and the typically poorer loss ratios that accompany first year business.

Our reaction to these problems was to spend a lot of energy improving the claims systems and re-calibrating our pricing. Our renewal rate for this season was low enough to lead us to believe our pricing re-calibration had an effect. Now we wait to see how this year's customers perform.

In Italy we were successful in launching ConTe on schedule and within budget at the end of May. However, as we'd seen Balumba and, to some extent, AdmiralDirekt.de, grow their respective volumes quickly to the detriment of their loss ratios, in Italy we put rates up from the outset to protect the loss ratio. The result was our writing just 3,660 policies in the year with annualised premium income of €1.4m. However, the 2008 loss ratio at the end of 2008 was 87%! But the loss ratio on such a small premium income is subject to dramatic change with even a single claim. As the year ended we were re-calibrating rates to stimulate sales.

In sum, I am pleased with the progress we've made in Spain, Germany and

Italy despite the challenges noted above. They all hold great potential for the future.

Stick to the strategy

Our strategy has been and continues to be, rather simple: continue our profitable growth in the UK and take what we know and do well and do it elsewhere. This means expanding our direct businesses geographically to take advantage of changing distribution patterns in countries with large, mature car insurance markets. I believe that this is the way to ensure a prosperous future. For 2009 this means that, besides continuing to invest in our Spanish, German and Italian operations, we are working on a launch in the United States, the world's largest car insurance market.

The business in the US will start small, one or two states to begin with and, if successful, expand to other interesting states. The company, which has yet to be named, will be based in Richmond, Va. and should launch either in the final quarter of 2009 or first quarter of 2010. Our strategic plan has always shown five markets to expand into. With the US coming on-stream that would leave only the French market left on the list and we are beginning to investigate this market.

We are also looking to expand the international presence of our Confused business. The first launch outside the UK will again be Spain, with an operation called Rastreator (a made up word, but close to 'rastreador', which means tracker). The growth of internet distribution for car insurance makes this market interesting for price comparison. This business should go live sometime in the first half of 2009.

Highlights

Okay, if anyone's gotten through all that, it's time for some highlights of 2008. I'm proud to say that it was another excellent year for the Admiral Group:

1. Profit before tax up 11% to £202.5m
2. Number of customers up 17% to 1.75m
3. Turnover up 13% to £910m
4. Combined ratio still well below 90% at 86%
5. Top 10 in the FT Best Companies To Work For; 37th in the Sunday Times Best Companies To Work For in the UK
6. Launched ConTe in Italy
7. Still debt- free
8. Record dividend of 52.5p per share for the year
9. Robust return on capital of 57% (56% 2007)
10. Robust return on income of 56% (57% 2007)
11. Number of people employed in the Group rose to 3,110 from 2,500 (+24%), we opened a new office in Newport (Wales, not Rhode Island) and we're hiring in every operation!

It is a hugely exciting time within Admiral Group and I'm glad to be a part of it. I am fortunate to work with intelligent, highly motivated, nice people. I'd like to say a specific thanks to all the senior managers who are so dedicated to Admiral Group and to all the staff in all our offices who work hard every day to provide a great service to our customers. I'm looking forward to another excellent year in 2009.

Henry Engelhardt
Chief Executive Officer

37th best Company to Work For in the UK 2009

Opening of the new Newport office

Business review

UK Car Insurance

What we do

- We sell, administer and underwrite private car insurance in the UK through four brands – Admiral, Bell, Diamond and elephant.co.uk
- Our policies are distributed through direct channels – over the telephone, through our own websites and also increasingly via price comparison websites
- We are the third largest UK private car insurer, with around 1.6m vehicles insured, generating total premium of £690m. We estimate the combined market share of our brands is around 6%
- We also generate ancillary income from products and services that complement the motor insurance
- Our main locations are Cardiff, Swansea and Newport in Wales, though we also operate out of call centres in Nova Scotia, Canada and Bangalore, India

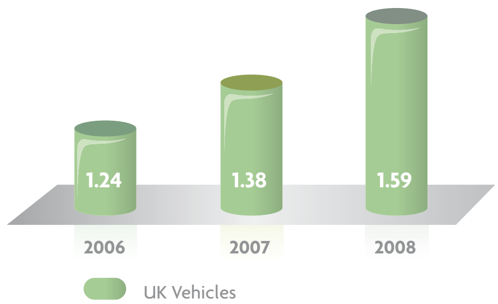
Our strategy

The strategy for our core car insurance business is relatively straightforward. We aim to manage our existing client base and future growth in order to maximise profitability over the medium to long term. At the same time, we endeavour to give excellent service to our customers, whilst providing a positive environment for our staff to work and develop in.

We measure customer and staff satisfaction through a number of key performance indicators (KPIs), some of which are outlined in the Customers and Employees sections below.

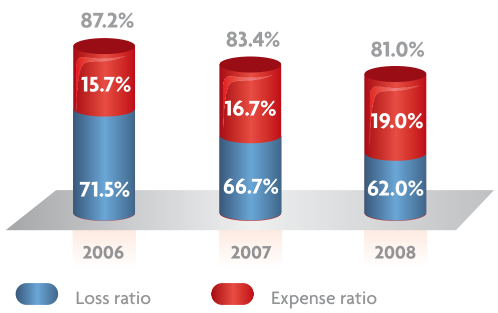
UK car insurance KPIs:

1) Vehicles insured and growth rate:



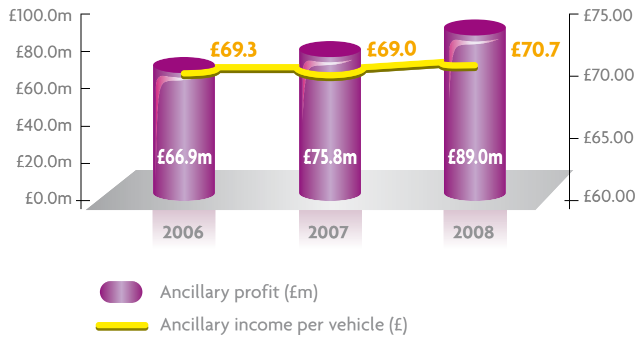
- Track record of consistent and significant growth
- Arises out of efficient marketing, focussed distribution and strong pricing activities
- Also boosted by innovative products, such as MultiCar and 10 month policies

2) Reported combined ratio:



- Consistent and significant outperformance against the market
- Loss ratio advantage arises from strong pricing and claims handling operations
- Expense ratio advantage is acquisition cost driven and also a focus on cost control

3) Ancillary profit and income per vehicle:



- Significant profit generated from non-underwriting activities
- Strong track record of introducing and growing non-underwriting income streams
- Continual development of products and services in response to changing customer needs and industry trends

Financial performance

Non-GAAP format income statement

£m	2006	2007	2008
Turnover*1	653.1	714.9	804.8
Total premiums written*2	566.0	617.0	690.2
Net insurance premium revenue	144.9	140.2	161.9
Investment income	9.9	16.7	17.1
Net insurance claims	(107.1)	(97.0)	(105.1)
Net insurance expenses	(19.2)	(19.9)	(26.0)
Underwriting profit	28.5	40.0	47.9
Profit commission	19.9	20.4	34.7
Net ancillary income	66.9	75.8	89.0
Other revenue	5.8	6.0	8.3
UK car insurance result	**121.1**	**142.2**	**179.9**

Compound growth rate of 10%, year on year growth 12%

Significant increase in 2008 due to first recognition of income under improved arrangements

Compound growth rate 15%, year on year growth 17%

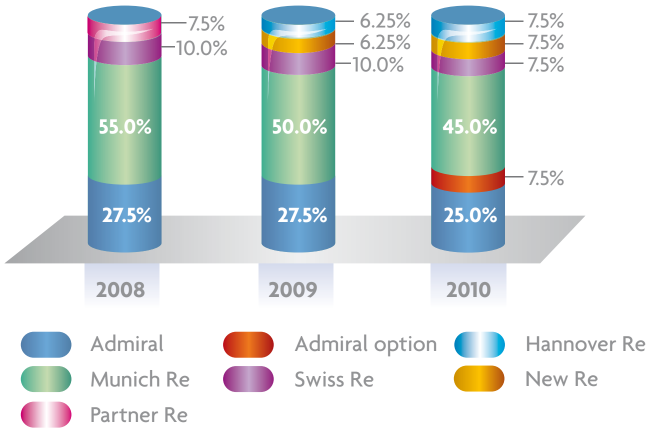
*1 Turnover (a non-GAAP measure) comprises total premiums written and other revenue
*2 Total premiums written (non-GAAP) includes premium underwritten by co-insurers

Key performance indicators

	2006	2007	2008
Reported loss ratio	71.5%	66.7%	62.0%
Reported expense ratio	15.7%	16.7%	19.0%
Reported combined ratio	87.2%	83.4%	81.0%
Written basis expense ratio	15.8%	16.7%	16.7%
Claims reserve releases	£20.9m	£29.5m	£38.0m
Releases as % of premium	14.4%	21.0%	23.5%
Profit commission as % of premium	13.7%	14.6%	21.4%
Vehicles insured at year-end	1.24m	1.38m	1.59m
Ancillary income per vehicle	£69.3	£69.0	£70.7

Compound growth rate of 13%, year on year growth 15%

Co-insurance and reinsurance arrangements



For the 2008 year, Admiral underwrote 27.5% of the UK premium, up 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% was reinsured to 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.

The principal advantages of this significant use of co- and reinsurance are the reduced capital requirements and also reduced exposure to underwriting risk. This creates a high return on shareholder equity and strong cash flows, supporting regular dividends.

The profit commission arrangements in the agreements allow Admiral to participate to a large extent in the profitability of the total underwriting, and the most recent reinsurance contracts allow for a significant proportion of the profit to be remitted back to Admiral.

The underwriting arrangements for 2009 have changed compared to 2008: Admiral will continue to retain a net 27.5%, with Munich Re stepping down to 50% and the remaining 22.5% split between three reinsurers – Swiss Re (10.0%), Hannover Re (6.25%) and New Re (6.25%).

UK car insurance financial commentary

The UK business again grew strongly in 2008, increasing total premiums written by 12% from £617m to £690m and also growing the number of vehicles insured by 15% to 1.59m. A fall in average premiums accounted for the difference in the growth rates.

Admiral's premium rates actually increased by around 4% during 2008, but the continued growth in distribution via price comparison websites partly contributed to a fall in average premiums written. Also, the mix of the new business and renewal book has shifted very gradually towards slightly lower premium risks. Our own data on the competitiveness of Admiral's rates suggests that market price changes were broadly in line with our own.

The underwriting results of 2008 showed continued improvement, with a combined ratio of 81% coming in two points better than 83% for 2007. The private motor market reported a combined ratio (i.e. including the effect of reserve releases) for 2007 of 104% (115% before releases), meaning Admiral enjoyed a 21 point outperformance in reported results for that year. We do not expect a material change in the market's result for 2008.

Overall underwriting profit increased by 20% to £48m (representing just less than one quarter of total 2008 pre-tax profit).

The loss ratio improved to 62.0% from 66.7%, partly reflecting a larger impact resulting from prior year reserve surplus releases (positively contributing 23.5% in 2008 v 21.0% in 2007), but equally the 'pure year' ratio (i.e. the loss ratio without the benefit of releases) also improved, to 85.5% from 87.7%, reflecting better claims experience in the 2008 calendar year compared to 2007.

On the Group's own underwriting, we continue to reserve initially on a conservative basis, above actuarial projections of ultimate outcomes. This results in a significant margin being held in claims reserves to allow for any unforeseen adverse development in open claims. This creates a position whereby Admiral expects to be able to consistently make well above industry average reserve releases.

In addition to these releases, there is a significant amount of revenue not yet recognised arising from profit commissions earned on the premiums that Admiral does not underwrite itself. Proportionally these balances have become much more significant at the end of 2008 and consequently we now consider it more appropriate to consider these two parts together when we determine the quantum of reserve releases. We seek to achieve a consistent level of overall prudence.

The expense ratio increased to 19.0% from 16.7% in 2007. Part of the increase results from an accounting impact arising from Admiral retaining more of the 2008 premium (27.5%) than 2007 (22.5%). A further element of the increase arose due to the commission structures of the quota share reinsurance contracts. On a like for like basis, the expense ratio for 2008 was in line with 2007.

Aside from the underwriting result for Admiral's own account, another notable feature of the 2008 income statement is the significant increase in profit commission income (up 70% to £34.7m). This results from a number of factors, including growth in the overall level of premium written; a higher percentage of business co-/reinsured in 2007 than previous years and continued improvement in reported loss ratios for previous years. The main contributor however was the significantly improved profit commission terms to Admiral on co-/reinsurance contracts for the 2007 year and beyond. We recognised the first profit commission income on this year during 2008.

The new quota share contracts which came into effect in January 2009 (with Hannover Re and New Re) include even more favourable terms for Admiral.

Net income from ancillary products and services has for some time been a key source of profit for the Group, and 2008 was no exception. Ancillary profit increased by around 17% to £89.0m from £75.8m. Most of the growth came by way of an increase in the number of vehicles insured (+15%), whilst there was also a modest increase in the income per vehicle (£70.70 v £69.00).

Ancillary income

A large number of income streams combine to form what is known as 'ancillary' income. Most are products or services that complement the core car insurance product (including a number of insurance products that are not underwritten by Admiral). A portion of the total is discretionary.

Although Admiral does not underwrite all the car insurance generated for its own account, it does retain all ancillary income generated.

The major sources, along with a broad categorisation are set out below:

Discretionary – Breakdown insurance, personal accident insurance, car hire cover, zero exclusion payment protection insurance

Other – Legal expenses insurance, administration fees

(Discretionary is defined as a product or service in respect of which a customer makes a decision whether or not to purchase.)

Further detail on investment income is set out below.

Regulatory environment

The UK car insurance business operates mainly under the regulation of the UK Financial Services Authority, and also, by virtue of a Gibraltar based insurance company, under the Financial Services Commission in that territory.

The FSA regulates two Group companies involved in this business – EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL, an insurer), whilst the FSC regulates Admiral Insurance (Gibraltar) Limited (AIGL, also an insurer).

All three companies are required to maintain capital to levels prescribed by the home regulator, and all three maintained significant surpluses above those required levels throughout the year.

Treating Customers Fairly (TCF):

FSA regulations require regulated companies to treat their customers fairly, and this has been an area of significant focus in recent years. Although the Group had a TCF culture along with management information in place prior to the FSA initiative, improvements have been made to the management information used in the business, and we report some of the data in the Customers section below.

Risks and uncertainties

There are a number of factors which could affect the business' future results and prospects and the main ones are set out below. This is not intended to be a comprehensive list of all risks and uncertainties and the business will always be impacted by its competitors and other factors.

The business may be affected by difficult economic conditions

There is a risk that the recession in the UK could adversely affect the UK car insurance business in a number of ways:

a) Ancillary income – an element of this income stream is discretionary, and whilst it could be argued that protection products are more important in difficult economic conditions, consumers could choose to reduce the level of non-mandatory products, which would impact the Group's ancillary income
b) Claims – there is a risk of increased fraudulent claims, which would affect the Group's underwriting results and also profit commission income

The Group's insurance business faces inherent claims risk

As with any insurance business, the value of future claims may be different to current expectations for a number of reasons, many of which are outside the Group's control. These could include claims frequency shocks resulting from bad weather, higher claims inflation resulting from legislative changes. Adverse changes would affect the Group's underwriting results and profit commission income.

The business faces operational risk

Operational risk arises across the business in a variety of forms, and if business processes do not function effectively and efficiently, losses may arise. Potential risk areas include: Claims handling; internal or external fraud; computer system failure. The Group has a well developed risk management framework, including a robust set of internal controls, although these can not be relied upon to completely eliminate the risk of loss.

The business faces regulatory risk

The business is subject to a range of regulatory supervision and should any of it change significantly, this could materially affect the Group's operations and the products offered.

Counterparty and other financial risks are discussed in the financial risks section in the notes to the accounts.

Price comparison

What we do

- Confused.com is an insurance and financial services comparison website
- Operating in the UK, the site allows consumers to compare a range of general insurance and financial services products across price and policy benefits
- Confused's income is primarily generated via commissions paid by the product provider on the sale of an insurance policy or financial product
- We are the UK's leading car insurance comparison website measured by sales generated. Confused delivered over 13 million insurance quotes in 2008

Strategy

Confused's strategy is to become the comparison website of choice in the UK for financial products, and to maximise the value to the business of each customer relationship.

The Group also plans to capitalise on our experience in the UK by establishing new price comparison operations overseas.

Success in delivering against this strategy is measured by a wide range of key performance indicators, including quote volumes, conversion rates, sales, income per sale and cost per sale.

Financial Performance

Non-GAAP format income statement

£m	2006	2007	2008
Revenue:			
Motor	34.3	58.8	52.9
Other	4.2	10.3	13.2
Total	38.5	69.1	66.1
Operating expenses	(15.4)	(32.4)	(40.5)
Operating profit	**23.1**	**36.7**	**25.6**

Compound growth rate of 24%, year on year decline 10%

Compound growth rate of 71%, year on year growth 28%

Price comparison financial commentary

Competition in UK price comparison intensified further during 2008, evidenced by substantial increases in media spends by the major players. The market also saw a number of new entrants.

At the same time, the size of the market (although somewhat difficult to measure precisely) also grew significantly. We estimate the number of car insurance policies sold through price comparison websites grew by nearly 60% during 2008 to a point where the channel now accounts for around 40% of all new business sales.

One of the main effects of the increased competition has been to remove a large amount of the market's profitability – as business becomes significantly more expensive to acquire, against only a modest increase in income per sale. As a dominant and highly profitable player in the market, Confused's results inevitably suffered against this backdrop.

In spite of the challenging market conditions, Confused achieved an operating profit of £26m, and an operating margin of 39%.

Confused did generate notable growth in its activities beyond car insurance. Household insurance and utilities were particularly strong and contributed to growth in other revenue of 28% (to £13.2m).

At the end of 2008, Confused launched its rebuilt website, which makes the quote process faster and easier for customers. It has also launched a new TV advertising campaign early in 2009, which led to January being a record month for quotes.

The Group is also currently in the process of developing a price comparison business to launch in Spain, and Rastreator.es (based in Madrid) is expected to start operating there in the first half of 2009.

Regulatory environment

As an insurance intermediary, Confused is regulated by the UK FSA and is required to comply with all relevant rules, including those on solvency capital.

The price comparison industry in the UK has attracted a lot of attention from a number of parties over the past year or two, including a review by the FSA. Confused contributed willingly to the review and actively responded to the issues raised by the regulator during its course.

Confused tries always to act in the best interests of its users. Price and benefit comparison in motor and home insurance have made what was a very time consuming process substantially easier for consumers, and in general the new industry has contributed to better decisions being made by consumers.

Risks and uncertainties

This section sets out a list of risks which could affect the business' future results and prospects. Again, it is not intended to cover all risks and uncertainties.

The business may be affected by difficult economic conditions
Recession in the UK potentially offers an opportunity for Confused as more and more consumers use comparison websites to search for the best deals. It could also, however, pose a threat with fewer new car and home purchases possibly leading to fewer price searches than would otherwise arise. As yet, Confused has seen little evidence of this.

The industry may continue to attract new entrants and fierce competition
As noted above, the price comparison market in the UK, especially in car insurance, has been extremely competitive over the past two years, leading to a position where the market overall is currently estimated to be unprofitable. Although these might not appear to be ideal conditions to attract new players, it remains possible that significant new companies might enter the market, further increasing competition.

The business faces regulatory risk
Price comparison has attracted attention from a number of bodies, including the FSA and it is possible that the industry becomes subject to more stringent regulation that is currently in place. Any such change in regulation might adversely affect Confused's business.

Counterparty and other financial risks are discussed in the notes to the accounts.

Non-UK car insurance

What we do

- The Group has three direct car insurance operations outside the UK – Balumba.es (based in Seville) launched in Spain in October 2006; AdmiralDirekt.de (Cologne) started trading a year later in October 2007 and more recently, ConTe.it (Rome) launched in May 2008
- The business models of each are based closely on the UK car insurance operation – distribution is through direct telephone and internet channels, and there is significant reinsurance support for each operation
- The combined operations insured 73,700 vehicles at 31 December 2008 and generated £26m of premium for the year

Our strategy

As we note above, a key element of the Group's strategy is to take what the Group does well in the UK and use this knowledge to establish profitable, sustainable businesses overseas. We do not expect to do this quickly and we do not target a set market share or revenue within fixed timeframes.

We expect our new car insurance operations to be relatively small, and loss making in their early years (how long will depend on the market), until the new business is established and scale is achieved. Use of proportional reinsurance across the three markets (65% of risks and expenses are underwritten by Munich Re) helps reduce the financial impact in the early years

The Group Board has also identified the US and France as further key markets in which it plans to launch. Current expectation is for a launch in the US sometime in late 2009 or early 2010, and in France some time after that.

Our overseas strategy is summarised in the table below, where we also comment on our progress to date.

Objective	Progress
1) Establish new, direct car insurance businesses in our five selected countries outside the UK (Spain, Germany, Italy, USA and France)	• Spain, Balumba.es, October 2006 • Germany, AdmiralDirekt.de, October 2007 • Italy, ConTe.it, May 2008 • USA, operation being developed, launch expected late 2009/early 2010 • France, market being researched, launch date to be determined
2) Develop each new operation into a profitable, sustainable business	• All three trading operations remain in early stages and as would be expected, none have yet reached profitability.
3) Ensure financial impact on Group is minimised	• 65% reinsurance support secured for all three existing businesses • Average pre-launch costs < £1m • The Group takes a 'slow and steady' approach to expansion and aims to build sustainable businesses before pushing for significant growth

Financial performance

Non-GAAP format income statement

£m	2006	2007	2008
Turnover	0.6	16.5	29.7
Total premiums written	0.6	14.2	26.0
Net insurance premium revenue	-	2.0	7.9
Investment income	-	0.1	0.7
Net insurance claims	-	(2.8)	(9.5)
Net insurance expenses	(0.2)	(1.8)	(6.2)
Underwriting result	(0.2)	(2.5)	(7.1)
Net ancillary income	0.1	1.8	2.8
Other revenue	-	-	0.2
Non-UK car insurance result	**(0.1)**	**(0.7)**	**(4.1)**

Year-on-year growth 83%

Note - Pre-launch costs excluded

Key performance indicators

	2006	2007	2008
Loss ratio	-	141%	120%
Expense ratio	-	91%	78%
Combined ratio	-	232%	198%
Vehicles insured at year-end	2,200	46,900	73,700
Ancillary income per policy	-	£45	£47

Year-on-year growth 57%

Co-insurance and reinsurance arrangements

Underwriting arrangements for Balumba, AdmiralDirekt and ConTe are similar, with the Munich Re Group underwriting 65% of the risks in each. Admiral retains the remaining 35%.

Such strong reinsurance support is especially valuable in start up operations, as Munich Re also shares the (post-launch) expenses incurred. The contracts are long-term in nature and are designed to run for eight years. The reinsurer does have the option for an early exit, typically after four years, but not before.

The contracts contain profit commission clauses that allow Admiral to participate in the profitability of the business written by Munich Re, when that business reaches profitability on a cumulative basis.

Non-UK car insurance financial commentary

The non-UK operations remain a relatively small part of the overall Group result, with total premium accounting for less than 4% of the Group's total. Net insurance premium revenue (net earned premium) amounted to just under £8m.

Balumba:

Balumba accounted for the majority of the non-UK volume, contributing 80% of the total premium and 75% of the insured vehicles. Its net insurance premium revenue totalled £7.0m. The key focus at Balumba during 2008 was improving the loss ratio, and whilst significant progress has been made in this area, management recognise that more improvement is needed. The rate of growth has been deliberately slowed whilst work continues in this area.

Balumba loss ratio development

	Underwriting year	
	2007	2008
After 12 months	137%	102%
After 24 months	135%	-

Numerous measures have been implemented to address the loss ratio, including:

- Rating increases
- Improvements to the claims function (including resourcing, enhancing the garage network)
- Underwriting control improvements
- Joining the Spanish "knock for knock" claims system

The reported loss ratio for 2008 improved to 117%, from 141% in 2007. The overall loss for the period totalled £1.2m (up from a loss of £0.7m in 2007).

Regulatory environment

The Group has taken advantage of the ability to passport UK regulatory permissions into Europe in structuring the three new businesses. This means that whilst all three have to comply with local rules and regulations, the main regulator of each is either the FSA or the Gibraltar FSC, regimes that the Group is very familiar with. Capital requirements are also set by the UK and Gibraltar regulators.

Risks and uncertainties

Entering new markets

The Group is starting new businesses from scratch in relatively unfamiliar markets. There is a risk that one of more of these will take longer than planned to become profitable, or even that one or more will not become profitable.

The Group's approach to expansion is a 'slow and steady' one, aiming to establish profitable and sustainable businesses before taking on significant amounts of business. This means that the financial impact of start-up operations is not excessive. Reinsurance support also helps in this regard.

Insurance, operational and regulatory risks

The non-UK businesses face similar risks to those noted above in respect of the UK car insurance operation. Refer to page 20 for details.

Also refer to the section on financial risks for details on credit risk (page 30)

Other Group Items

Gladiator

Established in 1998 and based in Swansea, Gladiator is a commercial vehicle insurance broker offering van insurance and associated products, typically to small businesses. Distribution is via telephone and internet (including price comparison websites).

Non GAAP income statement and key performance indicators

£m	2006	2007	2008
Revenue	5.9	7.5	9.5
Expenses	(3.9)	(5.5)	(6.7)
Operating profit	**2.0**	**2.0**	**2.8**
Operating margin	34%	27%	29%
Customer numbers	42,300	62,200	84,900

Compound and year-on-year growth 27%

Compound growth 42%, year-on-year growth 36%

Gladiator has successfully grown its market share of the UK van insurance market over the past few years, and achieved a significant increase in profits in 2008 compared to 2007. A material amount of Gladiator's business is now distributed through price comparison websites, as this channel has become more important in the market.

Other income statement items

(Non-GAAP)

£m	2006	2007	2008
Group net interest income	4.5	7.8	6.6
Share scheme charges	(0.9)	(3.0)	(5.9)
Expansion costs	(0.5)	(1.4)	(0.8)
Other central overheads	(0.8)	(1.3)	(1.6)

Interest income declined in 2008 compared to 2007 largely due to significant falls in the UK base interest rate in the last quarter of the year.

Share scheme charges have continued to increase, as additional awards are made under the Group's schemes, and the share price on which the charges are based has also increased over time. 2008 was also the first period in which existing awards vested. Refer to note 25 for further detail on the Group's share schemes.

Expansion costs relate to pre-launch expenses incurred in the development of the international businesses.

Investments and cash

Investment strategy
The Group's conservative approach to investment was maintained during 2008, with no change in overall strategy, and little change in where funds were invested.

The key element of Group-wide investment strategy is capital preservation, with additional priorities focusing on low volatility in returns and high levels of liquidity. The majority of insurance funds continue to be invested in AAA-rated money market funds, offering cash-like returns, same day liquidity, low risk and good diversification.

Cash and investments analysis

					31 December 2008
	UK car insurance £m	Price comparison £m	Non-UK car insurance £m	Other £m	Total £m
Liquidity money market funds	287.3	-	23.5	-	310.8
Long term cash deposits	100.0	-	-	-	100.0
Short term cash deposits	4.0	-	-	-	4.0
Cash	46.4	15.6	18.2	60.1	140.3
Total	437.7	15.6	41.7	60.1	555.1

	31 December 2007				
	UK car insurance £m	Price comparison £m	Non-UK car insurance £m	Other £m	Total £m
Liquidity money market funds	335.6	-	-	-	335.6
Long term cash deposits	-	-	-	-	-
Short term cash deposits	16.4	11.0	-	18.0	45.4
Cash	63.7	4.9	10.0	31.8	110.4
Total	415.7	15.9	10.0	49.8	491.4

The Group generated total investment and interest income of £24.4m in 2008, similar to the £24.6m returned in 2007 despite an increase in the value of invested funds and cash in 2008 over 2007. The significant fall in interest rates in the UK and Europe towards the end of 2008 explains this anomaly. The average rate of return on the Group's invested sterling funds in 2008 was around 5.1%, compared to 5.6% in 2007.

The nature of the investments means that returns are closely linked to central bank target interest rates. The significant cuts in these to date (along with expectation of further cuts) will mean that the Group's investment and interest income is expected to be materially lower in 2009.

The Group continues to believe that capital preservation and low volatility are the most critical investment objectives, and there are no current plans to materially change investment strategy.

The Group continues to generate significant amounts of cash, enabling the Group to pay a large portion of after-tax profits to shareholders in the form of dividends. No debt financing is required to fund these payments.

£m	2006	2007	2008
Operating cash flow, before transfers to investments	183.8	213.2	251.6
Transfers to financial investments	(1.1)	(76.8)	(76.0)
Operating cash flow	182.7	136.4	175.6
Tax and interest payments	(41.9)	(49.8)	(57.0)
Investing cash flows	(6.0)	(5.4)	(11.3)
Financing cash flows	(93.6)	(117.1)	(128.7)
Foreign currency translation impact	(0.1)	0.4	9.9
Net cash movement	41.1	(35.5)	(11.5)
Net increase in cash and financial investments	42.8	42.5	63.8

Underwriting only a minority of the insurance generated means that the Group has less of its cash tied up to support claims reserves than traditional insurers. Cash generated from non-underwriting activities tends to match profits recognised.

Net cash declined in both 2007 and 2008, though this is offset by large flows into financial investments. All years show net increases in combined cash and financial investments.

The main items contributing to the significant operating cash inflow are as follows:

£m	2006	2007	2008
Profit after tax	103.7	127.4	144.9
Change in net insurance liabilities	19.8	11.7	37.6
Net change trade receivables and liabilities	10.6	10.7	(5.8)
Non-cash income statement items	5.1	8.4	17.3
Tax and net interest expense	44.6	55.0	57.6
Operating cash flow, before transfers to investments	183.8	213.2	251.6

Other financial items

Taxation

The taxation charge reported in the income statement is £57.6m, which equates to 28.4% of profit before tax.

Earnings per share

Basic earnings per share rose by 13% to 54.9p from 48.6p. This rate of growth is higher than the pre-tax profit growth (11%) due to the change in the rate of UK corporation tax from April 2008 (from 30% to 28%).

Dividends

The Directors are proposing a final dividend for 2008 of 26.5p. In line with the Group's dividend strategy, this comprises a 12.4p normal element and a 14.1p special distribution, representing an increase of 14% on the final dividend paid in respect of 2007.

The payment date is 27 May 2009, ex-dividend date 6 May and record date 8 May.

The total dividend for 2008 (52.5p) is 20% higher than the 43.8p distributed in respect of 2007.

Capital structure, financial position

The Group manages its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory requirements Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

At Group level, capital is managed in conjunction with dividend policy. As noted above, the policy is to make distributions after taking into account capital that is required to be held for regulatory purposes, for expansion activities and also holding a further prudent buffer for unseen events. This policy gives the Directors flexibility in managing the capital requirements of the Group.

The Group's capital continues to be all in equity form, with no debt.

Other than as stated below, as far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company. Information provided to the Company pursuant to the Financial Services Authority's (FSA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

At 31 December 2008, the company had received notifications in accordance with the FSA's DTRs of the following notifiable interests, in the voting rights in the company's issued share capital:

	Number of shares	%
Munich Re	39,579,400	14.96%
Blackrock Inc	12,872,216	4.87%
Capital Group	12,766,870	4.83%
Fidelity	12,771,422	4.83%
Newton Investment Managers Ltd	10,547,511	3.99%
Jupiter Asset Management Ltd	9,675,157	3.66%
Legal & General Group plc	7,950,924	3.01%

The interests of Directors and Officers and their connected persons in the issued share capital of the company are given in the Remuneration Report.

Financial risk

Detailed analysis of the financial risks faced by the Group is set out in the notes to the accounts, starting at page 62.

Employees

We believe the happier our staff are, the better they will do their job. This means that we constantly work to improve our staff's working environment. We also try to make sure that the working day for our staff is as fun and rewarding as we can make it.

It is important for employees to understand the Company's goals and objectives. We work to communicate this in as many ways as possible. As an example, we encourage staff to attend our Annual Staff General Meeting (SGM). The SGM is arranged to enable staff to hear the views of the executive directors and some of the non-executive directors on a wide range of subjects including the performance of the Group and the market within which we operate; the experiences of non-executive directors within and outside of the Group; and the Group's share plans. We believe that employing well-informed staff will improve motivation and make Admiral a better place to work.

The best measures of our staff's assessment of their working environment are the surveys that they have completed. Following independent measurement by the organisations involved Admiral has received the following awards:

The Sunday Times 100 Best Companies to Work For – Admiral has been included in all nine years of the publication (one of only two Companies to achieve this) and was ranked 37th overall in the last list published.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Position	32	42	46	60	20	20	21	57	37

The Financial Times 50 Best Workplaces in the UK – we have been included in all five years of the publication.

	2003	2004	2005	2006	2007	2008
Position	7	16	17	8	Top 10*	10

Positions were not ranked in 2007

The Group also carries out its own annual internal web-based survey both to collect employees' views on what it is like working for Admiral and to address areas where issues are raised. The survey includes questions relating to a wide range of topics including staff morale, staff development, management, communication and social aspects of working at Admiral.

The table below sets out a number of key results from the survey over the last three years and clearly shows that staff feel morale is high within the Company and their own departments and that management listen to their issues. They also feel that Admiral is truly customer oriented and treats its customers fairly.

Survey question	**2006**	**2007**	**2008**
Morale is high within Admiral	76%	89%	90%
Morale is high in my department	87%	82%	90%
Taking everything into account I am happy at Admiral	92%	87%	90%
Every effort is made to understand the opinions and thinking of staff	74%	73%	86%
I am proud to be associated with Admiral	91%	91%	94%
I would recommend Admiral as a good place to work	90%	90%	94%
I am more likely to stay at Admiral because of the share schemes	69%	71%	71%
Admiral is truly customer oriented	90%	88%	90%
Admiral treats its customers fairly	86%	84%	87%

The survey results are analysed by department and each manager is expected to share the survey results with their team, explore issues and concerns, and then make recommendations to address them.

Customers

The Group has always regarded its customers as central to the success of the business. As at 31 December 2008 the Group had 1.75m customers, up 17% from 1.49m the year before. We focus on open communication with our customers providing high standards of service at all points in the customer cycle from new business, customer service, renewals, claims and complaints. The Group's commitment to quality is demonstrated through its Quality Measures Programme.

Everyone in the organisation has a part to play in ensuring a high standard of quality. Every department in the Group has a unique set of quality measures to gauge performance. The measures are updated each year to challenge staff to make continual improvements. The programme is reported every month in the internal company magazine and awards are presented each year for the best departments. The annual measures bonus provides a financial incentive for staff to drive incremental change throughout the business and was paid out in full for the 2008 year.

As well as this programme, quality representatives throughout the Group monitor the service the Company provides through the thousands of comment forms it receives back from customers every month. By listening to customer comments, Admiral can improve the quality of service it provides.

The Group's Compliance department has completed a Treating Customers Fairly Management Information pack pulling together specific measures that demonstrate that we are consistently treating our customers fairly. A detailed report is produced each month together with a summary providing details of measures that have been graded red. The report is discussed at the The Risk Management Committee (RMC - see Corporate Governance section of this report) and process or behavioural changes agreed where appropriate.

The table below contains some of the key measures from the TCF report:

TCF Measure	June 2008	December 2008	Average June-December 2008
Complaints per 1000 vehicles	1.14	0.95	1.14
% FOS complaints rejected	50%	63%	78%
Customer service call answer rate	93%	96%	95%
Claims call answer rate	97%	90%	92%
Comment form score	9.28	9.28	9.25
% Customer who would renew following a claim	90%	93%	93%

There are over 150 individual TCF measures, each of which is benchmarked to allow the RMC to take an overall view as to whether customers are being treated fairly. This has been in place since July 2008 and the average red grades amounted to 0.51%. 91% of the measures throughout the period achieved a green grade.

Each quarter the Central Complaints Department produce a report analysing the complaints received and causes. The report provides a summary of the root causes of the complaints and actions taken to reduce the risk of complaints due to specific procedures or staff behaviour.

Community

Admiral has adopted a charitable giving policy, which supports the local communities in which its employees live and work. During 2008, 211 local organisations were helped with a total donation of £42,791.

Financial support is an important part of our commitment to our local communities and our customers. We contribute both as a Company and as individuals through a variety of schemes including a matching scheme whereby the Company matches funds raised for charity in the workplace.

Environment

The Group's impact on the environment stems from its use of resources to run its offices in Cardiff, Swansea and Newport and its overseas branches in Spain, Germany, Italy and Canada. The Group does not own the properties that it occupies and is, therefore, reliant upon the cooperation of the managing agents of the properties to make changes that could reduce the consumption of energy and water. The figures quoted include all of the Group's offices.

The Group Company Secretary is responsible for the Group's approach to its impact upon the environment.

The Group is committed to:

- Raising and maintaining staff awareness of, and ensuring that employees are actively engaged in, activities to reduce the impact of the Group's operations on the environment.

- Measuring, monitoring and reporting on the key aspects of the Group's environmental performance and regularly reviewing progress to reduce the amount of resources consumed per employee.

- Reporting key environmental performance indicators, taking into account the ABI's Guidelines on Responsible Investment Disclosure and guidance provided by the Department for Environment, Food and Rural Affairs (Defra).

Impact Area	Usage 2007	Consumption measure 2007	Usage 2008	Consumption measure 2008
Energy ('000 Kwh)	6,997	321 Kwh/m^2	5,670	221 Kwh/m^2
Green Energy ('000 Kwh)	0	N/A	1,844	72 Kwh/m^2
CO_2 (tonnes)**	4,033	1.71 tonnes per employee	3,497	1.06 tonnes per employee
Water (m^3)	14,836	6.28 per employee	19,859	6.03 per employee
Waste management:				
Total waste	239,139 KG		340,926 KG	
Waste to landfill	128,278 KG		176,596 KG	
Waste recycled	110,861 KG	46% recycled	164,330 KG	48% recycled
Travel:				
Car miles	279,920	118 miles per employee	272,656	83 miles per employee
Rail miles	213,357	90 miles per employee	405,630	223 miles per employee
Air Miles	1,120,537	474 miles per employee	1,789,535	543 miles per employee

The figures above are for the Group's worldwide operations.
** The Carbon emissions have been calculated using the Carbon Trust Calculator which uses the emissions factors published by Defra in April 2008.

Energy
The main source of the Group's carbon emissions is the consumption of electricity and gas for its two main UK offices. The Cardiff head office is the older and least efficient, built in the 1960s and housing just over 1,200 people. The Swansea office, housing 1,100 staff was built in 2006 and is therefore a much more efficient building. The other UK offices are located in Cardiff and Newport.

During the last quarter of 2007 electricity supply to the Cardiff office was switched to 'Green electricity' which has been excluded from the carbon emission calculation in the table above and has lead to a significant reduction in the Group's absolute CO_2 emissions.

Environmental Risks
The Group has reviewed the risks facing its business operations as a result of climate change. The volume of motor insurance claims for any given portfolio of business is to a large degree dependent upon weather conditions. The risk associated with climate change is the potential change to claims frequency through the impact of more extreme weather patterns.

It is virtually impossible to model the potential impact of climate change on claims frequency as the actual climate change induced outcome for the UK is unknown. However, the Group does assess the potential costs associated with a number of disaster scenarios such as a major storm in the South East, major flood on the East Coast, and a complete flooding of the Thames in the London area. The Group purchases reinsurance cover to provide significant protection in the event of catastrophes of this nature.

Corporate governance

The Combined Code on Corporate Governance

This report explains key features of the Group's governance structure, how it applies the principles set out in the revised Combined Code on Corporate Governance (the 'Code'), and the extent to which the Company has complied with the provisions of the Code.

The Board complied with the Combined Code in all respects during 2008 except for Code D.1.1, which requires that the Senior Independent Director should attend meetings with a range of shareholders. The Company has a comprehensive programme of meetings and dialogue with institutional investors. The views of investors expressed through this dialogue are communicated to the Board as a whole through the investor relations report. All Directors can, therefore, develop an understanding of issues or concerns of major shareholders should any be raised. Feedback from shareholders suggests that these arrangements for communication between the Company and its shareholders continue to be viewed by them as effective. The Senior Independent Director is always available to meet with individual shareholders on request to ensure the Board is aware of any shareholder concerns that cannot be resolved through the routine mechanisms for investor communications.

The Admiral Group Board

The Board is the principal decision making forum for the Group providing leadership either directly or through its Committees of Directors and delegated authority. It is responsible to shareholders for setting and achieving the Group's strategic objectives and for its financial and operational performance. The Board has adopted a formal schedule of matters specifically reserved to it including corporate strategy, approval of budgets and financial results, policies in relation to risk management, health and safety and environmental matters, new Board appointments, proposals for dividend payments, and the approval of major transactions. This schedule is reviewed on an annual basis and was last reviewed on 17 December 2008.

The Board met on eight occasions in 2008. The Board also held a strategy day and visited its operations in Italy. In addition, the Non-executive Directors and the Chairman met during the year without the Executive Directors being present. Agendas and papers are circulated to the Board in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time. All Directors are, therefore, able to bring independent judgement to bear on issues such as strategy, performance, and resources. Additional meetings are called when required and there is frequent contact between meetings, where necessary, to progress the Group's business.

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

During the year the Board carried out an evaluation of itself and its Committees. The process was facilitated by the Chairman and consisted of the completion of a questionnaire followed by one-to-one discussions between each Director and the Chairman where the Board's role and structure, process and relationships and any emerging issues were discussed. A final detailed report was circulated to the Board and a number of recommendations agreed. The evaluation concluded that the Board and its Committees performed well during the year and are effective in meeting their objectives and fulfilling their obligations.

The Chief Executive, to whom they report, appraises the performance of the individual Executive Directors annually. The Chairman, taking into account the views of the other Directors, conducts the performance appraisal of the Chief Executive. The performance of the Chairman is reviewed by the Non-executive Directors, led by the Senior Independent Non-executive Director (John Sussens), taking into account the views of the Executive Directors. John Sussens gave individual feedback to the Chairman and was able to confirm that the performance of the Chairman continues to be effective, and that the Chairman continues to demonstrate commitment to his role.

The number of full Board meetings and Committee meetings attended by each Director during 2008 is provided in the table below.

	Scheduled Board meetings	Audit Committee meetings	Nominations Committee meetings	Remuneration Committee meetings
Total meetings held	8	4	2	5
Alastair Lyons (Chairman)	8		2	
Henry Engelhardt (Chief Executive)	7			
David Stevens (Chief Operating Officer)	8			
Kevin Chidwick (Finance Director)	8			
Manfred Aldag	8			
Martin Jackson	8	4		5
Keith James	8	4	2	
Margaret Johnson	8	4		5
Lucy Kellaway	8		2	
John Sussens	8			5

The roles of the Chairman and Chief Executive

The Board has approved a statement of the division of responsibilities between the Chairman and the Chief Executive. The Chairman is primarily responsible for the leadership and workings of the Board, setting its agenda and monitoring its effectiveness. The Chairman is not involved in the day-to-day management of the business. Save for matters reserved for decision by the Board, the Chief Executive, with the support of the other Executive Directors, is responsible for the running of the business, carrying out the agreed strategy adopted by the Board and implementing specific Board decisions relating to the operation of the Group. The statement of division of responsibilities and matters reserved for decision by the Board were reviewed in December 2008.

Board balance and independence

The Board currently comprises ten Directors, the Chairman (who was independent on appointment), three Executive Directors, five independent Non-executive Directors and one Non-executive director who is employed by a significant shareholder and is not, therefore, considered independent. The Board has accepted the Nomination Committee's assessment of the independence of the five Non-executive directors and is not aware of any relationships or circumstances which are likely to affect, or could appear to affect, the judgement of any of them.

Independent Non-executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders.

The initial three-year period may be extended for one further three-year period and the Board may invite the non-executive director to serve for a further three-year period, subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

In the view of the Board, the independent non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Details of the Chairman's other commitments are included in the Chairman's biography. The Chairman does perform a number of other Non-executive roles outside the Group but the Board is satisfied that these are not such as to interfere with the performance of his duties within the Group.

John Sussens has been appointed as the Senior Independent Non-executive Director. He is available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

In accordance with the Company's Articles, which provide that a set number of Directors retire by rotation and stand for re-election at each AGM, Manfred Aldag, Henry Engelhardt and Kevin Chidwick will retire by rotation and seek re-election by shareholders at the forthcoming AGM.

The Directors are given access to independent professional advice at the Group's expense, should they deem it necessary, to carry out their responsibilities.

Professional development

On appointment, Directors take part in a comprehensive induction programme where they receive financial and operational information about the Group, details concerning their responsibilities and duties, as well as an introduction to the Group's governance and control environment.

This induction is supplemented by visits to the Group's head office in Cardiff and meetings with members of the senior management team and their departments. Throughout their period in office the directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part.

The Board receives presentations from senior managers within the various Group companies on a regular basis.

Relations with shareholders

The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full year results. Site visits and individual discussions with the Executive Directors are also arranged throughout the year with individual shareholders. Regular dialogue with shareholders helps to ensure that the Company's strategy is understood and that any issues are addressed in a constructive way.

In fulfilment of the Chairman's obligations under the new Combined Code, the Chairman would give feedback to the Board on issues raised with him by major shareholders, although to date there have been no such issues.

This is supplemented by monthly feedback to the Board on meetings between management and investors. External analyst reports are circulated to all the Directors.

The Chairmen of the Audit, Remuneration and Nomination Committees attend the Company's Annual General Meeting along with other directors, and are available to answer shareholders' questions on the activities of the Committees they chair.

The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors.

Board Committees

The principal committees of the Board - Audit, Remuneration and Nomination - all comply fully with the requirements of the Combined Code. They are all chaired by an Independent Director and exclusively comprise, or, in the case of the Nomination Committee (where the Chairman of the Board is a member), have a majority of, Independent Directors. The committees are constituted with appropriate written terms of reference that are reviewed annually and minutes of the committee meetings are circulated to the Board.

The Audit Committee

Constitution and membership

The membership at the year-end was Martin Jackson (Chairman), Keith James, and Margaret Johnson. The Company Secretary acts as Secretary to the Committee. Appointments to the Committee are for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent. The Committee meets at least three times per year and has an agenda linked to events in the Company's financial calendar.

The Committee has a formal terms of reference, which were reviewed by the Committee on 19 November 2008 and approved by the Board on 17 December 2008.

The Board considers that the members of the Committee have the appropriate competence and experience to carry out their duties and further considers that Martin Jackson (Committee Chairman) has the appropriate recent and relevant financial experience having held the position of Group Finance Director of Friends Provident Plc between 2001 and 2003 and being a fellow of the Institute of Chartered Accountants, which imposes requirements for Continuing Professional Development. The Committee is kept up to date with changes to Accounting Standards, relevant developments in financial reporting, company law and the various regulatory frameworks through presentations from the Group's external auditors, Head of Finance and Company Secretary. In addition members are provided with information on seminars and conferences provided by external bodies. The Terms of Reference of the Audit Committee include all the matters suggested by the Code.

Other individuals such as the Finance Director, Chief Operating Officer, Chief Executive, Chairman of the Board, the Heads of Risk, Compliance and Internal Audit and representatives of different parts of the Group may be invited to attend all or part of any meeting as and when appropriate. The external auditors are invited to attend meetings of the Committee on a regular basis.

Summary of key activities during 2008

During the year the Committee reviewed the following:

- Annual report and interim results
- Reports from the Group's internal audit department on the effectiveness of the Group's risk management procedures, details of key audit findings and actions taken by management
- Effectiveness of the Group's system of internal control including within its overseas operations
- Reports from the external auditors on their proposed audit scope, fees, audit, and auditor independence
- Performance of the internal audit department through self assessment (the internal audit department is subject to external assessment once every five years)
- The Group's 'whistleblowing' procedures.

The Committee reviewed its policy on non-audit services that, amongst other things, requires that the Committee approve all proposals for expenditure with the Group's auditors of over £30,000 on non-audit services. The policy was last reviewed on 19 November 2008. The Group's auditors, KPMG Audit plc, provide some non-audit services, the majority of which comprise compliance services related to various taxation issues within the Group, and which are not considered by the Committee to compromise their independence as auditors. The level of non-audit fees is reviewed twice a year by the Committee and details are included in the Report and Accounts.

The Head of Internal Audit is invited to all Committee meetings and provides a range of presentations and papers to the Committee, through which the Committee monitors the effectiveness of the Group's internal controls. Committee members receive copies of all internal audit reports and are given the opportunity to raise questions on the content and recommendations contained within the reports. The Committee approves the internal audit programme at the start of each calendar year and monitors the progress made in achieving the plan.

During the year, the Committee received a presentation from the Group's auditors on proportionate liability agreements although the Group has not yet entered into any such agreement with its auditors.

The Committee also approves the annual compliance review plan and receives copies of these reports. The Head of Compliance, who has responsibility for the Compliance and Risk management functions, provides the Committee with a quarterly Compliance report summarising the activities in this area.

The Committee has a policy that provision of external audit services be tendered every five years. This was last carried out in 2006 when the decision was made to retain the services of the incumbent external auditors. At the same time the external audit partner was rotated

The Nominations Committee

The membership at the year-end was Keith James (Chairman), Lucy Kellaway, and Alastair Lyons. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive to attend meetings when it deems appropriate.

The Committee has formal terms of reference, which were last reviewed on 17 December 2008 and approved by the Board on 27 February 2009. The Committee met on two occasions during 2008.

The Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The Committee ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board through a full evaluation of the skills, knowledge and experience of Directors. The Committee also ensures plans are in place for orderly succession for appointments to the Board, and reviews the plans for other senior management positions. Responsibility for making senior management appointments rests with the Chief Executive.

During 2008, the Committee discussed succession planning across the Group with the Executive team. Planning for the most senior management positions was formerly in place but below this, succession planning within the Group was not fully documented. The People Services Manager has implemented a process of documenting and improving the approach taken by the Group to assess and monitor succession planning throughout the Group through the development of a Talent Management programme.

The Committee reviewed the current Board size, structure, and composition and confirmed that no further changes were required and that the leadership of the organisation was such that the Company could continue to compete effectively in the marketplace in which it operates.

The Remuneration Committee

The membership at the year-end was John Sussens (Chairman), Martin Jackson, and Margaret Johnson. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive and Chairman to attend the meetings where it deems appropriate.

The Committee has formal terms of reference, which were last reviewed on 17 December 2008. The Committee met five times during 2008.

During the year the Committee carried out the following activities :-

- Reviewed the Group's overall remuneration policy and strategy
- Recommended for approval individual remuneration packages for Executive Directors, and Company Secretary
- Reviewed the rules and performance measures of the Group share schemes and recommended for approval the grant, award, allocation or issue of shares under such schemes.

A separate Remuneration Report is included within the Report and Accounts.

During the year the Committee purchased consultancy services from Kepler Associates. In addition, the Company Secretary circulates market survey results as appropriate to enable it to make judgments on the levels of remuneration for the Directors and to review the remuneration of the Group's senior Executives.

Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and, through the Audit Committee, has reviewed the effectiveness of these systems. The systems of internal control over business, operational, financial and compliance risks are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's internal controls; that it has been in place for the year ended 31 December 2008; and that, up to the date of approval of the annual report and accounts, it is regularly reviewed by the Board and accords with the internal control guidance for Directors provided in the Code.

A key element of the control system is that the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility. In order to ensure these responsibilities are properly discharged, the Board has delegated the task of supervising risk management and internal control to the Risk Management Committee (RMC).

There are several key elements to the risk management environment throughout the Group. These include the setting of risk management policy at Board level, enforcement of that policy by the Chief Executive, delivery of the policy by the RMC via the Group's systems of internal control and risk management, and the overall assurance provided by the Audit Committee that the systems operate effectively.

The Board recognises that the day-to-day responsibility for implementing these policies must lie with the management team, whose operational decisions must take into account risk and how this can effectively be controlled. The Head of Compliance and the Risk Officer take responsibility for ensuring management are aware of their risk management obligations, providing them with support and advice, and ensuring that the risk management strategy is properly communicated. The head of each business unit or business area is required, with the support of the Risk Manager, to undertake a full assessment process to identify and quantify the risks that their departments face or pose to the Group and the adequacy of the controls in place to mitigate or reduce those risks. Reports are produced showing the most significant risks identified and the controls in place. Internal Audit and the Compliance function use the risk registers to plan their programme of audits to ensure that the controls described are actually in place.

The RMC receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. The RMC and the Audit Committee also receive regular reports from Internal Audit, which include recommendations for improvement in the control and operational environment. The Audit Committee's role in this area is primarily confined to a high-level review of the arrangements for internal control although at its discretion the Committee may well request more detailed information on specific issues should they arise. The Board's agenda includes consideration of risk and control as a regular item and receives reports thereon from the RMC and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. On 27 February 2009 the Board carried out the annual assessment for the 2008 year by considering documentation from the Audit Committee, taking account of events since 31 December 2008.

The Audit Committee's ability to provide the appropriate assurance to the Board depends on the provision of periodic and independent confirmation, primarily by Internal Audit, that the controls established by management are operating effectively. The Audit Committee reviews the wider aspects of internal control and risk management, providing a high level challenge to the steps being taken to implement the risk management strategy.

The Board confirms that there were no significant issues arising during the year under review.

The Risk Management Committee
The Committee's members include the three Executive Directors, the Head of Compliance (who chairs the meetings), the Risk Officer, and senior management representatives.

One of the Committee's principal responsibilities is to ensure that the risk management policy approved by the Board is implemented throughout the Group. The Committee has formal terms of reference and is required to manage regulatory issues, assess and monitor reinsurance protection, and ensure that a risk management strategy is effectively employed by the Group. The Committee meets around 8 times a year and each Committee member receives an agenda and papers in a timely manner allowing the Committee to make informed decisions and take appropriate actions.

The Committee develops policies to ensure compliance with regulation and ensures that appropriate action is taken by the management team to implement compliant systems and procedures.

Internal Audit
The Internal Audit function assists management by providing them with timely, independent assurance that the controls established are operating effectively. This includes regular reviews of internal control systems and business processes, including compliance systems and procedures, and identification of control weaknesses and recommendations to management on improvements.

Going concern

The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

Remuneration report

Scope of report

The remuneration report summarises the Group's remuneration policy and particularly its application with respect to the Directors. The report also describes how the Group applies the principles of good corporate governance in relation to Directors' remuneration in accordance with the Combined Code and Directors Remuneration Report Regulations 2002.02.

Remuneration Committee

The Committee is appointed by the Board and comprises only Non-executive Directors. The Committee is chaired by John Sussens, the Senior Independent Non-executive Director, with the other members being Martin Jackson and Margaret Johnson. The Chairman and Chief Executive are invited to meetings where the Committee considers it appropriate to obtain their advice on the matters under review. During the year ended 31 December 2008, the Committee met on five separate occasions. Its remit includes recommending the remuneration of the Chairman, the Executive Directors, and the Company Secretary; review of the remuneration of senior management; and review of the awards made under the performance related incentive schemes.

The Committee's terms of reference, which are reviewed at least annually and approved by the Board, are available on the Group's corporate website and are summarised in the Corporate Governance Report. They were reviewed by the Committee on 19 November 2008.

The members of the Committee do not have any personal financial interests, or any conflicts from cross-directorships, that relate to the business of the Committee. The members do not have any day-to-day involvement in the running of the Group.

During the year the Committee purchased consultancy services from Kepler Associates. In addition, the Company Secretary circulates market survey results as appropriate.

Remuneration policy

The Group is committed to the primary objective of maximizing shareholder value over time. The Committee reviews the framework and remuneration packages of the Executive Directors and the most senior managers. The main principles underlying the remuneration policy are:

- Competitive – The Group aims to pay below-median salaries but with attractive performance related incentives, which provide individuals with the potential for competitive total reward packages for superior performance.
- Performance linked – A significant part of Executive Directors' (excluding Henry Engelhardt and David Stevens) and senior managers' reward is determined by the Group's earnings growth. Failure to achieve threshold levels of growth in the Group's earnings results in reduced or no payout under the Group's long-term incentive plan.
- Shareholder aligned – A considerable part of the reward is related to the growth in earnings versus LIBOR. Executive Directors have agreed to retain a minimum shareholding equal to at least 100% of base salary, which can be built up over a period of five years from the date of appointment.
- Transparent – All aspects of the remuneration structure are clear to employees and openly communicated.

The Group operates the following benefits:

- Death in Service scheme, paying three times salary available to all employees following completion of their probationary period.
- Group Personal Pension Plan, matching employee contributions up to a maximum 6% of base salary with maximum employer contribution of £4,800. This is available to all employees following completion of their probationary period.
- Permanent Health Insurance policy covering approximately 120 management level staff.
- Private Medical Cover made available to the same staff that are eligible for the Permanent Health Insurance policy.
- Approved Free Share Incentive Plan (SIP). The SIP is available to all UK staff (Henry Engelhardt and David Stevens have declined to be included in the plan). The maximum annual award under the SIP is £3,000 per employee. Shares awarded under the SIP are forfeited if the employee leaves within three years of the award. Awards are made twice a year, based on the results of each half-year. Overseas staff receive an award under the Discretionary Free Share Scheme equivalent to the SIP award made to UK employees.
- Discretionary Free Share Scheme (DFSS). Awards under the DFSS are distributed on a wider basis than most plans of this type. The Committee believes that as the DFSS develops, and awards begin to vest in 2008, it will have the effect of reducing staff attrition and strengthening further the alignment of the interests of staff and shareholders.

Of the Group's current Executive Directors, only Kevin Chidwick (Finance Director) participates in this scheme, as Henry Engelhardt and David Stevens have declined to be included.

The current performance criterion to determine how many shares vest under the DFSS is the growth in earnings per share (EPS) in excess of a risk free return, defined as average 3-month LIBOR, over a three-year period. The Committee feels that this is a good indicator of long-term shareholder return with which to align staff incentivisation. The Committee recommends for approval by the Board awards to the Finance Director and other employees under the DFSS.

The EPS targets are such that for full vesting of shares to occur, the average EPS growth over the three-year performance period would have to be approximately 13.25% per annum (assuming LIBOR averages 3% over the period). Only 10% of shares vest for matching LIBOR over the three-year period. There is then a linear relationship up to full vesting of the award whereby 2.5% of the award vests for each point over LIBOR.

The plan allows for a maximum award of £400,000 or 600% of basic salary if lower.

Changes made for 2009 awards

For staff below Group Board level the Committee have agreed a change to the award criteria such that from 2009 awards will be split. 50% of the award will be subject to the above performance criteria. The other 50% will have no performance criteria attaching, except that they have to remain employed by the Group for the three-year vesting period. The change was made in order to assist the group to attract high calibre staff by providing more certainty over the outcome of vesting awards.

In addition, commencing with the interim 2009 dividend, the Group will pay a bonus to all holders of unvested DFSS shares. The bonus will equate to the dividend payable on an equivalent number of the ordinary shares of the Group. The Committee felt that having a Group wide bonus aligned with the dividend flow received by investors further aligned the incentive structure with shareholders.

The Committee is conscious of the maximum allowable awards under both share schemes and controls are in place to ensure that neither scheme is issued shares in excess of 5% of the Group's issued share capital over the 10 year period from 1 January 2005. The Directors have proposed for approval by shareholders at the AGM on 28 April 2009 that henceforth the 10% total be applied across both schemes with flexibility to the Board as to what percentage should be applied to each particular scheme.

The Committee determines the fees for the Chairman of the Board after consultation with the Executive Directors and review of market data.

Non-executive Directors' remuneration is set by the Chairman and Executive Directors and approved by the Board as a whole. A summary of their contracts and remuneration is shown below. The fees of the Non-executive Directors were reviewed in December 2008.

Executive Directors are allowed, although none currently do, to accept appointments as Non-executive Directors of companies with prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments these will be retained by the Company.

Executive Directors' remuneration

Two of the three Executive Directors (Henry Engelhardt and David Stevens) are founding directors. They and the Committee continue to hold the view that the significant shareholdings held by them provide a sufficient alignment of their interest in the performance of the Group with the interests of other shareholders.

In light of this, their remuneration packages consist of below-median base salary (compared to market rates as assessed by the Committee) and benefits such as private medical cover, permanent health insurance and death in service cover. The Group does not contribute to any pension arrangements on behalf of these Executive Directors, and they have not participated, nor is it intended that they participate, in any Group share schemes. Their remuneration was reviewed in September 2008. Henry Engelhardt was awarded a rise of 4.9% taking his salary to £320,000 and David Stevens awarded a rise of 20% taking his salary to £320,000.

The Committee aims to ensure that the remuneration of the Finance Director is fair and in total, in line with market rates, and is designed to provide rewards for achieving increases in shareholder value.

In addition to benefits such as private medical cover, permanent health insurance, death in service cover and eligibility to the Group's Personal Pension Plan, there are two main elements to the Finance Director's remuneration package:

- Basic annual salary
- Awards under the DFSS.

It is the Committee's general strategy to pay salaries below median levels together with attractive awards under the DFSS bringing the total remuneration to competitive levels for superior performance. With effect from 1 July 2008 Kevin Chidwick's base salary was increased by 25% to £300,000. Whilst the increase in Kevin Chidwick's base salary is above inflation the Committee felt that the increased responsibilities taken on during the year justified such an increase. £300,000 remains below the median base salary of FTSE 100 Finance Directors.

Kevin Chidwick received an award of 48,667 DFSS shares on 29 April 2008 with a value at the date of the award of £393,229. The awards represent the maximum number of shares that could vest after a three-year period and are subject to the performance criteria described above.

Directors' service contracts

The following table summarises the notice periods relating to the service contracts of the Executive Directors serving at 31 December 2008.

	Notice – Director (months)	Notice – Company (months)
Kevin Chidwick	12	12
Henry Engelhardt	12	12
David Stevens	12	12

There is no provision in the Executive Directors' contracts for compensation to be payable on early termination of their contract over and above the notice period element.

The Company has entered into letters of appointment with its Non-executive Directors. Summary details of terms and notice periods are included below.

Term and notice	
Alastair Lyons	3 years commencing 1 July 2007, terminable by either party giving three months' written notice.
Manfred Aldag	Indefinite (terminable on one months' notice from either party) – automatically terminates should he cease employment with Munich Re.
Martin Jackson	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.
Keith James	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.
Margaret Johnson	3 years commencing 4 September 2006, terminable by either party giving one months' written notice.
Lucy Kellaway	3 years commencing 4 September 2006, terminable by either party giving one months' written notice.
John Sussens	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.

Given the short notice periods applicable, mitigation issues are unlikely to arise.

Non-executive Directors' remuneration
The remuneration of the Chairman is decided by the Remuneration Committee and that of the Non-executive Directors by the full Board. The Non-executive Directors do not participate in meetings when Non-executive Director fees are discussed.

The fee structure for Non-executive Directors was reviewed at the end of 2008 and commencing 1 January 2009 is as follows:

	£
Base fee	40,000
Plus:	
Member of Audit Committee	5,000
Senior Independent Director	5,000
Chair of Audit Committee	10,000
Chair of Nomination Committee	3,000
Chair of Remuneration Committee	5,000

Non-executive Directors are not entitled to bonus payments or pension arrangements, nor do they participate in the Group's long term incentive plans.

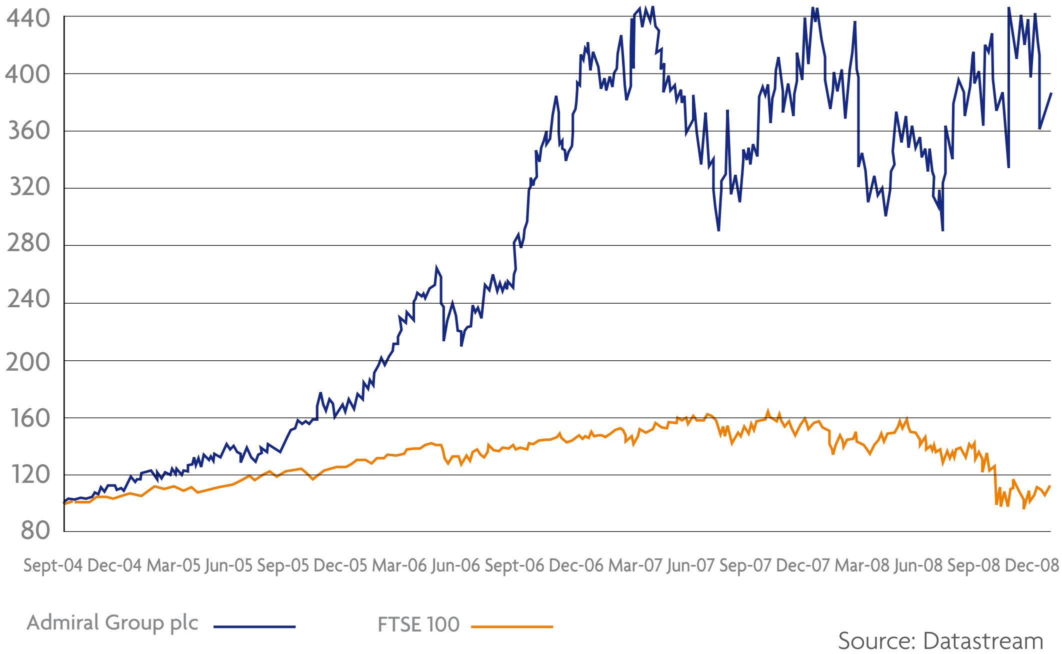
The Committee determines the Chairman's remuneration. The fee paid to Alastair Lyons in respect of his appointment as Chairman of the Board in 2008 was £120,000, of which 25% was waived. The Chairman's fee was reviewed in February 2009 and increased to £150,000 from 1 January 2009 with no fee waiver in place.

Non-executive Directors do not have service contracts but each has a letter of appointment. The letters of appointment all require a period of one months' notice should the Non-executive Director wish to resign. The Chairman's appointment can be terminated by either party giving 3 month's notice.

Total Shareholder Return (TSR)

The following graph sets out a comparison of Total Shareholder Return for Admiral Group plc shares with that of the FTSE 100 Index, of which the Company is a constituent. The graph measures the period from the commencement of conditional trading on 23 September 2004 up to 31 December 2008. TSR is defined as the percentage change over the period, assuming reinvestment of income.

The Directors consider this to be the most appropriate index against which the Company should be compared.



Source: Datastream

Directors' shareholdings - Audited

Directors' interests in the ordinary shares of the Company are set out below:

	Ordinary shares of 0.1p	
	31 December 2008	31 December 2007
Executive Directors		
Kevin Chidwick*	18,679	1,796
Henry Engelhardt **	40,490,720	40,466,720
David Stevens	10,084,000	10,084,000
Non-executive Directors		
Alastair Lyons	562,152	615,600
Manfred Aldag	-	-
Martin Jackson	-	-
Keith James	44,500	44,500
Margaret Johnson	-	-
Lucy Kellaway	-	-
John Sussens	8,000	8,000

*Includes 871 shares within the Group's SIP - details of which are shown below.

** Include amounts held by family members.

Directors' remuneration - Audited

Remuneration for the year ended 31 December 2008 was as follows:

	Base salary and fees (£000)	Bonuses and other (£000)	Benefits (£000)	2008 Total (£000)	2007 Total (£000)
Executive Directors					
Kevin Chidwick	285	-	5	290	247
Henry Engelhardt	313	-	-	313	298
David Stevens	283	-	-	283	254
Chairman and Non-executive Directors					
Alastair Lyons *1	90	-	-	90	90
Manfred Aldag	12	-	-	12	6
Martin Jackson	36	-	-	36	36
Keith James *2	60	-	-	60	46
Margaret Johnson	34	-	-	34	34
Lucy Kellaway	31	-	-	31	31
John Sussens	38	-	-	38	38
Totals	1,182	-	5	1,187	1,080

*1 Alastair Lyons waived 25% of his annual fee which is currently £120,000.

*2 Keith James fees include £10,650 for chairing the Board of Admiral Insurance Company Limited and £13,350 for chairing the Board of Inspop.com Limited.

Awards made under the Discretionary Free Share Scheme (DFSS) and Free Share Incentive Plan (SIP)

The table below sets out the awards made to Directors under the DFSS and SIP, including the dates of the awards, the value at the time of the award and vesting date.
Awards to Kevin Chidwick under the DFSS and SIP

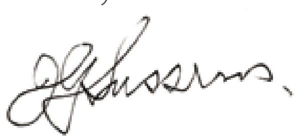
Type	At start of year	Awarded during year	Vested during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31/12/08 * (£)	Date of award	Final vesting date
DFSS	28,103	-	28,103	-	£4.37	£122,810	£252,496**	31/10/05	31/10/08
DFSS	21,186	-	-	21,186	£6.136	£130,000	£192,793	18/04/06	18/04/09
DFSS	18,480	-	-	18,480	£6.764	£125,000	£168,168	04/09/06	04/09/09
DFSS	23,000	-	-	23,000	£10.50	£241,500	£209,300	18/04/07	18/04/10
DFSS	-	48,667	-	48,667	£8.08	£393,229	£442,870	29/04/08	29/04/11
SIP	213	-	-	213	£6.764	£1,440	£1,938	06/09/06	06/09/09
SIP	151	-	-	151	£10.284	£1,552	£1,374	09/03/07	09/03/10
SIP	182	-	-	182	£8.264	£1,504	£1,656	04/09/07	04/09/10
SIP	-	162	-	162	£9.181	£1,487	£1,474	07/03/08	07/03/11
SIP	-	163	-	163	£9.195	£1,499	£1,483	22/08/08	22/08/11

* The closing price of Admiral shares on 31 December 2008 was £9.10 per share.

** The total value of vested shares as at 31 October 2008.

For details of Directors' responsibilities, please refer to the biographies section.

This report was approved by the Board of Directors on 27 February 2009 and is signed on its behalf by the Committee Chairman:



John Sussens
Remuneration Committee Chairman

The Board of Directors

Alastair Lyons, CBE (55) - *Chairman (N)*

Alastair was appointed Chairman of the Company in July 2000. He is also Non-executive Chairman of Legal Marketing Services, In Retirement Services, and Cardsave, and Deputy Chairman of Bovis Homes.

He has previously been Chief Executive of the National Provident Institution and of the National & Provincial Building Society, Managing Director of the Insurance Division of Abbey National plc, and Director of Corporate Projects at National Westminster Bank plc. Alastair was also a Non-executive Director of the Department for Transport and of the Department for Work and Pensions.

A Fellow of the Institute of Chartered Accountants, he was awarded the CBE in the 2001 Birthday Honours for services to social security.

Henry Engelhardt, CBE (51) - *Chief Executive Officer*

Henry is a founder Director of Admiral and was recruited by the Brockbank Group in 1991 to set up the Admiral business.

He was part of the management team that led the MBO in 1999. Prior to joining Admiral, he was Marketing and Sales Manager for Churchill Insurance.

He has substantial experience in direct response financial services in the United Kingdom, United States and France. He has an MBA from Insead.

Henry was awarded an honorary CBE in April 2008 for services to business in Wales.

Kevin Chidwick (45) - *Finance Director*

Kevin is responsible for finance, information technology, compliance and investments. He joined Admiral in 2005, becoming Finance Director in September 2006.

Prior to Admiral, Kevin has been in UK financial services for over 20 years. He has held a number of senior roles in other insurance organisations including, most recently, Finance Director of Engage Mutual Assurance and Cigna UK.

He is a fellow of the Chartered Institute of Certified Accountants and has an MBA from London Business School.

David Stevens (47) - *Chief Operating Officer*

David is a founder Director of Admiral. Initially the Marketing Director, he was appointed Director responsible for pricing in 1996 and claims and pricing in 1999. He was appointed as Chief Operating Officer in 2004.

He joined Admiral in 1991 from McKinsey & Co. where he worked in the Financial Interest Group, London office. Prior to working for McKinsey & Co, he worked for Cadbury Schweppes in the United Kingdom and the United States.

David has an MBA from Insead.

Lucy Kellaway (49) - *Non-executive Director (N)*

Lucy joined the board as a Non-executive Director in September 2006. She is the management columnist on the Financial Times and author of various books. In 20 years on the FT she has been oil correspondent, a Lex columnist and Brussels correspondent.

Lucy also joined the Nominations Committee on appointment to the Board.

Manfred Aldag (58) - *Non-executive Director (N)*

Manfred was appointed a Non-executive Director of the Company in 2003 as a representative of Munich Re. He graduated from University of Essen and has a degree in Economics/Business Management (Diplom-Kaufmann).

He has worked for Munich Re since September 1981 and is currently the Senior Executive Manager responsible for United Kingdom / Ireland.

Margaret Johnson (50) - *Non-executive Director (A,R)*

Margaret was appointed Non-executive Director of the Company in September 2006. She is currently Group CEO of the international advertising agency Leagas Delaney and has been with that Company for the past 13 years.

Margaret joined the Group's Audit and Remuneration Committees on appointment to the Board.

Martin Jackson (60) - *Non-executive Director (A, R)*

Martin was appointed Non-executive Director and Chairman of the Audit Committee in August 2004.

He was the Group Finance Director of Friends Provident plc between 2001 and 2003 and Friends' Provident Life Office between 1999 and 2001. Prior to that he was the Group Finance Director at London & Manchester Group plc from 1992 to 1998, up to the date of its acquisition by Friends' Provident Life Office. Martin is also a Non-executive Director of IG Holdings plc, Homeserve Membership Limited and Rothesay Life Limited

He is a Fellow of the Institute of Chartered Accountants.

Keith James, OBE (64) - *Non-executive Director (A, N)*

Keith was appointed a Non-executive Director in December 2002. He is Chairman of the Nominations Committee and is also the independent Chairman of Admiral Insurance Company Limited and Inspop.com Limited.

He is also a Non-executive Director of Julian Hodge Bank Limited and is Non-executive Chairman of Atlantic Venture Capital Limited and International Greetings plc.

He is a solicitor and was the Chairman of Eversheds LLP from June 1995 to April 2004. He was a Non-executive Director of Bank of Wales plc between 1988 and 2001 and AXA Insurance Company Limited between 1992 and 2000. Keith was awarded an OBE in 2005 for services to business and the community in Wales.

John Sussens (63) - *Non-executive Director (R)*

John was appointed the Senior Independent Non-executive Director in August 2004, and is Chairman of the Remuneration Committee. He is also a Non-executive Director of Cookson plc and Anglo & Overseas Trust plc.

He was the Group Managing Director of Misys plc between 1998 and May 2004 having been on the Board of the Company since 1989. Prior to joining Misys, he was Manufacturing Director at JC Bamford Excavators Limited. He was a Non-executive Director at Chubb plc between 2001 and 2003.


Alastair Lyons, CBE
Chairman (N)


Henry Engelhardt, CBE
Chief Executive Officer


Kevin Chidwick
Finance Director


David Stevens
Chief Operating Officer


Lucy Kellaway
Non-executive Director (N)


Manfred Aldag
Non-executive Director (N)


Margaret Johnson
Non-executive Director (A,R)


Martin Jackson
Non-executive Director (A, R)


Keith James, OBE
Non-executive Director (A, N)


John Sussens
Non-executive Director (R)

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2008.

Business review

The Company is the holding Company for the Admiral Group of Companies. The Group's principal activity continues to be the selling and administration of private motor insurance and related products.

The information that fulfils the requirements of the Business review, as required by Section 417 of the Companies Act 2006, and which should be treated as forming part of this report by reference are included in the following sections of the Annual Report:

- Chairman's statement
- Chief Executive's statement
- Business review

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £144.9m (2007: £127.4m).

The Directors declared and paid dividends of £128.5m during 2008 (2007: £116.0m) – refer to note 14 for further details.

The Directors are proposing a final dividend of £70.0m (26.5p per share), payable on 27 May 2009.

Share capital

Refer to the Business review for the disclosure of substantial shareholdings in accordance with Chapter 5 of the Disclosure and Transparency rules.

Financial Instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in note 18 to the financial statements.

Directors and their interests

The present Directors of the Company are shown on pages 48 and 49 of this report, whilst Directors' interests in the share capital of the Company are set out in the Remuneration Report.

Charitable and political donations

During the year the Group donated £106,000 (2007: £87,000) to various local and national charities. The Group has never made political donations. Refer to the Business review for further detail.

Employee policies

Detailed information on the Group's employment practices is set out in the Business review.

The Group purchases appropriate liability insurance for all staff and Directors.

Creditor payment policy

It is the policy of the Group to pay all purchase invoices by their due date, and appropriate quality measures are in place to monitor and encourage this. At the end of the year outstanding invoices represented 20 days purchases (2007: 15).

Additional information for shareholders

Where not provided previously in this Directors' Report, the following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

At 31 December 2008, the company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital and shares issued during the year can be found in note 25.

On a show of hands at a general meeting of the company every holder of shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the company other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws) and:
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the company require the approval of the company to deal in the company's securities.

The Company has not purchased any of its own shares during the period.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

There are a number of agreements that alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts. None is considered to be significant in terms of their impact on the business of the group as a whole except for the long-term co-insurance agreement in place with Great Lakes Resinsurance (UK) Plc. Details relating to this agreement are contained in the Business review.

Power to issue shares

At the last annual general meeting, held on 29 April 2008, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to one third of the shares in issue. This authority expires on the date of the annual general meeting to be held on 28 April 2009 and the directors will seek to renew this authority for the following year.

A further special resolution passed at that meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 1985. This authority also expires on the date of the annual general meeting to be held on 28 April 2009 and the directors will seek to renew this authority for the following year.

Appointments of Directors

The Company's Articles of Association ("the Articles") give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The Articles also require directors to retire and submit themselves for election at the first annual general meeting following appointment and all directors who held office at the time of the two preceding annual general meeting, to submit themselves for re-election.

Articles of Association

The Articles may only be amended by special resolution of the shareholders.

Power of the Directors

The directors are responsible for managing the business of the Company and may exercise all powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles. The Articles for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of new shares are also included in the Articles and such authorities are renewed by shareholders at the annual general meeting each year.

Annual General Meeting

It is proposed that the next AGM be held at the Andrew Probert Room, Capital Tower, Greyfriars Road, Cardiff, CF10 3AZ on Tuesday 28 April 2009 at 3.00pm, notice of which will be sent to shareholders with the Annual Report.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

The directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The directors' report includes a fair view of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Company's auditor, KPMG Audit Plc, has indicated willingness to continue in office and resolutions to reappoint it and to authorise the Directors to fix its remuneration will be proposed at the Annual General Meeting.

By order of the Board,

Stuart Clarke
Company Secretary
27 February 2009

Financial statements

Independent auditor's report
to the members of Admiral Group plc

We have audited the group and parent company financial statements (the "financial statements") of Admiral Group plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Parent Company Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities in the Director's report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Chief Executive's statement and the Business review that is cross referred from the Business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Cardiff

3 March 2009

Consolidated income statement

	Note:	Year ended: 31 December 2008 £000	31 December 2007 £000
Insurance premium revenue		301,460	233,075
Insurance premium ceded to reinsurers		(131,624)	(90,839)
Net insurance premium revenue	5	**169,836**	**142,236**
Other revenue	6	193,863	176,878
Profit commission	7	34,726	20,448
Investment and interest income	8	24,381	24,572
Net revenue		**422,806**	**364,134**
Insurance claims and claims handling expenses		(213,780)	(172,611)
Insurance claims and claims handling expenses recovered from reinsurers		99,204	72,816
Net insurance claims		(114,576)	**(99,795)**
Expenses	9	(99,763)	(78,986)
Share scheme charges	9, 25	(5,924)	(2,971)
Total expenses		**(220,263)**	**(181,752)**
Operating profit		**202,543**	**182,382**
Finance charges	12	(25)	(284)
Profit before tax	10	**202,518**	**182,098**
Taxation expense	13	(57,580)	(54,682)
Profit after tax attributable to equity holders of the Company		**144,938**	**127,416**
Earnings per share:			
Basic	15	54.9p	48.6p
Diluted	15	54.9p	48.6p
Dividends declared (total)	14	128,515	116,016
Dividends declared (per share)	14	49.2p	44.6p

Consolidated balance sheet

	Note	As at: 31 December 2008 £000	31 December 2007 £000
ASSETS			
Property, plant and equipment	16	11,002	7,708
Intangible assets	17	75,685	69,063
Financial assets	18	586,935	481,848
Reinsurance assets	19	170,594	131,668
Deferred income tax	24	-	1,629
Trade and other receivables	18, 20	25,501	22,633
Cash and cash equivalents	18, 21	144,286	155,773
Total assets		**1,014,003**	**870,322**
EQUITY			
Share capital	25	265	263
Share premium account	26	13,145	13,145
Retained earnings	26	251,821	223,828
Other reserves	26	10,338	396
Total equity		**275,569**	**237,632**
LIABILITIES			
Insurance contracts	19	439,556	363,060
Deferred income tax	24	10,327	-
Trade and other payables	18, 22	270,088	239,593
Current tax liabilities		18,463	30,037
Total liabilities		**738,434**	**632,690**
Total equity and total liabilities		**1,014,003**	**870,322**

These financial statements were approved by the Board of Directors on 27 February 2009 and were signed on its behalf by:

Kevin Chidwick
Director

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Consolidated statement of recognised income and expense

	31 December 2008 £000	31 December 2007 £000
Exchange differences on translation of foreign operations	9,942	429
Net income recognised directly in equity	**9,942**	**429**
Profit for the period	144,938	127,416
Total recognised income and expense for the period	**154,880**	**127,845**

Consolidated cash flow statement

	Note	31 December 2008 £000	31 December 2007 £000
Profit after tax		**144,938**	**127,416**
Adjustments for non-cash items:			
- Depreciation		3,746	3,227
- Amortisation of software		1,390	725
- Change in unrealised gains on investments		796	(1,123)
- Share scheme charge	25	11,320	5,560
Loss on disposal of property, plant and equipment and software		30	6
Change in gross insurance contract liabilities		76,496	68,635
Change in reinsurance assets		(38,926)	(56,979)
Change in trade and other receivables, including from policyholders		(36,466)	(14,772)
Change in trade and other payables, including tax and social security		30,704	25,506
Interest expense		25	284
Taxation expense		57,580	54,682
Cash flows from operating activities, before movements in investments		**251,633**	**213,167**
Net cash flow into investments held at fair value		(76,049)	(76,849)
Cash flows from operating activities, net of movements in investments		175,584	136,318
Interest payments		(25)	(284)
Taxation payments		(56,949)	(49,477)
Net cash flow from operating activities		**118,610**	**86,557**
Cash flows from investing activities:			
Purchases of property, plant and equipment and software		(11,315)	(5,390)
Net cash used in investing activities		**(11,315)**	**(5,390)**
Cash flows from financing activities:			
Capital element of new finance leases		490	457
Repayment of finance lease liabilities		(699)	(1,506)
Equity dividends paid		(128,515)	(116,016)
Net cash used in financing activities		**(128,724)**	**(117,065)**
Net decrease in cash and cash equivalents		**(21,429)**	**(35,898)**
Cash and cash equivalents at 1 January		155,773	191,242
Effects of changes in foreign exchange rates		9,942	429
Cash and cash equivalents at end of period	21	**144,286**	**155,773**

Notes to the financial statements

1. General information and basis of preparation

General information

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

The financial statements comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2008 and comparative figures for the year ended 31 December 2007. The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its subsidiaries. The Parent Company financial statements present information about the Company as a separate entity and not about its Group. In accordance with International Accounting Standard (IAS) 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

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

Adoption of new and revised standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2008, including all amendments to extant standards that are not effective until later accounting periods, except for those listed below:

- Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation
- IFRIC 13 Customer Loyalty Programmes
- Amendment to IFRS 2 Share –Based Payment: Vesting Conditions and Cancellations
- Amendment to IAS 23 Borrowing Costs

Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation is effective for periods beginning on or after 1 January 2009 and the Group has elected not to adopt the Amendment in advance of the effective date. Although it will introduce a number of changes to the presentation of the primary financial statements, it will not change the recognition, measurement or disclosure of transactions or events that are required by other IFRS.

IFRIC 13 Customer Loyalty Programmes is effective for periods beginning on or after 1 July 2008. It is not applicable during the current accounting period, and on adoption will not have a material impact on the Group's financial statements.

Amendment to IFRS 2 Share –Based Payment: Vesting Conditions and Cancellations is effective for periods beginning on or after 1 January 2009. On adoption, it will not have a material impact on the Group's financial statements.

Amendment to IAS 23 Borrowing Costs is also effective for periods beginning on or after 1 January 2009. It is not applicable during the current accounting period, and on adoption will not have a material impact on the Group's financial statements.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2008 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. These are as follows:

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Improvements to IFRSs (2007)
- Revised IFRS 3 Business Combinations
- Revised IFRS 1 First Time Adoption of IFRS
- IFRIC 12 Service Concession Agreements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of Net Investment in A Foreign Operation
- IFRIC 17 Distributions of Non-Cash Assets to Owners

- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition

It is not anticipated that any of the standards, interpretations or amendments above will have a material impact on the Group's financial statements in future periods.

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

- IFRS 8 Operating Segments
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IAS 39 and IFRS 7 Reclassification of Financial Instruments

The Group has elected to adopt IFRS 8 Operating Segments in advance of its effective date (periods beginning on or after 1 January 2009). IFRS 8 introduces the management approach to segment reporting based on information presented to the Group's Board of Directors. Following adoption of IFRS 8, the Group's reporting segments have not changed significantly but have been sub-divided into a larger number of segments based in line with the increasing materiality of certain operations within the Group. For further information, refer to note 4 to the financial statements.

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 current or previous financial years.

IFRIC 14 addresses the accounting treatment of a defined benefit pension scheme asset and is therefore not applicable to the Group in the current or previous financial years.

Amendments to IAS 39 and IFRS 7 address reclassification of financial assets. The Group has not reclassified any financial assets so that standard is also not applicable.

Basis of preparation

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses. The Group has no debt.

As a result of this review the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

The accounting policies set out in note 3 to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

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

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

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed if this revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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2. Critical accounting judgements and estimates

Judgements:
In applying the Group's accounting policies as described in note 3, management has primarily applied judgement in the classification of the Group's contracts with reinsurers as quota share reinsurance contracts. A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of the contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make these judgements.

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

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

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

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

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

The claims provisions are subject to independent review by the Group's actuarial advisors. For further detail on objectives, policies and procedures for managing insurance risk, refer to note 19 of the financial statements.

Future changes in claims reserves also impact profit commission income, as the recognition of this income is dependent on the loss ratio booked in the financial statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

3. Significant accounting policies

a) Revenue recognition Premiums, ancillary income and profit commission:
Premiums relating to insurance contracts are recognised as revenue proportionally over the period of cover.

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

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

Revenue from Gladiator and Confused.com:
Commission from these activities is credited to income on the sale of the underlying insurance policy.

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

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

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

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

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

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction); and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

c) Insurance contracts and reinsurance assets
Premium:
The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims:
Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provision for unexpired risks is made where necessary for the estimated amount required over and above unearned premiums to meet future claims and related expenses.

Co-insurance:
The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring the business.

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Reinsurance assets:
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as an insurance or reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

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

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

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

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

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

The Goodwill held on the balance sheet at 31 December 2008 is allocated solely to the UK car insurance segment.

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

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

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cashflow projections in the value in use calculations is 9.2%, based on the Group's weighted average cost of capital.

The key assumptions used in the value in use calculations are those regarding growth rates and expected changes in pricing and expenses incurred during the period. Management estimates growth rates and changes in pricing based on past practices and expected future changes in the market.

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

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

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

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

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

f) 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.

g) Financial assets – investments and receivables
Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss (FVTPL), loans and receivables or held to maturity investments. The Group has not held any derivative instruments in the years ending 31 December 2008 and 31 December 2007.

At initial recognition assets are recognised at fair value and classified according to the purpose for which they were acquired:

The Group's investments in money market liquidity funds are designated as financial assets at fair value through profit or loss at inception. This designation is permitted under IAS 39, as the investments in money market funds are managed as a group of assets and internal performance evaluation of this group is conducted on a fair value basis.

The Group's deposits with credit institutions are classified as held to maturity investments which is consistent with the intention for which they were purchased.

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

Deposits with fixed maturities, classified as held to maturity investments are measured at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement, as are any impairment losses.

Receivables are stated at their amortised cost less impairment using the effective interest method. Impairment losses are recognised through the income statement.

Impairment of financial assets
The Group assesses at each balance sheet date whether any financial assets or groups of financial assets are impaired. Financial assets are impaired where there is evidence that one or more events occurring after the initial recognition of the asset, may lead to a reduction in the estimated future cashflows arising from the asset.

Objective evidence of impairment may include default on cashflows due from the asset and reported financial difficulty of the issuer or counterparty.

Derecognition of financial assets
A financial asset is derecognised when the rights to receive cashflows from that asset have expired or when the Group transfers the asset and all the attaching substantial risks and rewards relating to the asset, to a third party.

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

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

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

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

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

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

Refer to note 25 for further details on share schemes.

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

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

Current tax related to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax:
Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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

The principal temporary differences arise from depreciation of property and equipment, share scheme charges and the tax treatment of Lloyd's profits. The resulting deferred tax is charged or credited in the income statement, except in relation to share scheme charges where the amount of tax benefit credited to the income statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

l) Government grants
Government grants are recognised in the financial statements in the period where it becomes reasonably certain that the conditions attaching to the grant will be met, and that the grant will be received.
Grants relating to assets are deducted from the carrying amount of the asset. The grant is therefore recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

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

4. Operating segments

The Group has adopted IFRS 8 Operating Segments in advance of its effective date. IFRS 8 adopts a strict management approach to segment reporting and requires that operating segments be identified on the same basis as financial information is reported internally to the chief operating decision maker for the purposes of allocating resources between segments and assessing their performance.

IAS 14, the previously effective standard on segment reporting, was similar, in that identification of segments started with internal financial reporting to key management personnel. However its main focus was on components of the business with similar risks and generating similar returns which could potentially be very different to the management approach.

The Group's Directors consider that the adoption of IFRS 8 does not lead to a material change in the identification of the Group's segments as the business segments reported to the Group's Board of Directors have clearly defined lines of risk and reward. The Board of Directors is considered to be the chief operating decision maker for the Group.

Under IAS 14 in previous financial years, the primary segments were identified by business type. No secondary geographical segments were presented on materiality grounds. As described below the segments presented under IFRS 8 continue to be identified by business type. In addition, the Group's Directors consider that the car insurance segment should be sub-divided into two geographical reportable segments; UK and Non-UK, on the basis of it being useful information to users of the financial statements rather than the breach of quantitative thresholds within the standard.

The following segments represent the principal split of business that is regularly reported to the Group's Board of Directors, and therefore become the Group's reportable segments under IFRS 8:

UK car insurance
The segment consists of the underwriting of car insurance and the generation of ancillary income in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the income are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

Price comparison
The segment relates to the Group's price comparison operation Confused.com. This operation had previously been combined with the Group's commercial van insurance broker, Gladiator, to form an 'Insurance Broking' segment. However based on the management reporting approach, the Directors consider that Price comparison is an independent reportable segment.

Non-UK car insurance
The segment consists of the underwriting of car insurance and the generation of ancillary income outside of the UK. It specifically covers the Group's Balumba.es, AdmiralDirekt.de and ConTe.it operations in Spain, Germany and Italy respectively.

Other
The other segment includes the Gladiator broking operation in addition to certain central expenses, overseas development expenses, share scheme costs, finance charges and interest. None of these are reportable segments based on their immateriality.

Taxes are not allocated across the segments and are included for the purposes of reconciliation to the Income Statement.

Segment income, results and other information

An analysis of the Group's revenue and results for the year ended 31 December 2008, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in note 3 for the Group.

					31 December 2008
	UK car insurance	Price comparison	Non–UK car insurance	Other	Group
	£000	£000	£000	£000	£000
Net insurance premium revenue	161,947	-	7,889	-	169,836
Other revenue and profit commission	149,266	66,143	3,656	9,524	228,589
Investment and interest income	17,098	-	628	6,655	24,381
Net revenue	328,311	66,143	12,173	16,179	422,806
Net insurance claims	(105,123)	-	(9,453)	-	(114,576)
Expenses	(43,281)	(40,539)	(6,821)	(15,046)	(105,687)
Operating profit	179,907	25,604	(4,101)	1,133	202,543
Finance charges	-	-	-	(25)	(25)
Segment profit / (loss) before tax	179,907	25,604	(4,101)	1,108	202,518
Unallocated taxation expense					(57,580)
Group profit after tax					144,938
Other segment items:					
Interest revenue	-	-	-	6,655	6,655
Interest expense				25	25
Capital expenditure	15,330	882	9,611	83	25,906
Depreciation and amortisation	13,442	313	2,131	74	15,960

Restated revenue and results for the corresponding reportable segments for the year ended 31 December 2007 are shown below.

	31 December 2007 (Restated)				
	UK car insurance	Price comparison	Non–UK car insurance	Other	Group
	£000	£000	£000	£000	£000
Net insurance premium revenue	140,267	-	1,969	-	142,236
Other revenue and profit commission	118,406	69,159	2,238	7,523	197,326
Investment and interest income	16,662	-	133	7,777	24,572
Net revenue	275,335	69,159	4,340	15,300	364,134
Net insurance claims	(97,019)	-	(2,776)	-	(99,795)
Expenses	(36,124)	(32,433)	(2,223)	(11,177)	(81,957)
Operating profit	142,192	36,726	(659)	4,123	182,382
Finance charges	-	-	-	(284)	(284)
Segment profit / (loss) before tax	142,192	36,726	(659)	3,839	182,098
Unallocated taxation expense					(54,682)
Group profit after tax					127,416
Other segment items:					
Interest revenue	-	-	-	7,777	7,777
Interest expense	-	-	-	284	284
Capital expenditure	11,516	335	3,063	59	14,973
Depreciation and amortisation	11,243	145	942	71	12,401

Segment revenues
The UK and Non–UK car insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Price comparison revenues from transactions with other reportable segments is £11,050,000 (2007: £10,784,000).

Revenues from external customers for products and services is consistent with the split of reportable segment revenues as shown above.

Information about geographical locations
All material revenues from external customers, and net assets attributed to a foreign country are shown within the Non–UK car insurance reportable segment shown above.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2008 are as follows.

						31 December 2008
	UK car insurance	Price comparison	Non–UK car insurance	Other	Eliminations	Group
	£000	£000	£000	£000	£000	£000
Plant, property and equipment	6,649	1,079	3,112	162	-	11,002
Intangible assets	68,836	-	6,849	-	-	75,685
Financial assets	549,680	-	37,255	-	-	586,935
Reinsurance assets	149,521	-	21,073	-	-	170,594
Trade and other receivables	105,777	6,557	1,415	5,638	(93,886)	25,501
Cash and cash equivalents	50,295	15,602	18,245	60,144	-	144,286
Reportable segment assets	930,758	23,238	87,949	65,944	(93,886)	1,014,003
Insurance contract liabilities	406,869	-	32,687	-	-	439,556
Trade and other payables	261,759	4,080	4,359	46,385	(46,495)	270,088
Reportable segment liabilities	668,628	4,080	37,046	46,385	(46,495)	709,644
Reportable segment net assets	262,130	19,158	50,903	19,559	(47,391)	304,359
Unallocated assets and liabilities						(28,790)
Total net assets						275,569

Unallocated assets and liabilities consist of deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

There is an asymmetrical allocation of assets and income to the reportable segments, in that the interest earned on cash and cash equivalent assets deployed in the UK car insurance, Price comparison and Non-UK car insurance segments is allocated to the Other reportable segment.

Eliminations represent inter-segment funding and balances included in trade and other receivables and other payables.

The restated segment assets and liabilities at 31 December 2007 are as follows.

	31 December 2007 (Restated)					
	UK car insurance	Price comparison	Non–UK car insurance	Other	Eliminations	Group
	£000	£000	£000	£000	£000	£000
Plant, property and equipment	6,288	508	760	152	-	7,708
Intangible assets	67,340	-	1,723	-	-	69,063
Financial assets	476,797	-	5,051	-	-	481,848
Reinsurance assets	121,758	-	9,910	-	-	131,668
Trade and other receivables	18,070	6,325	3,785	8,194	(13,741)	22,633
Cash and cash equivalents	79,877	15,906	10,166	49,824	-	155,773
Reportable segment assets	770,130	22,739	31,395	58,170	(13,741)	868,693
Insurance contract liabilities	347,814	-	15,246	-	-	363,060
Trade and other payables	228,130	4,324	6,300	2,767	(13,741)	239,593
Reportable segment liabilities	575,944	4,324	21,546	2,767	(1,928)	602,653
Reportable segment net assets	194,186	18,415	9,849	55,403	(11,813)	266,040
Unallocated assets and liabilities						(28,408)
Total net assets						237,632

5. Net insurance premium revenue

	31 December 2008 £000	31 December 2007 £000
Total motor insurance premiums before co-insurance	716,288	631,251
Group gross premiums written after co-insurance	334,665	260,901
Outwards reinsurance premiums	(140,264)	(119,049)
Net insurance premiums written	194,401	141,852
Change in gross unearned premium provision	(33,204)	(27,826)
Change in reinsurers' share of unearned premium provision	8,639	28,210
Net insurance premium revenue	169,836	142,236

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

6. Other revenue

	31 December 2008 £000	31 December 2007 £000
Ancillary revenue	109,774	94,216
Revenue from Confused.com	66,143	69,159
Revenue from Gladiator	9,524	7,520
Instalment income earned	8,422	5,983
Total other revenue	193,863	176,878

Refer to the Business review for further detail on the sources of revenue.

7. Profit commission

	31 December 2008 £000	31 December 2007 £000
Total profit commission	34,726	20,448

Source of profit commission:

				Financial year:
	2005 £000	2006 £000	2007 £000	2008 £000
Underwriting year:				
2003 & prior	3,858	6,770	3,657	2,611
2004	9,110	8,075	6,811	5,522
2005	1,767	4,701	8,263	8,846
2006	-	380	1,717	9,221
2007	-	-	-	8,526
Total	14,735	19,926	20,448	34,726

8. Investment and interest income

	31 December 2008 £000	31 December 2007 £000
Net investment return	17,726	16,795
Interest receivable	6,655	7,777
Total investment and interest income	24,381	24,572

9. Expenses and share scheme charges

	31 December 2008			31 December 2007		
	Insurance contracts £000	Other £000	Total £000	Insurance contracts £000	Other £000	Total £000
Acquisition of insurance contracts	12,482	-	12,482	8,420	-	8,420
Administration and other marketing costs	19,726	67,555	87,281	13,314	57,252	70,566
Expenses	32,208	67,555	99,763	21,734	57,252	78,986
Share scheme charges	-	5,924	5,924	-	2,971	2,971
Total expenses and share scheme charges	32,208	73,479	105,687	21,734	60,223	81,957

Analysis of other administration and other marketing costs:

	31 December 2008 £000	31 December 2007 £000
Ancillary sales expenses	17,893	16,613
Confused.com operating expenses	40,539	32,432
Gladiator operating expenses	6,719	5,520
Central overheads	2,404	2,687
Total	67,555	57,252

The £19,726,000 (2007: £13,314,000) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

The gross amount of expenses, before recoveries from co-insurers and reinsurers is £211,181,000 (2007: £167,773,000). This amount can be reconciled to the total expenses and share scheme charges above of £105,687,000 (2007: £81,957,000) as follows:

	31 December 2008 £000	31 December 2007 £000
Gross expenses	211,181	167,773
Co-insurer share of expenses	(72,783)	(66,430)
Expenses, net of co-insurer share	138,398	101,343
Adjustment for deferral of acquisition costs	(5,974)	(3,687)
Expenses, net of co-insurer share (earned basis)	132,424	97,656
Reinsurer share of expenses (earned basis)	(26,737)	(15,699)
Total expenses and share scheme charges	105,687	81,957

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

	31 December 2008 £000	31 December 2007 £000
Insurance contract expenses from above	32,208	21,734
Add: claims handling expenses	4,745	3,471
Adjusted expenses	36,953	25,205
Net insurance premium revenue	169,836	142,236
Reported expense ratio	21.8%	17.7%

10. Staff costs and other expenses

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

	31 December 2008 £000	31 December 2007 £000
Salaries	60,725	45,022
Social security charges	7,678	6,231
Pension costs	713	588
Share scheme charges (see note 25)	11,320	5,560
Total staff expenses	80,436	57,401
Depreciation charge:		
- Owned assets	2,667	2,127
- Leased assets	1,079	1,100
Amortisation charge:		
- Software	1,390	725
- Deferred acquisition costs	10,824	8,449
Operating lease rentals:		
- Buildings	3,902	3,018
Auditor's remuneration:		
- Fees payable for the audit of the Company's annual accounts	30	25
- Fees payable for the audit of the Company's subsidiary accounts	186	169
- Fees payable for other services	160	85
Loss on disposal of property, plant and equipment	30	6
Net foreign exchange gains	162	171

Analysis of fees paid to the auditor for other services:

Tax services	160	85
Other services	-	-
Total as above	160	85

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

11. Staff numbers (including Directors)

	Average for the year 2008 Number	2007 Number
Direct customer contact staff	2,354	1,839
Support staff	731	525
Total	3,085	2,364

12. Finance charges

	31 December 2008 £000	31 December 2007 £000
Finance lease interest	25	243
Letter of credit charges	-	41
Total finance charges	25	284

13. Taxation

	31 December 2008 £000	31 December 2007 £000
Current tax		
Corporation tax on profits for the year	50,104	56,194
Over provision relating to prior periods	(4,730)	(87)
Current tax charge	45,374	56,107
Deferred tax		
Current period deferred taxation movement	12,102	(1,422)
Under / (over) provision relating to prior periods – deferred tax	104	(3)
Total tax charge per income statement	57,580	54,682

Factors affecting the tax charge are:

	31 December 2008 £000	31 December 2007 £000
Profit before tax	202,518	182,098
Corporation tax thereon at UK corporation tax rate of 28.5% (2007: 30%)	57,718	54,629
Expenses and provisions not deductible for tax purposes	414	178
Other differences	(481)	(36)
Adjustments relating to prior periods	(71)	(89)
Tax charge for the period as above	57,580	54,682

14. Dividends

Dividends were declared and paid as follows:

	31 December 2008	31 December 2007
March 2007 (24.0p per share, paid May 2007)	-	62,412
September 2007 (20.6p per share, paid October 2007)	-	53,604
March 2008 (23.2p per share, paid May 2008)	60,473	-
July 2008 (26.0p per share, paid September 2008)	68,042	-
Total dividends	128,515	116,016

The dividends declared in March represent the final dividends paid in respect of the 2007 and 2006 financial years. Dividends declared in September 2007 and July 2008 are interim distributions in respect of 2007 and 2008.

A final dividend of 26.5p per share has been proposed in respect of the 2008 financial year. Refer to the Chairman's statement and Business review for further detail.

15. Earnings per share

	31 December 2008	31 December 2007
Profit for the financial year after taxation (£000s)	144,938	127,416
Weighted average number of shares – basic	263,821,341	261,981,843
Unadjusted earnings per share – basic	54.9p	48.6p
Weighted average number of shares – diluted	264,188,008	262,291,843
Unadjusted earnings per share – diluted	54.9p	48.6p

The difference between the basic and diluted number of shares at the end of 2008 (being 366,667) relates to awards committed, but not yet issued under the Group's share schemes.

Refer to note 25 for further detail.

16. Property, plant and equipment

	Improvements to short leasehold buildings £000	Computer equipment £000	Office equipment £000	Furniture and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 January 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 1 January 2007	1,685	3,843	1,453	462	5	7,448
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	1,297	3,534	1,837	371	10	7,049
Disposals	-	(10)	-	-	-	(10)
At 31 December 2008	4,043	16,838	6,787	2,350	22	30,040
Depreciation						
At 1 January 2008	1,225	9,204	3,327	1,527	10	15,293
Charge for the year	692	1,983	841	227	3	3,746
Disposals	-	(1)	-	-	-	(1)
At 31 December 2008	1,917	11,186	4,168	1,754	13	19,038
Net book amount						
At 31 December 2008	2,126	5,652	2,619	596	9	11,002

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

	31 December 2008	31 December 2007
Computer equipment	1,561	2,149

17. Intangible assets

	Goodwill	Deferred acquisition costs	Software	Total
	£000	£000	£000	£000
Carrying amount:				
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	-	14,591	4,266	18,857
Amortisation charge	-	(10,824)	(1,390)	(12,214)
Disposals	-	-	(21)	(21)
At 31 December 2008	62,354	8,347	4,984	75,685

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK car insurance segment. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised.

18. Financial assets and liabilities

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

	31 December 2008 £000	31 December 2007 £000
Financial assets:		
Investments held at fair value	310,831	335,608
Held to maturity deposits with credit institutions	100,032	-
Receivables – amounts owed by policyholders	176,072	146,240
Total financial assets per consolidated balance sheet	586,935	481,848
Trade and other receivables	25,501	22,633
Cash and cash equivalents	144,286	155,773
	756,722	660,254
Financial liabilities:		
Trade and other payables	270,088	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 three very large providers) target a 7 day LIBID return with capital security and low volatility and continue to achieve these goals.

The amortised cost carrying amount of held to maturity deposits and receivables is a reasonable approximation of fair value.

Objectives, policies and procedures for managing financial assets and liabilities
The Group's activities expose it primarily to the significant financial risks of credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Risk Management Committee (RMC). There is also an Investment Committee that makes recommendations to the Board on the Group's investment strategy.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Interest rate risk
The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities. This relates primarily to investments held at fair value.

The Group has a policy of primarily investing in AAA-rated money market liquidity funds, which in turn invest in a mixture of very short dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.

The funds are not permitted to have an average maturity greater than 60 days and hence are not subject to large movements in yield and value resulting from changes in market interest rates (as longer duration fixed income portfolios experience). Returns are likely to closely track the 7 day LIBID benchmark and hence while the Group's investment return will vary according to market interest rates, the capital value of these investment funds will not be impacted by rate movements. The interest rate risk arising is therefore considered to be minimal.

The Group also holds a number of fixed rate, longer-term deposits with UK credit institutions rated A or above. These are classified as held to maturity and valued at amortised cost. Therefore neither the capital value of the deposits, or the interest return will be impacted by fluctuations in interest rates.

No sensitivity analysis to interest rates has been presented on materiality grounds.

Credit risk
The Group defines credit risk as the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments and bank deposits and to a lesser extent, policyholder receivables.

Economic and financial market conditions have led the Directors to consider counterparty exposure more frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite, and no material credit losses have been experienced by the Group.

There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with credit institutions with a financial strength rating of A or above.

To mitigate the risk arising from exposure to reinsurers, the Group only conducts business with companies of specified financial strength ratings. In addition, most contracts are operated on a funds withheld basis, which substantially reduces credit risk.

The other principal form of credit risk is in respect of amounts due from policyholders due to the potential for default on credit card payments. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high and low level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The fair value of receivables from policyholders represents the maximum exposure to credit risk. The group does not use credit derivatives or similar instruments to mitigate exposure. The amount of bad debt expense relating to policyholder debt charged to the income statement in 2007 and 2008 is insignificant.

There were no significant financial assets that were past due at the close of either 2008 or 2007.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	31 December 2008 £000	31 December 2007 £000
Financial institutions – Money market funds	AAA	310,831	335,608
Financial institutions – Credit institutions	AA	115,613	133,179
Financial institutions – Credit institutions	A	128,705	22,591
Reinsurers	A	64,491	45,546

Foreign exchange risks
Foreign exchange risks arise from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets.

The Group may be exposed to foreign exchange risk through its expanding operations in Europe. Although the relative size of the European operations means that the risks are relatively small, increasingly volatile foreign exchange rates result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities, however surplus assets held as regulatory capital in foreign currencies remain exposed.

Liquidity risk
Liquidity risk is defined as the risk that the Group does not have sufficient, available, financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group has traditionally been strongly cash generative due to the large proportion of profit arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in money market liquidity funds with same day liquidity features, meaning that the vast majority of the Group cash and investments are immediately available. The current uncertainty in credit markets is not likely to impact this.

A breakdown of the Group's financial liabilities – trade and other payables is shown in note 22. In terms of the maturity profile of these liabilities, all amounts may potentially mature within 12 months of the balance sheet date except for a minority of finance lease liabilities which will expire after 12 months. (Refer to note 23 for further detail)

In practice, the Group's Directors expect actual cashflows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £147.9m (2007: £134.7m), £77.5m (2007: £62.9m) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

All financial assets will mature within 12 months. The Group's Directors believe that the cashflows arising from these assets will be consistent with this profile.

Liquidity risk is therefore considered to be insignificant.

Fair value
The carrying value of all of the Group's financial assets equate to fair value. For money market funds, cash at bank and deposits, the fair value approximates to the book value due to their short maturity.

Objectives, policies and procedures for managing capital
For details of objectives, policies and procedures for managing capital, and external capital requirements, refer to the Business review.

19. Reinsurance assets and insurance contract liabilities

A) Objectives, policies and procedures for the management of insurance risk:

The Group is involved in issuing motor insurance contracts that transfer risk from policyholders to the Group and its underwriting partners.

Insurance risk primarily involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued.

The key reserving risk is that the frequency and / or value of the claims arising exceeds expectation and the value of insurance liabilities established.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 18, it has delegated the task of supervising risk management to the Risk Management Committee.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include underwriting partnership arrangements, pricing policies and claims management and administration policies.

A number of the key elements of these policies and procedures are detailed below:

i) Co-insurance and reinsurance:

As noted in the Business review above, the Group cedes a significant amount of the motor insurance business written to external underwriters. In 2008, 55% of the risk was shared under a co-insurance contract, under which the primary risk is borne by the co-insurer.

A further 17.5% was ceded under quota share reinsurance contracts.

As well as these proportional arrangements, an excess of loss reinsurance programme is also purchased to protect the Group against very large individual claims and catastrophe losses.

ii) Data driven pricing:

The Group's underwriting philosophy is focused on a sophisticated data-driven approach to pricing and underwriting and on exploiting the competitive advantages direct insurers enjoy over traditional insurers through:

- Collating and analysing more comprehensive data from customers;
- Tight control over the pricing guidelines in order to target profitable business sectors; and
- Fast and flexible responsiveness to data analysis and market trends.

The Group is committed to establishing premium rates that appropriately price the underwriting risk and exposure. Rates are set utilising a larger than average number of underwriting criteria.

The Directors believe that there is a strong link between the increase in depth of data that the Group has been able to collate over time and the lower than average historic reported loss ratios enjoyed by the Group.

iii) Effective claims management:

The Group adopts various claims management strategies designed to ensure that claims are paid at an appropriate level and to minimise the expenses associated with claims management. These include:

- An effective, computerised workflow system (which along with the appropriate level of resources employed helps reduce the scope for error and avoids significant backlogs);
- Use of an outbound telephone team to contact third parties aiming to minimise the potential claims costs and to ensure that more third parties utilise the Group approved repairers;
- Use of sophisticated and innovative methods to check for fraudulent claims.

Concentration of insurance risk:

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group only writes one line of insurance business, the risks are spread across a large number of people and a wide regional base.

B) Sensitivity of recognised amounts to changes in assumptions:

The following table sets out the impact on equity at 31 December 2008 that would result from a 1 per cent change in the loss ratios used for each underwriting year for which material amounts remain outstanding.

				Underwriting year			
	2003	2004	2005	2006	2007	2008	Total
Loss ratio	53.5%	57.0%	67.0%	78.5%	80.5%	89.0%	
Impact of 1% change (£000s)	1,753	2,235	2,871	2,827	3,196	1,032	13,914

The impact is stated net of reinsurance and includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.

C) Analysis of recognised amounts:

	31 December 2008 £000	31 December 2007 £000
Gross:		
Claims outstanding	282,273	242,576
Unearned premium provision	157,283	120,484
Total gross insurance liabilities	439,556	363,060
Recoverable from reinsurers:		
Claims outstanding	103,794	76,055
Unearned premium provision	66,800	55,613
Total reinsurers' share of insurance liabilities	170,594	131,668
Net:		
Claims outstanding	178,479	166,521
Unearned premium provision	90,483	64,871
Total insurance liabilities – net	268,962	231,392

D) Analysis of re-estimation of claims provisions:

The following tables set out the cumulative impact, to 31 December 2008, of the retrospective re-estimation of claims provisions initially established at the end of the financial years stated. Figures are shown gross and net of reinsurance. These tables present data on an accident year basis.

	Financial year ended 31 December				
Gross amounts:	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
Gross claims provision as originally estimated	142,968	170,216	202,421	242,576	282,273
Provision re-estimated as of:					
One year later	137,075	162,205	192,283	223,688	-
Two years later	127,613	149,317	178,679	-	-
Three years later	119,625	138,171	-	-	-
Four years later	113,136	-	-	-	-
Five years later	-	-	-	-	-
As re-estimated at 31 December 2008	113,136	138,171	178,679	223,688	-
Gross cumulative overprovision	(29,832)	(32,045)	(23,742)	(18,888)	-

	Financial year ended 31 December				
Net amounts:	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
Net claims provision as originally estimated	98,120	128,631	154,711	166,521	178,479
Provision re-estimated as of:					
One year later	93,910	122,423	146,435	154,751	-
Two years later	87,761	111,964	135,825	-	-
Three years later	82,004	102,911	-	-	-
Four years later	77,331	-	-	-	-
Five years later	-	-	-	-	-
As re-estimated at 31 December 2008	77,331	102,911	135,825	154,751	-
Net cumulative overprovision	(20,789)	(25,720)	(18,886)	(11,770)	-

E) Analysis of net claims provision releases:

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

	Financial year ended 31 December				
Underwriting year:	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
2000	1,480	370	1,110	740	370
2001	2,967	5,043	1,879	1,483	494
2002	3,229	5,166	2,260	1,292	-
2003	1,513	4,622	5,084	3,235	2,311
2004	-	2,076	7,948	7,589	6,429
2005	-	-	2,623	12,545	10,977
2006	-	-	-	2,588	10,528
2007	-	-	-	-	6,857
Total net release	9,189	17,277	20,904	29,472	37,966
Net premium revenue	107,501	139,454	144,955	142,236	169,836
Release as % of net premium revenue	8.5%	12.4%	14.4%	20.7%	22.4%

F) Reconciliation of movement in net claims provision:

	31 December 2008 £000	31 December 2007 £000
Net claims provision at start of period	166,521	154,711
Net claims incurred	109,830	96,324
Net claims paid	(97,872)	(84,514)
Net claims provision at end of period	178,479	166,521

G) Reconciliation of movement in net unearned premium provision:

	31 December 2008 £000	31 December 2007 £000
Net unearned premium provision at start of period	64,871	65,025
Written in the period	194,401	141,851
Earned in the period	(168,789)	(142,005)
Net unearned premium provision at end of period	90,483	64,871

20. Trade and other receivables

	31 December 2008 £000	31 December 2007 £000
Trade receivables	22,266	20,747
Prepayments and accrued income	3,235	1,886
Total trade and other receivables	25,501	22,633

21. Cash and cash equivalents

	31 December 2008 £000	31 December 2007 £000
Cash at bank and in hand	140,336	150,902
Cash on short term deposit	3,950	4,871
Total cash and cash equivalents	144,286	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.

22. Trade and other payables

	31 December 2008 £000	31 December 2007 £000
Trade payables	10,760	5,960
Amounts owed to co-insurers and reinsurers	147,942	134,659
Finance leases due within 12 months	126	345
Finance leases due after 12 months	14	4
Other taxation and social security liabilities	9,492	8,557
Other payables	18,830	15,545
Accruals and deferred income (see below)	82,924	74,523
Total trade and other payables	270,088	239,593

Analysis of accruals and deferred income:

	31 December 2008 £000	31 December 2007 £000
Premium receivable in advance of policy inception	45,567	38,477
Accrued expenses	29,350	26,948
Deferred income	8,007	9,098
Total accruals and deferred income as above	82,924	74,523

23. Obligations under finance leases

Analysis of finance lease liabilities:

			At 31 December 2008			At 31 December 2007
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	£000	£000	£000	£000	£000	£000
Less than one year	136	10	126	360	15	345
Between one and five years	15	1	14	4	-	4
More than five years	-	-	-	-	-	-
	151	11	140	364	15	349

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

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

24. Deferred income tax liability / (asset)

	31 December 2008	31 December 2007
	£000	£000
Brought forward at start of period	(1,629)	981
Movement in period	11,956	(2,610)
Carried forward at end of period	10,327	(1,629)

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

Analysis of net deferred tax liability / (asset):	31 December 2008	31 December 2007
	£000	£000
Tax treatment of Lloyd's Syndicates	-	541
Tax treatment of share scheme charges	(2,401)	(2,091)
Capital allowances	31	126
Other differences	(132)	(205)
Unremitted overseas income	12,829	-
Deferred tax liability / (asset) at end of period	10,327	(1,629)

Deferred tax on unremitted overseas income has been provided to the extent it is likely to reverse in the foreseeable future.

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

Amounts (charged) / credited to income or expense:	31 December 2008 £000	31 December 2007 £000
Tax treatment of Lloyd's Syndicates	541	1,395
Tax treatment of share scheme charges	60	53
Capital allowances	95	23
Other differences	(73)	(46)
Unremitted overseas income	(12,829)	-
Net deferred tax (charged) / credited to income	(12,206)	1,425

The closing deferred tax balances reflect the change in UK corporation tax rate from 30% to 28% which became effective on 1 April 2008.

The difference between the total movement in the deferred tax balance above and the amount charged to income relates to deferred tax on share scheme charges that has been credited directly to equity.

25. Share capital

	31 December 2008 £000	31 December 2007 £000
Authorised:		
500,000,000 ordinary shares of 0.1p	500	500
Issued, called up and fully paid:		
264,541,810 ordinary shares of 0.1p	265	-
262,721,426 ordinary shares of 0.1	-	263
	265	263

During 2008 1,820,384 (2007: 1,534,827) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

589,384 (2007: 570,827) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

1,231,000 (2007: 964,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme. The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	31 December 2008 £000	31 December 2007 £000
SIP charge (note i)	2,484	1,268
DFSS charge (note ii)	3,440	1,703
Total share scheme charges	5,924	2,971

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross charge reported in note 10 (2008: £11,320,000, 2007: £5,560,000) and the gross credit to reserves reported in note 26.

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

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

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

The awards are made with reference to the Group's performance against prior year profit before tax. Employees must remain in employment for the holding period (three years from the date of award) otherwise the shares are forfeited.

The fair value of shares awarded is either the share price at the date of award, or is estimated at the latest share price available when drawing up the financial statements for awards not yet made (and later adjusted to reflect the actual share price on the award date). Awards under the SIP are entitled to receive dividends, and hence no adjustment has been made to this fair value.

(ii) The Discretionary Free Share Scheme (the DFSS)

Under the DFSS, details of which are contained in the Remuneration report, individuals receive an award of free shares at no charge. Staff must remain in employment until the vesting date in order to receive shares. The maximum number of shares that can vest relating to the 2008 scheme is 1,372,001 (2007 scheme: 964,000).

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

The range of awards is as follows:

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

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

Awards under the DFSS are not eligible for dividends and hence the fair value of free shares to be awarded under this scheme has been revised downwards to take account of these distributions. The unadjusted fair value is based on the share price at the date on which awards were made (as stated in the Remuneration Report).

Number of free share awards committed at 31 December 2008:

	Awards outstanding*	Vesting date
SIP H205 scheme	350,034	March 2009
SIP H106 scheme	350,811	September 2009
SIP H206 scheme	277,538	April 2010
SIP H107 scheme	353,444	September 2010
SIP H207 scheme	337,770	April 2011
SIP H108 scheme	352,732	September 2011
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
DFSS 2008 scheme 2nd award	86,902	November 2011
Total awards committed	5,340,242	

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

During the year ended 31 December 2008, awards under the SIP H105 scheme and the DFSS 2005 scheme vested. The total number of awards vesting for each scheme is as follows.

Number of free share awards vesting during the year ended 31 December 2008:

	Original Awards	Awards vested
SIP H105 scheme	581,565	468,540
DFSS 2005 scheme 1st award	686,143	604,962
DFSS 2005 scheme 2nd award	74,943	70,259

26. Analysis of movements in capital and reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign exchange reserve £000	Retained profit and loss £000	Total equity £000
As at 1 January 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	-	-	-	-	144,938	144,938
Dividends	-	-	-	-	(128,515)	(128,515)
Issues of share capital	2	-	-	-	-	2
Currency translation differences	-	-	-	9,942	-	9,942
Share scheme charges	-	-	-	-	11,320	11,320
Deferred tax credit on share scheme charges	-	-	-	-	250	250
As at 31 December 2008	265	13,145	17	10,321	251,821	275,569

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

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

27. Financial commitments

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

Operating leases expiring:	31 December 2008 £000	31 December 2007 £000
Within one years	-	-
Within two to five years	4,139	2,139
Over five years	31,574	27,357
Total commitments	35,713	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:

	31 December 2007 £000	31 December 2006 £000
Expenditure contracted to	898	489

28. Group subsidiary companies

The Parent Company's principal subsidiaries (all of which are 100% directly owned) are as follows:

Subsidiary	Country of incorporation	Class of shares held	Principal activity
EUI Limited	England and Wales	Ordinary	General insurance intermediary
Admiral Insurance Company Limited	England and Wales	Ordinary	Insurance Company
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	Insurance Company
Able Insurance Services Limited	England and Wales	Ordinary	Intermediary
Inspop.com Limited	England and Wales	Ordinary	Internet insurance intermediary

29. Related party transactions

There were no related party transactions occurring during 2008 that require disclosure. Details relating to the remuneration and shareholdings of key management personnel are set out in the Remuneration 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.

Consolidated financial summary

Basis of preparation:

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

Income statement

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Total motor premiums	**716.3**	**631.3**	**566.6**	**533.6**	**470.4**
Net insurance premium revenue	169.8	142.2	145.0	139.5	107.5
Other revenue	193.9	176.9	131.6	93.4	69.5
Profit commission	34.7	20.5	19.9	14.7	21.7
Investment and interest income	24.4	24.6	14.5	15.5	11.9
Net revenue	**422.8**	**364.2**	**311.0**	**263.1**	**210.6**
Net insurance claims	(114.6)	(99.8)	(107.1)	(100.5)	(74.3)
Total expenses	(105.7)	(82.0)	(55.5)	(40.9)	(28.9)
Operating profit	**202.5**	**182.4**	**148.4**	**121.7**	**107.4**

Balance sheet

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Property, plant and equipment	11.0	7.7	7.5	4.6	3.3
Intangible assets	75.7	69.1	66.8	66.5	66.5
Financial assets	586.9	481.8	395.9	378.7	300.7
Reinsurance assets	170.6	131.7	74.7	54.2	66.1
Deferred income tax	-	1.6	-	-	-
Trade and other receivables	25.5	22.6	16.9	9.4	16.7
Cash and cash equivalents	144.3	155.8	191.2	150.2	119.3
Total assets	**1,014.0**	**870.3**	**753.0**	**663.6**	**572.6**
Equity	275.6	237.6	219.1	181.4	144.6
Insurance contracts	439.6	363.1	294.4	254.1	216.1
Financial liabilities	-	-	-	22.0	33.1
Deferred income tax	10.3	-	1.0	3.6	4.8
Trade and other payables	270.0	239.6	215.1	182.9	164.3
Current tax liabilities	18.5	30.0	23.4	19.6	9.7
Total liabilities	**1,014.0**	**870.3**	**753.0**	**663.6**	**572.6**

Parent Company financial statements

Parent Company balance sheet

	Note:	As at: 31 December 2008 £000	31 December 2007 £000
Fixed asset investments	4	108,604	106,604
Current assets			
Debtors	5	-	4,354
Cash at bank and in hand		57,184	48,114
		57,184	52,468
Creditors – falling due within one year			
Other creditors	6	(64,345)	(9,987)
Accruals and deferred income		-	(16)
		(64,345)	(10,003)
Net current (liabilities)/assets		(7,161)	42,465
Total assets less current liabilities		101,443	149,069
Net assets		**101,443**	**149,069**
Capital and reserves	7		
Called up share capital	8	265	263
Share premium account		13,145	13,145
Capital redemption reserve		17	17
Profit and loss account		88,016	135,644
		101,443	**149,069**

These financial statements were approved by the Board of Directors on 27 February 2009 and were signed on its behalf by:

Kevin Chidwick
Director

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Parent Company accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1. Basis of preparation

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses. The Company has no debt.

As a result of this review the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

In these financial statements the following new standards, abstracts and amendments to standards have been adopted for the first time:

- Abstract 41 - 'FRS 20 – Group and Treasury Share Transactions;
- Amendment to FRS 17 – Retirement Benefits

The adoption of these standards has not had a material impact on either the current year or comparative figures as Company does not have any direct employees.

The Company has not adopted in advance amendments to FRS 26 relating to reclassification of financial assets and eligible hedged items which are in effect for accounting periods beginning on or after 1 July 2008 and 1 January 2009 respectively.

The Admiral Group plc Company financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented. Under FRS 1 (Cash flow statements) the Company is exempt from having to present a cash flow statement on the grounds that its cash flows are included in the Group's published consolidated financial statements.

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions or balances with its 90% or more owned subsidiary undertakings on the basis that the consolidated accounts are publicly available.

The Parent Company audit fee is not disclosed in these accounts as it is disclosed in the consolidated Group accounts, which precede them at note 10.

2. Investments

Investments in subsidiary undertakings are valued at cost less any provision for impairment in value.

3. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the Parent Company financial statements

4. Fixed asset investments

	£000
Investments in subsidiary undertakings:	
At 1 January 2007	103,804
Additions	2,800
At 31 December 2007	106,604
Additions	2,000
At 31 December 2008	108,604

The Company's principal subsidiaries (all of which are 100% directly owned) are disclosed in note 28 of the Group financial statements.

5. Debtors

		As at:
	31 December 2008 £000	31 December 2007 £000
Amounts owed by subsidiary undertakings	-	4,348
Deferred tax asset	-	6
	-	4,354

6. Other creditors – due within one year

		As at:
	31 December 2008 £000	31 December 2007 £000
Deferred income tax	12,816	-
Corporation tax payable	8,890	9,931
Amounts owed to subsidiaries	42,590	-
Other creditors	49	56
	64,345	9,987

7. Reconciliation of movements in shareholders' funds

Company figures	Share capital	Share premium account	Capital reserve redemption	Retained profit and loss	Total equity
	£000	£000	£000	£000	£000
At 1 January 2007	261	13,145	17	139,048	152,471
Retained profit for the period	-	-	-	107,052	107,052
Dividends	-	-	-	(116,016)	(116,016)
Issues of share capital	2	-	-	-	2
Share scheme charges	-	-	-	5,560	5,560
As at 31 December 2007	263	13,145	17	135,644	149,069
Retained profit for the period	-	-	-	69,567	69,567
Dividends	-	-	-	(128,515)	(128,515)
Issues of share capital	2	-	-	-	2
Share scheme charges	-	-	-	11,320	11,320
As at 31 December 2008	265	13,145	17	88,016	101,443

8. Share capital

Full details of the Company's share capital are included in the consolidated financial statements above.

Directors and advisors

Directors

Alastair Lyons, CBE (Non-executive Chairman)
Henry Engelhardt, CBE (Chief Executive)
Kevin Chidwick (Finance Director)
David Stevens (Chief Operating Officer)
Manfred Aldag (Non-executive Director)
Martin Jackson (Non-executive Director)
Keith James, OBE (Non-executive Director)
Margaret Johnson (Non-executive Director)
Lucy Kellaway (Non-executive Director)
John Sussens (Senior Independent Non-executive Director)

Company Secretary

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