ADMIRAL GROUP PLC

2010 INTERIM FINANCIAL STATEMENTS

Admiral Group plc Results for the Six Months Ended 30 June 2010
25 August 2010

Admiral announces another record half-year profit and continued strong growth. Profit before tax at £126.9 million was 21% ahead of H1 2009, whilst turnover rose 33% to £720.5 million. The Board is declaring a record interim dividend payment of 32.6p per share.

H1 2010 Highlights

- Group profit before tax up 21% at £126.9 million (H1 2009: £105.3 million)
- Interim dividend up 18% at 32.6p per share (2009 interim: 27.7p)
- Group turnover* up 33% at £720.5 million (H1 2009: £540.1 million)
- Group net revenue up 22% at £296.4 million (H1 2009: £243.1 million)
- Group customers up 23% to 2.37 million from 1.92 million at 30 June 2009
- UK ancillary income per vehicle increased 5% to £74.50 (H1 2009: £70.80)
- Non-UK car insurance turnover up 51% to £37.1 million and customers up 53% to 154,100
- Balumba, the Spanish car insurance operation, made a profit for the first time (of €25,000)
- LeLynx.fr and Chiarezza.it, the French and Italian price comparison sites launched in early 2010
- Employee Share Scheme – over £6 million of shares will be distributed to over 4,000 staff based on the H1 2010 result

* Turnover is defined as total premiums written (including co-insurers' share) and other revenue

Comment from Henry Engelhardt, Group Chief Executive

"2010 is shaping up to be a year of great opportunity and I'm extremely proud of how everyone at Admiral has stepped up to the challenge. Their hard work has resulted in a decent set of numbers: turnover was up by a third, profits have grown by over 20% and we will soon be paying a record dividend.

"The UK car insurance business continues to be the driving force behind our success and in the first half of 2010 we shifted up yet another gear. We increased premium rates by around 14% in the first half and increased customer numbers by 23% year-on-year. The combined effect was an increase in total premiums written of 37%. These results demonstrate the strength of our UK model, which combines competitive prices with great service.

"Of course there are challenges; our operations outside the UK and the Confused price comparison business are not as strong. Yes, Balumba, our insurance operation in Spain, made its first half-yearly profit (€25,000), but it still has work to do as an underwriter to build a sustainable, profitable, growing business. In sum we now insure more than 150,000 vehicles outside the UK covering four countries. In the first part of next year we plan to launch an insurance operation in France as the final part of our five-year strategic plan. We also have three fledgling price comparison businesses outside the UK, two of which launched this year.

"All in all we're pleased with the numbers for the first half of 2010. As a result, every member of staff will receive £1,500 of free shares in the Group, worth over £6 million in total."

Comment from Alastair Lyons, Group Chairman

"With a further advance in first half profits we are delighted once again to be able to declare an increase in our interim dividend, up 18% to 32.6 pence per ordinary share. This represents 97% of after-tax earnings for the first six months of 2010, testament to the strength of Admiral's business model of strong growth, profitability and a high return on capital."

Interim dividend

The interim dividend of 32.6p per share will be paid on 20 October 2010. The ex-dividend date is 6 October 2010, the record date 8 October 2010.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00am on Wednesday 25 August 2010 by dialling +44 (0)20 3059 5754 and using participant password "Admiral". A copy of the presentation slides will be available at www.admiralgroup.co.uk.

A pdf version of this interim results announcement is also available at www.admiralgroup.co.uk.

Business Review

Group financial highlights and key performance indicators

	H1 2008	H1 2009	H1 2010	FY 2009
Turnover	£463.4m	£540.1m	£720.5m	£1,077.4m
Net revenue	£204.0m	£243.1m	£296.4m	£507.5m
Number of customers	1.63m	1.92m	2.37m	2.08m
Loss ratio	65.0%	67.0%	67.8%	69.0%
Expense ratio	20.8%	22.0%	21.5%	23.1%
Combined ratio	85.8%	89.0%	89.3%	92.1%
Profit before tax	£100.3m	£105.3m	£126.9m	£215.8m
Earnings per share	27.3p	28.5p	33.7p	59.0p

Turnover comprises total premiums written and other revenue

Driven predominantly by the UK Car Insurance business, the Group has seen significant growth in the first half of 2010. Turnover grew by over 33% to £721 million, whilst the number of customers served across the Group increased by 23% to nearly 2.4 million.

Profit also grew strongly, rising at the pre-tax level by 21% to £126.9 million. Earnings per share rose 18% to 33.7p.

Total premiums written outside the UK rose to £34 million (50% higher than H1 '09) and the number of customers grew at a similar rate (to 154,100). Balumba, the Group's Spanish car insurer made its first half-yearly profit, and whilst the result was less than £0.1 million, this is an encouraging step.

Two new price comparison businesses were launched in the first half of the year: Based in Paris, LeLynx.fr began trading in January and Chiarezza.it launched the following month in Milan.

The main highlights of the first half of the year however were in the UK Car Insurance business. These (set out in more detail below) included: a 23% increase in vehicles insured, a 37% rise in total premiums written, material increases in premium rates and increasing ancillary profit (both in total and per vehicle).

The proposed dividend for the first half of the year of 32.6p represents 97% of post-tax profits and is 18% higher than the interim 2009 dividend.

UK Car Insurance – Financial Performance

Non-GAAP[*1] format income statement

£m	H1 2008	H1 2009	H1 2010	FY 2009
Turnover[*2]	407.2	470.1	639.4	939.1
Total premiums written[*3]	350.1	404.6	555.8	804.7
Net insurance premium revenue	73.5	94.6	117.2	199.1
Investment income	8.9	5.7	3.2	7.5
Net insurance claims	(48.0)	(63.6)	(81.0)	(138.7)
Net insurance expenses	(10.9)	(14.2)	(16.1)	(30.3)
Underwriting profit	23.5	22.5	23.3	37.6
Profit commission	14.3	22.7	36.9	54.2
Net ancillary income	44.1	51.5	65.5	106.3
Other revenues	4.1	4.5	5.8	8.8
UK Car Insurance profit	**86.0**	**101.2**	**131.5**	**206.9**

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

Key performance indicators

	H1 2008	H1 2009	H1 2010	FY 2009
Reported loss ratio	62.0%	64.2%	65.9%	66.9%
Reported expense ratio	18.1%	17.9%	17.0%	18.0%
Reported combined ratio	80.1%	82.1%	82.9%	84.9%
Written basis expense ratio	17.2%	16.7%	14.6%	16.9%
Claims reserve releases	£18.4m	£18.4m	£17.3m	£31.3m
Releases as % of premium	25.0%	19.4%	14.8%	15.7%
Profit commission as % of premium	19.4%	24.0%	31.5%	27.2%
Vehicles insured at year-end	1.48m	1.73m	2.12m	1.86m
Ancillary income per vehicle	£71.1	£70.8	£74.5	£72.0

UK Car Insurance – Co-insurance and Reinsurance

Admiral retains a net 27.5% of UK premiums in 2010 (in line with 2009). 45% of total UK premium is underwritten by the Munich Re Group (specifically Great Lakes Reinsurance (UK) Plc) under a long-term co-insurance agreement (running until at least the end of 2016), whilst 27.5% is proportionally reinsured to Hannover Re (10.0%) New Re (10.0%) and Swiss Re (7.5%).

The nature of the co-insurance is such that 45% of all motor premium and claims for the current 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 profit commission terms in all 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.

UK Car Insurance Financial Performance

The core UK business grew significantly in the first half of the year, ending with 2.12 million vehicles insured – 23% higher than a year earlier and 14% up on the end of December 2009. As a result of rising rates, total premiums written increased by the faster rate of 37% to £556 million.

Although estimations of the extent vary, it seems clear that market prices are increasing as car insurers react to very poor results and reported increases in losses arising from bodily injury claims. Admiral's rates in the first half of the year increased by around 14%, making rates around 22% higher than a year earlier. The continued development in price comparison as a distribution channel (we estimate around 17% year-on-year growth) accounts for the majority of the growth in the first half of the year.

The market combined ratio for 2009 was the worst result (122%) since the late 1990's. Based on external actuarial projections, Admiral's combined ratio for the 2009 accident year is estimated at 91% - over 30 points better than the market, with the outperformance split evenly between the loss and expense ratio components.

A number of insurers have reported an unexpected surge in bodily injury claims costs as a key reason for the worsening results. Admiral's claims experience over the past 18 months has not included any unusual trends in bodily injury or damage claims. Claims frequency overall has continued a long-term downward trend, though bodily injury frequency being relatively flat has led to these claims constituting a larger proportion of the total than historically.

Admiral's reported loss ratio for the first half of 2010 is 65.9% (H1 '09: 64.2%), improved by positive prior year development of around 14.8% or £17.3 million (H1 '09: 19.4%, £18.4 million). The loss ratio with the effect of prior year movements excluded, improved to 80.6% in H1 2010 compared to 83.6% in H1 2009.

Admiral's policy is initially to reserve conservatively, above independent actuarial projections of the ultimate outcomes. This results in a significant margin being held in reserves to allow for unforeseen adverse development in open claims and creates a position whereby Admiral makes above industry average reserve releases.

In determining the quantum of releases from prior years, we seek to maintain a consistent level of prudence in reserves, taken together with 'reserves' of profit commission based on actuarial projections of ultimate loss ratios that are yet to be recognised at the balance sheet date.

The expense ratio (on both a reported and written basis) improved in the first half of 2010. This was partly a benefit of increasing average premiums, but also due to continued focus on cost control through the business. For reference, Admiral's written basis expense ratio for the current period was around 15%, compared to 29% for the market in 2009.

Admiral's UK underwriting result was broadly flat at around £23 million in H1 '10 compared to H1 '09, reflecting a slightly higher reported combined ratio and lower investment income offset by a significant (24%) increase in net earned premium.

Profit commission income from co-insurance and reinsurance partners continues to develop as a significant contributor to profit. In H1 '10 profit commission (all of which was earned on premium earned in prior years) amounted to £36.9 million, or 31.5% of earned premium. This compares favourably to £22.7 million in H1 '09 (24.0% of premium). The increasing contribution is due to the materially more favourable commission terms on more recent underwriting years.

Ancillary profit also grew in the first half of the year – both in total (to £65.5 million, up 27%) and per vehicle (to £74.5 from £72.0 in 2009 as a whole). There were no notable changes in the component parts, and the improvement was largely due to increased margins on certain products.

The strong performance across the core business led to a significant 30% increase in pre-tax profit to £131.5 million (£101.2 million in H1 '09).

Price Comparison – Financial Performance

Non-GAAP format income statement

£m	H1 2008	H1 2009	H1 2010	FY 2009
Revenue:				
Motor	29.8	31.3	29.9	62.2
Other	6.8	8.9	8.1	18.3
Total	36.6	40.2	38.0	80.5
Operating expenses	(21.0)	(29.2)	(30.9)	(55.6)
Operating profit	**15.6**	**11.0**	**7.1**	**24.9**
Confused.com (UK)	**15.6**	**11.0**	**8.8**	**25.7**
Non-UK Price Comparison	**-**	**-**	**(1.7)**	**(0.8)**

UK Price Comparison – Confused.com

As the results suggest, Confused endured a tough start to 2010, with falls in revenue, profit and margin.

The key factor behind the disappointing results was an unsuccessful TV advertising campaign which ran during the first half of the year. Success in price comparison depends heavily on marketing (predominantly TV), with consumers responding to the best campaign. Confused moved from being the leading price comparison site for car insurance (by market share) in 2009 to being second in H1 '10.

Revenue at Confused in H1 '10 reduced by around 10% to £36.6 million (from £40.2 million in the first half of 2009), whilst pre-tax profit fell by around 20% to £8.8 million. The operating margin also fell to around 25%. Non-car insurance revenue was stable in H1 '10 compared to H1 '09 as a proportion of total revenue.

Confused has responded quickly, pulling back on TV spend in the middle of 2010 in advance of rolling out a new campaign in the second half of the year. There is also increased focus on cost control in the business.

Non-UK Price Comparison – Rastreator.com, LeLynx.fr and Chiarezza.it

Total revenue from price comparison operations outside the UK continues to grow, albeit as would be expected on a modest scale in the Group context. H1 '10 revenue reached around £1.4 million compared to practically nothing in the first half of 2009, whilst operating losses from the three combined businesses totalled £1.7 million in the first half of the year.

Rastreator.com had a positive start to 2010, and continues to grow the number of visitors to the site, quotes generated and revenue earned. Rastreator also added home insurance to its offering late in the period, and now offers car, motorcycle and household comparison services.

Two highlights of the first half of 2010 were the successful, on-time and under-budget launches of two new European price comparison businesses: LeLynx.fr, our French aggregator is based in Paris and began trading in January, advertising on TV for the first time in June. The following month, Chiarezza.it, our Italian price comparison site launched in Milan.

As should be expected, the results for these two brand new businesses are not yet significant.

Non-UK Car Insurance – Financial Performance

Non-GAAP format income statement

£m	H1 2008	H1 2009	H1 2010	FY 2009
Turnover	14.7	24.5	37.1	47.2
Total premiums written	13.0	22.6	34.0	43.0
Net insurance premium revenue	3.5	5.9	8.1	12.8
Investment income	0.2	0.1	0.1	0.2
Net insurance claims	(4.5)	(6.5)	(7.8)	(13.0)
Net insurance expenses	(2.7)	(5.2)	(7.1)	(13.0)
Underwriting result	(3.5)	(5.7)	(6.7)	(13.0)
Net ancillary income	1.3	1.4	2.4	3.3
Other revenues	0.1	0.2	0.2	0.2
Non-UK Car Insurance result	**(2.1)**	**(4.1)**	**(4.1)**	**(9.5)**

Note - Pre-launch costs excluded

Key Performance Indicators

H1 2010	**Balumba**	**AdmiralDirekt**	**ConTe**	**Elephant Auto**	**Total**
Total premiums (£m)	10.6	8.6	12.6	2.2	34.0
Vehicles insured	61,400	31,300	57,900	3,500	154,100
Result (£m)	-	(1.6)	(1.7)	(0.8)	(4.1)
H1 2009					
Total premiums (£m)	8.1	11.4	3.1	-	22.6
Vehicles insured	48,100	37,500	14,900	-	100,500
Result (£m)	(1.0)	(2.2)	(0.9)	-	(4.1)
FY 2009					
Total premiums (£m)	17.8	14.0	11.1	0.1	43.0
Vehicles insured	50,300	35,000	35,500	200	121,000
Result (£m)	(1.3)	(5.2)	(2.4)	(0.6)	(9.5)

Note - Pre-launch costs excluded

Non-UK Co-insurance and Reinsurance

The risk sharing model that has been a feature of the UK business since 2000 is also used in Europe and the USA. As well as providing the capital for the majority of the underwriting, in return for a share of future profits, our co-insurance and reinsurance partners bear their proportional share of the post-launch expenses as well as the underwriting in all non-UK operations.

The arrangements in each market in Europe are similar and involve Admiral retaining 35% of the risks, the majority share of 65% being underwritten by Munich Re.

In the USA, Admiral's US insurer retains one third of the risks generated from January 2010, with the remaining two thirds split equally between Hannover Re and Munich Re. Both reinsurers bear their proportional share of expenses and underwriting, subject to certain caps on the reinsurers' total exposures.

All contracts have profit commission terms that allow Admiral to receive a proportion of the profit earned on the underwriting once the business reaches cumulative profitability.

The contracts in place for Germany, Italy and the USA include proportional sharing of ancillary profits.

Non-UK Car Insurance Financial Performance

The Group now has four operational car insurance businesses trading outside the UK – three in mainland Europe and one in Virginia in the US. Balumba (Spain), the oldest, having launched in October 2006, achieved its first half-yearly profit in H1 '10, and although the result was less than £0.1 million, this is a significant and encouraging milestone in our international plans.

Total premium written outside the UK rose by 50% to £34.0 million from £22.6 million in H1 '09. The number of vehicles insured rose at a similar rate, to over 154,000 from 100,500 a year earlier (and grew 27% compared to 31 December 2009).

In total, the four businesses made a loss of £4.1 million, which is in line with the first half of 2009. To put this result into context, it equates to only 3% of the profits in our UK car insurance business and demonstrates our cautious approach to expansion.

Balumba (Spain)

Balumba continued to grow its customer base in the first half of the year and ended with 61,400 vehicles insured – 28% more than a year earlier, and 22% above 31 December 2009. Excluding currency effects, total premiums written grew by around one third to £10.6 million.

As noted, Balumba made a small profit in the first half of the year, with a net underwriting loss of £2.1 million being slightly more than offset by ancillary profits. Ancillary profit remains strong, with over €80 per vehicle being earned over the period (up over 10% on H1 '09).

There continues to be significant focus on the loss ratio, and whilst bad weather has contributed to the 2010 year loss ratio being higher than 2009 at the same (very early) point in time, management are satisfied with developments in this area, hence the decision to continue to grow the business.

Balumba – loss ratio development triangle

	Underwriting year			
	2007	2008	2009	2010
After 6 months	149%	108%	79%	95%
After 18 months	136%	108%	91%	-
After 30 months	134%	110%	-	-
After 42 months	133%	-	-	-

The focus in Spain remains on continuing to grow the portfolio at an acceptable acquisition cost, whilst remaining focussed on achieving an acceptable loss ratio.

AdmiralDirekt (Germany)

Having experienced a very tough year in 2009, management pulled back on new business acquisition in Germany by raising rates substantially before the busy season in Q4 2009. This has led to a 25% fall in premiums written, to £8.6 million, from £11.4 million. The number of cars insured has also fallen, by 17% to 31,300.

One effect of this has been to significantly rebalance the portfolio in favour of renewal business, which tends to bring a notably better loss ratio. This is seen in the loss ratio development below.

AdmiralDirekt – loss ratio development triangle

	Underwriting year		
	2008	2009	2010
After 6 months	118%	124%	85%
After 18 months	134%	104%	-
After 30 months	124%	-	-

The lower customer count and associated net premium revenue, combined with a significantly better combined ratio (largely loss ratio driven) have meant AdmiralDirekt made a smaller loss of £1.6 million in H1 ’10, compared to £2.2 million in the first half of 2009.

Management’s current focus is to continue developing a low cost operation, whilst striving to further improve the loss ratio.

ConTe (Italy)

ConTe has grown significantly over the period, reaching almost 58,000 vehicles insured at the end of June 2010 – 63% more than at the 2009 year-end and making the business nearly four times bigger than at the end of June 2009. At the same time ConTe has (in line with the Italian market) increased its premium rates significantly (around 22% in cumulative terms over the past two years), which should further benefit the loss ratio.

ConTe's loss ratio development below shows that for the 2008 and 2009 years, initial reserving did not fully reflect the outcomes, with notable late claims reporting an important factor. Management have made significant changes to estimating techniques for claims incurred but not reported (IBNR), and the loss ratio recorded for 2010 below includes a significantly greater allowance for this element.

ConTe – loss ratio development triangle

	Underwriting year		
	2008	2009	2010
After 6 months	-	59%	83%
After 18 months	98%	103%	-
After 30 months	121%	-	-

The substantial increase in the size of the business, combined with a focus on cost control have contributed to a positive expense ratio for the period – around 50% on a written basis (the best of all the non-UK operations).

ConTe made a loss of £1.7 million in the period.

Elephant Auto (USA)

Having only started advertising at the start of 2010, Elephant's results are not yet significant, with only 3,500 cars insured at the end of June, and just over £2 million in written premiums. The loss ratio for the 2010 year at the end of June appeared to be developing satisfactorily (at 70%), albeit on very small earned premium.

Elephant currently underwrites in Virginia only, though is actively researching expansion into another state.

France

The Group plans to launch a French car insurer in early 2011. Further information on this launch will be provided in the 2010 Annual Report.

Other Group Items

£m	H1 2008	H1 2009	H1 2010	FY 2009
Gladiator operating profit	1.5	1.4	1.5	2.4
Group net interest income	3.5	1.1	0.3	1.1
Share scheme charges	(3.0)	(3.4)	(7.5)	(9.2)
Expansion costs	(0.4)	(1.0)	(0.9)	(2.0)
Other central overhead	(0.8)	(0.8)	(1.0)	(1.7)

Gladiator

Gladiator is the Group's commercial vehicle insurance broker offering van insurance and associated products.

Non GAAP income statement and key performance indicators

£m	H1 2008	H1 2009	H1 2010	FY 2009
Revenue	4.9	5.3	6.0	10.6
Expenses	(3.4)	(3.9)	(4.5)	(8.2)
Operating profit	**1.5**	**1.4**	**1.5**	**2.4**
Operating margin	31%	26%	25%	23%
Customer numbers	75,800	89,400	95,500	93,400

The business has delivered stable profits over the past few periods, achieving a result of £1.5 million in H1 '10 on modestly higher revenue and customer numbers. The operating margin was also in line with H1 '09.

Other income statement items

Other notable items in the income statement are:

- Significantly increased share scheme charges (£7.5 million in H1 '10 v £3.4 million in H1 '09) – reflects a number of factors including: increased staff numbers, a higher share price driving higher accounting charges on recent schemes and higher vesting assumptions
- Net interest income – continued substantial fall in interest income, reflecting significantly lower cash returns available

Investments and Cash

Investment strategy

There has been no notable change in the Group's investment strategy, though there has been a continued move into fixed-term cash deposits and away from money market funds in order to generate some additional return without materially altering risk. A large proportion of our funds continue to be highly liquid.

The key element of Group-wide investment strategy is capital preservation, with additional priorities focussing on low volatility in returns and high levels of liquidity.

Cash and investments analysis

	30 June 2010				
	UK Car Insurance £m	Price Comparison £m	Non-UK Car Insurance £m	Other £m	Total £m
Liquidity money market funds	233.5	-	27.6	-	261.1
Long-term cash deposits	249.0	-	3.9	39.0	291.9
Cash	102.5	7.3	23.0	32.6	165.4
Total	**585.0**	**7.3**	**54.5**	**71.6**	**718.4**

	30 June 2009				
	UK Car Insurance £m	Price Comparison £m	Non-UK Car Insurance £m	Other £m	Total £m
Liquidity money market funds	324.3	-	25.0	41.0	390.3
Long-term cash deposits	100.0	-	-	-	100.0
Cash	52.6	15.0	17.6	11.0	96.2
Total	**476.9**	**15.0**	**42.6**	**52.0**	**586.5**

	31 December 2009				
	UK Car Insurance £m	Price Comparison £m	Non-UK Car Insurance £m	Other £m	Total £m
Liquidity money market funds	208.5	-	29.2	-	237.7
Long-term cash deposits	178.5	-	5.0	-	183.5
Short-term cash deposits	-	-	-	20.0	20.0
Cash	112.9	9.0	21.3	48.6	191.8
Total	**499.9**	**9.0**	**55.5**	**68.6**	**633.0**

As experienced in 2009, the Group's investment strategy will inevitably generate very low investment returns when benchmark interest rates are also very low. Across the Group in H1 '10, total investment and interest income amounted to £3.6 million, compared to £6.9 million in the first half of last year. The annualised rate of return on sterling funds was around 1%.

Cash inflow continues to be strong, and the Group continues to be able to distribute the vast majority of post-tax profits as dividends. There is no debt.

Other financial items

Taxation

The taxation charge reported in the income statement is £36.9 million (H1 '09: £29.9 million), which equates to 29.1% (H1 '09: 28.4%) of profit before tax.

Earnings per share

Basic earnings per share increased by 18% to 33.7p from 28.5p. This rate of growth is below the rate of growth in pre-tax profit (21%) in part due to increased issued share capital and part to the higher effective tax rate noted above.

Dividends

The Directors have declared an interim dividend of 32.6p. This comprises a 15.1p normal element (based on 45% of post-tax profit for the period) plus a 17.5p special distribution, and represents an increase of 18% on the interim dividend paid in respect of 2009. The Group's approach to dividends is to distribute available surplus funds, after taking account of required solvency, provision for expansion plans and a margin for contingencies.

The payment date is 20 October 2010, ex-dividend date 6 October and record date 8 October.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group's operations remain consistent with those disclosed in the 2009 Annual Report.

Condensed consolidated income statement

	Note	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Insurance premium revenue	3	244.1	178.9	386.4
Insurance premium ceded to reinsurers	3	(118.8)	(78.4)	(174.5)
Net insurance premium revenue		**125.3**	**100.5**	**211.9**
Other revenue	4	130.6	113.0	232.6
Profit commission	5	36.9	22.7	54.2
Investment and interest income	6	3.6	6.9	8.8
Net revenue		**296.4**	**243.1**	**507.5**
Insurance claims and claims handling expenses		(174.1)	(129.4)	(283.1)
Insurance claims and claims handling expenses recovered from reinsurers		85.2	59.2	131.4
Net insurance claims		**(88.9)**	**(70.2)**	**(151.7)**
Expenses	7	(73.1)	(64.2)	(130.8)
Share scheme charges	20	(7.5)	(3.4)	(9.2)
Total expenses		**(169.5)**	**(137.8)**	**(291.7)**
Profit before tax		**126.9**	**105.3**	**215.8**
Taxation expense	8	(36.9)	(29.9)	(58.9)
Profit after tax		**90.0**	**75.4**	**156.9**
Profit after tax attributable to:				
Equity holders of the parent		90.3	75.4	156.9
Non-controlling interests		(0.3)	-	-
		90.0	**75.4**	**156.9**
Earnings per share:				
Basic	9	33.7p	28.5p	59.0p
Diluted	9	33.7p	28.4p	59.0p
Dividends paid (total)	10	78.3	69.6	142.4
Dividends paid (per share)	10	29.8p	26.5p	54.2p

Condensed consolidated statement of comprehensive income

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit for the period	**90.0**	**75.4**	**156.9**
Other comprehensive income			
Exchange differences on translation of foreign operations	(2.6)	(6.5)	(5.3)
Other comprehensive income for the period, net of income tax	**(2.6)**	**(6.5)**	**(5.3)**
Total comprehensive income for the period	**87.4**	**68.9**	**151.6**

Condensed consolidated statement of financial position

		As at:		
		30 June 2010	30 June 2009	31 December 2009
	Note	£m	£m	£m
ASSETS				
Property, plant and equipment	11	11.7	11.5	12.1
Intangible assets	12	79.1	78.2	77.0
Reinsurance assets	14	283.0	195.7	212.9
Financial assets	13	827.7	688.2	630.9
Deferred tax	17	1.2	-	-
Trade and other receivables	15	45.9	36.2	32.7
Cash and cash equivalents	16	165.4	96.2	211.8
Total assets		**1,414.0**	**1,106.0**	**1,177.4**
EQUITY				
Share capital	20	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Other reserves		2.4	3.8	5.0
Retained earnings		306.3	264.4	281.8
Total equity attributable to equity holders of the parent		**322.1**	**281.6**	**300.2**
Non-controlling interests		0.3	-	0.6
Total equity		**322.4**	**281.6**	**300.8**
LIABILITIES				
Insurance contracts	14	643.8	491.2	532.9
Deferred tax	17	-	12.2	5.7
Trade and other payables	18	407.8	293.1	306.8
Current tax liabilities		40.0	27.9	31.2
Total liabilities		**1,091.6**	**824.4**	**876.6**
Total equity and total liabilities		**1,414.0**	**1,106.0**	**1,177.4**

Condensed consolidated statement of cash flows

	Note	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 December 2009
		£m	£m	£m
Profit after tax		**90.0**	**75.4**	**156.9**
Adjustments for non-cash items:				
- Depreciation		2.5	2.4	5.1
- Amortisation of software		1.0	0.8	2.2
- Change in unrealised gains on investments		(1.7)	(1.0)	0.2
-Other gains and losses		0.3	-	2.9
- Share scheme charge		9.9	6.4	13.7
Change in gross insurance contract liabilities		110.9	51.6	93.4
Change in reinsurance assets		(70.2)	(25.1)	(42.3)
Change in trade and other receivables, including from policyholders		(80.5)	(33.3)	(41.1)
Change in trade and other payables, including tax and social security		101.1	22.6	36.5
Taxation expense		36.9	29.9	58.9
Cash flows from operating activities, before movements in investments		**200.2**	**129.7**	**286.4**
Net cash flow into investments held at fair value		(130.5)	(78.5)	(10.5)
Cash flows from operating activities, net of movements in investments		69.7	51.2	275.9
Taxation payments		(32.2)	(18.1)	(49.1)
Net cash flow from operating activities		**37.5**	**33.1**	**226.8**
Cash flows from investing activities:				
Purchases of property, plant and equipment and software		(2.9)	(5.7)	(11.8)
Proceeds from the disposals of property, plant, equipment and software		-	0.2	-
Net cash used in investing activities		**(2.9)**	**(5.5)**	**(11.8)**
Cash flows from financing activities:				
Capital element of new finance leases		(0.1)	0.7	1.4
Repayment of finance lease liabilities		-	(0.3)	(1.2)
Equity dividends paid		(78.3)	(69.6)	(142.4)
Net cash used in financing activities		**(78.4)**	**(69.2)**	**(142.2)**
Net decrease in cash and cash equivalents		**(43.8)**	**(41.6)**	**72.8**
Cash and cash equivalents at 1 January		211.8	144.3	144.3
Effects of changes in foreign exchange rates		(2.6)	(6.5)	(5.3)
Cash and cash equivalents at end of period	16	**165.4**	**96.2**	**211.8**

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Minority interest £m	Total equity £m
At 1 January 2009	0.3	13.1	10.3	251.8	-	275.5
Profit for the period	-	-	-	75.4	-	75.4
Other comprehensive income						
Currency translation differences	-	-	(6.5)	-	-	(6.5)
Total comprehensive income for the period	**-**	**-**	**(6.5)**	**75.4**	**-**	**68.9**
Transactions with equity-holders						
Dividends	-	-	-	(69.6)	-	(69.6)
Share scheme credit	-	-	-	6.4	-	6.4
Deferred tax credit on share scheme charge	-	-	-	0.4	-	0.4
Total transactions with equity-holders	**-**	**-**	**-**	**(62.8)**	**-**	**(62.8)**
As at 30 June 2009	0.3	13.1	3.8	264.4	-	281.6
At 1 January 2009	0.3	13.1	10.3	251.8	-	275.5
Profit for the period	-	-	-	156.9	-	156.9
Other comprehensive income						
Currency translation differences	-	-	(5.3)	-	-	(5.3)
Total comprehensive income for the period	**-**	**-**	**(5.3)**	**156.9**	**-**	**151.6**
Transactions with equity-holders						
Dividends	-	-	-	(142.4)	-	(142.4)
Share scheme credit	-	-	-	13.7	-	13.7
Deferred tax credit on share scheme charge	-	-	-	1.8	-	1.8
Sale of non controlling interest	-	-	-	-	0.6	0.6
Total transactions with equity-holders	**-**	**-**	**-**	**(126.9)**	**0.6**	**(126.3)**
As at 31 December 2009	0.3	13.1	5.0	281.8	0.6	300.8

Condensed consolidated statement of changes in equity (continued)

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Minority interest £m	Total equity £m
At 1 January 2010	0.3	13.1	5.0	281.8	0.6	300.8
Profit for the period	-	-	-	90.3	(0.3)	90.0
Other comprehensive income						
Currency translation differences	-	-	(2.6)	-	-	(2.6)
Total comprehensive income for the period	**-**	**-**	**(2.6)**	**90.3**	**(0.3)**	**87.4**
Transactions with equity-holders						
Dividends	-	-	-	(78.3)	-	(78.3)
Share scheme credit	-	-	-	9.9	-	9.9
Deferred tax credit on share scheme charge	-	-	-	2.6	-	2.6
Total transactions with equity-holders	**-**	**-**	**-**	**(65.8)**	**-**	**(65.8)**
As at 30 June 2010	0.3	13.1	2.4	306.3	0.3	322.4

Notes to the condensed interim financial statements

1. General information and basis of preparation

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

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2010 and the comparative periods for the 6-month period ended 30 June 2009 and the year ended 31 December 2009. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2009.

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

The comparative figures for the financial year ended 31 December 2009 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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.

Accounting policies

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2009. A number of other IFRS and interpretations have been endorsed by the EU in the period to 1 June 2010 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

Critical accounting judgements and estimates

The Group's 2009 annual report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

Estimation techniques used in calculation of claims provisions

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

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

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

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

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

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

Refer to note 14 for an analysis on the changes in estimates of claims provisions for each underwriting year.

2. Operating segments

The Group has four reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8, operating segments.

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 websites Confused.com in the UK, Rastreator.com in Spain, LeLynx.fr in France and Chiarezza.it in Italy. LeLynx and Chiarezza launched in early 2010, and are therefore included in this Price Comparison segment for the first time in 2010.

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 operations; Balumba.es in Spain, AdmiralDirekt.de in Germany, ConTe.it in Italy and Elephant Auto in Virginia, USA. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Other

The 'Other' segment is designed to be comprised all other operating segments that do not meet the threshold requirements for individual reporting. Currently there is only one such segment, the Gladiator commercial van insurance broking operation, and so it is the results and balances of this operation that comprise the 'other' segment.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the Consolidated Income Statement and Consolidated Statement of Financial Position.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2010, by reportable segment are shown below. The accounting policies of the reportable segments are consistent with those presented in note 3 for the Group.

	30 June 2010					
	UK Car Insurance £m	Price Comparison £m	Non–UK Car Insurance £m	Other £m	Eliminations	Segment total £m
Turnover*	639.4	38.0	37.1	6.0	-	720.5
Net insurance premium revenue	117.2	-	8.1	-	-	125.3
Other revenue and profit commission	120.3	38.0	3.1	6.0	-	167.4
Investment and interest income	3.2	-	0.1	-	-	3.3
Net revenue	240.7	38.0	11.3	6.0	-	296.0
Net insurance claims	(81.0)	-	(7.8)	-	-	(88.8)
Expenses	(28.2)	(30.9)	(7.6)	(4.5)	-	(71.2)
Segment profit / (loss) before tax	**131.5**	**7.1**	**(4.1)**	**1.5**	**-**	**136.0**
Other central revenue and expenses, including share scheme charges						(9.4)
Interest income						0.3
Consolidated profit before tax						**126.9**
Taxation expense						(36.9)
Consolidated profit after tax						**90.0**
Reportable segment assets	1,319.6	18.9	104.4	15.5	(111.8)	1,346.6
Unallocated assets and liabilities						67.4
Consolidated assets						1,414.0

*Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and other revenue.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2009 are shown below.

	30 June 2009					
	UK Car Insurance £m	Price Comparison £m	Non–UK Car Insurance £m	Other £m	Eliminations	Segment total £m
Turnover	470.1	40.2	24.5	5.3	-	540.1
Net insurance premium revenue	94.6	-	5.9	-	-	100.5
Other revenue and profit commission	88.3	40.2	1.9	5.3	-	135.7
Investment and interest income	5.7	-	0.1	-	-	5.8
Net revenue	188.6	40.2	7.9	5.3	-	242.0
Net insurance claims	(63.6)	-	(6.6)	-	-	(70.2)
Expenses	(23.8)	(29.2)	(5.4)	(3.9)	-	(62.3)
Segment profit / (loss) before tax	**101.2**	**11.0**	**(4.1)**	**1.4**	**-**	**109.5**
Other central revenue and expenses, including share scheme charges						(5.3)
Interest income						1.1
Consolidated profit before tax						**105.3**
Taxation expense						(29.9)
Consolidated profit after tax						**75.4**
Reportable segment assets	1,019.5	29.4	86.7	10.1	(89.6)	1,056.1
Unallocated assets and liabilities						49.9
Consolidated assets						1,106.0

Revenue and results for the corresponding reportable segments for the year ended 31 December 2009 are shown below.

	31 December 2009					
	UK Car Insurance £m	Price Comparison £m	Non–UK Car Insurance £m	Other £m	Eliminations	Segment total £m
Turnover	939.1	80.5	47.2	10.6	-	1,077.4
Net insurance premium revenue	199.1	-	12.8	-	-	211.9
Other revenue and profit commission	188.6	80.5	4.2	10.6	-	283.9
Investment and interest income	7.5	-	0.2	-	-	7.7
Net revenue	395.2	80.5	17.2	10.6	-	503.5
Net insurance claims	(138.7)	-	(13.0)	-	-	(151.7)
Expenses	(49.6)	(55.6)	(13.7)	(8.2)	-	(127.1)
Segment profit / (loss) before tax	**206.9**	**24.9**	**(9.5)**	**2.4**	**-**	**224.7**
Other central revenue and expenses, including share scheme charges						(10.0)
Interest income						1.1
Consolidated profit before tax						**215.8**
Taxation expense						(58.9)
Consolidated profit after tax						**156.9**
Reportable segment assets	1,073.4	27.1	101.3	10.4	(90.3)	1,121.9
Unallocated assets and liabilities						55.5
Consolidated assets						1,177.4

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 £7.3 million (H1 '09: £6.7 million). These amounts have not been eliminated in order to avoid distorting expense and combined ratios which are key indicators of insurance business. There are no other transactions between reportable segments.

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.

3. Net insurance premium revenue

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Total motor insurance premiums before co- insurance	589.8	427.1	847.7
Group gross premiums written after co-insurance	335.1	222.2	439.9
Outwards reinsurance premiums	(172.9)	(105.0)	(207.4)
Net insurance premiums written	162.2	117.2	232.5
Change in gross unearned premium provision	(91.0)	(43.3)	(53.5)
Change in reinsurers' share of unearned premium provision	54.1	26.6	32.9
Net insurance premium revenue	125.3	100.5	211.9

The Group's share of the UK, Spanish, German and Italian private motor insurance business was underwritten by Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL).

The Group's share of the US motor insurance business was written by Elephant Insurance Company, registered in Virginia, USA.

All contracts are short-term in duration, lasting for 10 or 12 months.

4. Other revenue

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Ancillary revenue	80.6	62.8	129.5
Price Comparison revenue	38.0	40.2	80.6
Other revenues	12.0	10.0	22.5
Total other revenue	130.6	113.0	232.6

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

5. Profit commission

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Underwriting year:			
2004 & prior	0.4	0.7	0.4
2005	(0.5)	1.9	1.4
2006	(0.5)	3.1	4.2
2007	7.6	12.5	33.1
2008	18.4	4.2	13.5
2009	11.5	0.3	1.6
2010	-	-	-
	36.9	22.7	54.2

6. Investment and interest income

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Net investment return	3.3	5.8	7.7
Interest receivable	0.3	1.1	1.1
Total investment and interest income	3.6	6.9	8.8

7. Expenses

	30 June 2010			30 June 2009		
	Insurance contracts	Other	Total	Insurance contracts	Other	Total
	£m	£m	£m	£m	£m	£m
Acquisition of insurance contracts	10.1	-	10.1	8.2	-	8.2
Administration and marketing costs	13.1	49.9	63.0	11.2	44.8	56.0
Sub-total	23.2	49.9	73.1	19.4	44.8	64.2
Share scheme charges	-	7.5	7.5	-	3.4	3.4
Total expenses	23.2	57.4	80.6	19.4	48.2	67.6

	31 December 2009		
	Insurance contracts	Other	Total
	£m	£m	£m
Acquisition of insurance contracts	17.3	-	17.3
Administration and marketing costs	26.0	87.5	113.5
Sub-total	43.3	87.5	130.8
Share scheme charges	-	9.2	9.2
Total expenses	43.3	96.7	140.0

The £13.1 million (H1 '09: £11.2 million Full year 2009: £26.0 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and marketing costs:

	30 June 2010	30 June 2009	31 December 2009
	£m	£m	£m
Ancillary sales expenses	12.6	9.9	20.0
Confused.com operating expenses	30.9	29.2	55.6
Other expenses	6.4	5.7	11.9
Total	49.9	44.8	87.5

The gross amount of expenses, before recoveries from co-insurers and reinsurers is £157.8 million (H1 '09: £125.9 million; Full year 2009: £265.0 million). This amount can be reconciled to the total expenses and share scheme charges above of £80.6 million (H1 '09: £67.6 million; Full year 2009: £140.0 million) as follows:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Gross expenses	157.8	125.9	265.0
Co-insurer share of expenses	(46.4)	(37.7)	(80.6)
Expenses, net of co-insurer share	111.4	88.2	184.4
Adjustment for deferral of acquisition costs	(4.1)	(2.5)	(6.1)
Expenses, net of co-insurer share (earned basis)	107.3	85.7	178.3
Reinsurer share of expenses (earned basis)	(26.7)	(18.1)	(38.3)
Total expenses and share scheme charges	80.6	67.6	140.0

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Insurance contract expenses from above	23.2	19.4	43.3
Add: claims handling expenses	3.8	2.8	5.5
Adjusted expenses	27.0	22.2	48.8
Net insurance premium revenue	125.3	100.5	211.9
Reported expense ratio	21.5%	22.0%	23.0%

8. Taxation

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
UK Corporation tax			
Current charge at 28% (comparative periods, 28.5%)	40.9	27.6	63.0
Over provision relating to prior periods – corporation tax	0.1	-	(1.2)
Current tax charge	41.0	27.6	61.8
Deferred tax			
Current period deferred taxation movement	(4.1)	2.3	(2.8)
Over provision relating to prior periods – deferred tax	-	-	(0.1)
Total tax charge per income statement	36.9	29.9	58.9

Factors affecting the tax charge are:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Profit before taxation	126.9	105.3	215.8
Corporation tax thereon at 28% (comparative periods 28.5%)	35.5	29.5	60.4
Adjustments relating to prior periods	0.1	-	(1.2)
Other differences	1.3	0.4	(0.3)
Tax charge for the period as above	36.9	29.9	58.9

The planned reductions in UK corporation tax rates will impact the current and deferred tax charge of the Group in the future. As the initial 1% reduction was not substantively enacted at the balance sheet date, deferred tax balances have been measured at a rate of 28%.

9. Earnings per share

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Profit for the period after taxation	90.0	75.4	156.9
Weighted average number of shares – basic	267,070,286	265,074,506	265,712,457
Earnings per share – basic	33.7p	28.5p	59.0p
Weighted average number of shares – diluted	267,434,687	265,524,506	266,062,457
Earnings per share – diluted	33.7p	28.4p	59.0p

10. Dividends

Dividends were declared and paid as follows:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
March 2009 (26.5p per share, paid May 2009)	-	69.6	69.6
August 2009 (27.7p per share, paid October 2009)	-	-	72.8
March 2010 (29.8p per share, paid April 2010)	78.3	-	-
Total dividends	78.3	69.6	142.4

The dividend declared in March 2009 represented the final dividend paid in respect of the 2008 financial year (August 2009 - interim payment for 2009). The dividend declared in March 2010 was the second interim dividend paid in respect of the 2009 financial year.

11. Property, plant and equipment

	Improvements to short leasehold buildings	Computer equipment	Office equipment	Furniture and fittings	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2009	4.0	16.8	6.8	2.4	30.0
Additions	0.2	2.1	0.4	0.3	3.0
Disposals	-	(0.1)	-	-	(0.1)
At 30 June 2009	4.2	18.8	7.2	2.7	32.9
Depreciation:					
At 1 January 2009	1.9	11.1	4.2	1.8	19.0
Charge for the year	0.4	1.4	0.5	0.1	2.4
Disposals	-	-	-	-	-
At 30 June 2009	2.3	12.5	4.7	1.9	21.4
Net book amount					
At 30 June 2009	1.9	6.3	2.5	0.8	11.5
Cost					
At 1 January 2009	4.0	16.8	6.8	2.4	30.0
Additions	1.2	3.6	1.0	0.8	6.6
Disposals	(0.2)	(0.3)	(0.1)	-	(0.6)
At 31 December 2009	5.0	20.1	7.7	3.2	36.0
Depreciation					
At 1 January 2009	1.9	11.1	4.2	1.8	19.0
Charge for the year	0.9	2.7	1.1	0.4	5.1
Disposals	-	(0.1)	(0.1)	-	(0.2)
At 31 December 2009	2.8	13.7	5.2	2.2	23.9
Net book amount					
At 31 December 2009	2.2	6.4	2.5	1.0	12.1
Cost					
At 1 January 2010	5.0	20.1	7.7	3.2	36.0
Additions	0.3	1.2	0.4	0.2	2.1
Disposals	-	-	-	-	-
At 30 June 2010	5.3	21.3	8.1	3.4	38.1
Depreciation					
At 1 January 2010	2.8	13.7	5.2	2.2	23.9
Charge for the year	0.5	1.3	0.5	0.2	2.5
Disposals	-	-	-	-	-
At 30 June 2010	3.3	15.0	5.7	2.4	26.4
Net book amount					
At 30 June 2010	2.0	6.3	2.4	1.0	11.7

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Computer equipment	1.3	1.7	1.6

12. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
Carrying amount:				
At 1 January 2009	62.3	8.4	5.0	75.7
Additions	-	6.3	2.7	9.0
Amortisation charge	-	(5.6)	(0.8)	(6.4)
Disposals	-	-	(0.1)	(0.1)
At 30 June 2009	62.3	9.1	6.8	78.2
At 1 January 2009	62.3	8.4	5.0	75.7
Additions	-	8.6	5.2	13.8
Amortisation charge	-	(7.6)	(2.3)	(9.9)
Disposals	-	-	(2.6)	(2.6)
At 31 December 2009	62.3	9.4	5.3	77.0
Additions	-	13.2	0.9	14.1
Amortisation charge	-	(10.8)	(1.0)	(11.8)
Disposals	-	-	(0.2)	(0.2)
At 30 June 2010	62.3	11.8	5.0	79.1

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 within the 2009 annual report, 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. No evidence has arisen during the 6 month period to 30 June 2010 to suggest that an interim impairment review is required.

13. Financial instruments

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Investments held at fair value	261.1	390.3	237.7
Held to maturity deposits with credit institutions	291.9	100.0	183.5
Receivables – amounts owed by policyholders	274.7	197.9	209.7
Total financial assets as per consolidated balance sheet	827.7	688.2	630.9
Trade and other receivables	45.9	36.2	32.7
Cash and cash equivalents	165.4	96.2	211.8
	1,039.0	820.6	875.4
Financial liabilities:			
Trade and other payables	407.8	293.1	306.8

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 target a 7-day LIBID return with capital security and low volatility and continue to achieve these goals.

14. Reinsurance assets and insurance contract liabilities

A) Analysis of recognised amounts:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Gross:			
Claims outstanding	345.3	292.8	323.5
Unearned premium provision	298.5	198.4	209.4
Total gross insurance liabilities	643.8	491.2	532.9
Recoverable from reinsurers:			
Claims outstanding	131.3	103.8	114.1
Unearned premium provision	151.7	91.9	98.8
Total reinsurers' share of insurance liabilities	283.0	195.7	212.9
Net:			
Claims outstanding	214.0	189.0	209.4
Unearned premium provision	146.8	106.5	110.6
Total insurance liabilities – net	360.8	295.5	320.0

B) Analysis of net claims reserve releases:

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

	Six months ended				
	30 June 2008	31 December 2008	30 June 2009	31 December 2009	30 June 2010
	£m	£m	£m	£m	£m
Underwriting year:					
2000	-	0.4	-	0.4	-
2001	-	0.5	0.5	-	-
2002	-	-	0.3	-	-
2003	1.4	0.9	0.7	0.6	-
2004	2.9	3.5	(0.6)	(1.0)	0.8
2005	7.1	3.9	2.4	(0.6)	(0.9)
2006	4.9	5.6	5.1	2.8	(1.0)
2007	2.1	4.8	4.4	7.2	2.7
2008	-	-	5.6	3.6	9.4
2009	-	-	-	-	6.3
Total net release	18.4	19.6	18.4	13.0	17.3
Net insurance premium revenue	77.0	92.8	100.5	111.4	125.3
Release as % of net premium revenue	23.8%	21.1%	18.3%	11.7%	13.8%

	Financial year ended 31 December				
	2005	2006	2007	2008	2009
	£m	£m	£m	£m	£m
Underwriting year:					
2000	0.4	1.1	0.7	0.4	0.4
2001	5.0	1.9	1.5	0.5	0.5
2002	5.2	2.3	1.3	-	0.3
2003	4.6	5.1	3.2	2.3	1.2
2004	2.1	7.9	7.6	6.4	(1.6)
2005	-	2.6	12.6	11.0	1.8
2006	-	-	2.6	10.5	7.9
2007	-	-	-	6.9	11.6
2008	-	-	-	-	9.2
Total net release	17.3	20.9	29.5	38.0	31.3
Net insurance premium revenue	139.5	145.0	142.2	169.8	211.9
Release as % of net premium revenue	12.4%	14.4%	20.7%	22.4%	14.8%

C) Reconciliation of movement in net claims reserve:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Net claims reserve at start of period	209.4	178.5	178.5
Net claims incurred	85.0	67.4	146.2
Net claims paid	(80.4)	(56.9)	(115.3)
Net claims reserve at end of period	214.0	189.0	209.4

D) Reconciliation of movement in net unearned premium provision:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Net unearned premium provision at start of period	110.6	90.5	90.5
Written in the period	162.2	117.2	232.5
Earned in the period	(126.0)	(101.2)	(212.4)
Net unearned premium provision at end of period	146.8	106.5	110.6

15. Trade and other receivables

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Trade receivables	42.7	32.4	32.5
Prepayments and accrued income	3.2	3.8	0.2
Total trade and other receivables	45.9	36.2	32.7

16. Cash and cash equivalents

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Cash at bank and in hand	165.4	96.2	191.8
Cash on short term deposit	-	-	20.0
Total cash and cash equivalents	165.4	96.2	211.8

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.

17. Deferred tax

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Liability brought forward at start of period	5.7	10.3	10.3
Movement in period – through income statement	(4.3)	2.3	(2.9)
Movement in period – through equity	(2.6)	(0.4)	(1.7)
(Asset) / liability carried forward at end of period	(1.2)	12.2	5.7

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Tax treatment of share scheme charges	(5.0)	(2.2)	(4.4)
Capital allowances	(1.5)	-	(1.6)
Other differences	(1.4)	(0.1)	(0.6)
Unremitted overseas income	6.7	14.5	12.3
Deferred tax (asset) / liability at end of period	(1.2)	12.2	5.7

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

Amounts (charged) / credited to income or expense	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Tax treatment of share scheme charges	(2.0)	(0.6)	0.3
Capital allowances	0.1	-	1.6
Other differences	0.6	-	0.5
Unremitted overseas income	5.6	(1.7)	0.5
Net deferred tax credited / (charged) to income	4.3	(2.3)	2.9

18. Trade and other payables

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Trade payables	10.8	6.6	10.7
Amounts owed to co-insurers and reinsurers	218.2	157.8	154.4
Finance leases due within 12 months	0.3	0.5	0.3
Finance leases due after 12 months	-	0.1	0.1
Other taxation and social security liabilities	19.0	10.7	10.9
Other payables	44.3	28.9	29.1
Accruals and deferred income (see below)	115.2	88.5	101.3
Total trade and other payables	407.8	293.1	306.8

Analysis of accruals and deferred income:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Premium receivable in advance of policy inception	66.3	50.6	53.9
Accrued expenses	45.7	33.8	35.3
Deferred income	3.2	4.1	12.1
Total accruals and deferred income as above	115.2	88.5	101.3

19. Obligations under finance leases

Analysis of finance lease liabilities:	At 30 June 2010 Minimum lease payments £m	Interest £m	Principal £m	At 30 June 2009 Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.3	-	0.3	0.5	-	0.5
Between one and five years	-	-	-	0.1	-	0.1
	0.3	-	0.3	0.6	-	0.6

	At 31 December 2009 Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.3	-	0.3
Between one and five years	0.1	-	0.1
	0.4	-	0.4

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.

20. Share capital

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Authorised:			
500,000,000 ordinary shares of 0.1p	0.5	0.5	0.5
Issued, called up and fully paid:			
266,121,510 ordinary shares of 0.1p	-	0.3	-
266,477,291 ordinary shares of 0.1p	-	-	0.3
268,267,222 ordinary shares of 0.1p	0.3	-	-
	0.3	0.3	0.3

During the first half of 2010, 1,809,931 new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

309,931 of these were issued to the Admiral Group Share Incentive Plan (SIP) Trust for the purposes of this share scheme. These shares are entitled to receive dividends.

1,500,000 shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Admiral Group Senior Executive Restricted Share Plan (also known as the Discretionary Free Share Scheme or DFSS). The Trustees have waived the right to dividend payments, other than to the extent of 0.001p per share, unless and to the extent otherwise directed by the Company from time to time. Rights to dividends have now been waived on a total of 3,914,948 ordinary shares in issue.

Staff share schemes:

Analysis of share scheme costs (per income statement):

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
SIP charge	2.3	1.5	3.6
DFSS charge	5.2	1.9	5.6
Total share scheme charges	7.5	3.4	9.2

The share scheme charges reported above are net of the co-insurance share and therefore differ from the gross credit to reserves reported in the statement of changes in equity (£9.9 million).

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

Number of free share awards committed at 30 June 2010:

	Awards outstanding (*)	Vesting date
SIP H1 07 scheme	353,444	September 2010
SIP H2 07 scheme	337,770	March 2011
SIP H1 08 scheme	352,732	September 2011
SIP H2 08 scheme	477,432	March 2012
SIP H1 09 scheme	396,200	September 2012
SIP H2 09 scheme	377,641	March 2013
SIP H1 10 scheme	364,401	September 2013
DFSS 2007 scheme – 2nd Award	26,350	December 2010
DFSS 2008 scheme – 1st Award	1,305,681	April 2011
DFSS 2008 scheme – 2nd Award	87,202	November 2011
DFSS 2009 scheme – 1st Award	1,311,344	April 2012
DFSS 2009 scheme – 2nd Award	126,740	August 2012
DFSS 2010 scheme – 1st Award	1,483,894	April 2013
Total awards committed	7,000,831	

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

During the six months ended 30 June 2010, awards under the SIP H2 06 scheme and the DFSS 2007 (1st award) scheme vested. The total number of awards vesting for each scheme is as follows:

Number of free share awards vesting during the six months ended 30 June 2010:

	Original Awards	Awards vested
SIP H2 06 scheme	277,387	234,352
DFSS 2007 scheme 1st award	1,210,781	1,067,414

21. Financial commitments

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

Operating leases expiring:	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Within one years	0.2	-	-
Within two to five years	13.0	3.6	4.1
Over five years	18.8	31.9	31.6
Total commitments	32.0	35.5	35.7

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

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Expenditure contracted to	-	-	-

22. Related party transactions

There were no related party transactions occurring during the six months ended 30 June 2010 that require disclosure. Details relating to the remuneration and shareholdings of key management personnel were set out in the remuneration report of the 2009 Annual Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

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

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

We confirm that to the best of our knowledge:

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

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

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

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

By order of the Board,

Henry Engelhardt	**Kevin Chidwick**
Chief Executive Officer	**Finance Director**
23 August 2010	23 August 2010

Independent review report to Admiral Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, Condensed consolidated statement of cashflows, the Condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Chris Moulder
for and on behalf of KPMG Audit Plc
Chartered Accountants
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

24 August 2010