

Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2004.

Principal activity, business review and future developments

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.

Detailed descriptions of the Group's activities, results and prospects are contained in the Chairman's statement, the Chief Executive's statement and the financial review.

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £86.6m (2003: £39.2m).

Dividends totalling £52.0m were paid during 2004. In addition, the directors are proposing a final dividend of 9.3p per share, payable on 25 May 2005.

Share Capital

As a consequence of the listing of the Company's shares on the London Stock Exchange in September 2004, the Company's share capital has been increased from 254,706 ordinary shares of 10p each to 258,595,400 ordinary shares of 0.1p each. Further details of share capital movements are set out in note 23 to the accounts.

Other than the holdings of the directors as disclosed in the remuneration report, so far as the directors are aware, or have been notified pursuant to section 198 of the Companies Act 1985, the following shareholders have interests in 3% or more of the ordinary share capital of the Company at 18 March 2005:

	Number of shares	%
Munich Re	37,479,400	14.49%
Barclays Plc	33,465,850	12.94%
Fidelity Investments	15,558,000	6.02%
Goldman Sachs Group, Inc	13,219,390	5.11%
Jupiter Asset Management	12,361,774	4.78%

Directors and their interests

The present directors of the Company are shown on the inside cover 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 £75,000 (2003: £41,000) to various local and national charities. The Group has never made political donations. Refer to the corporate responsibility report for further detail.

Employee policies

Detailed information on the Group's employment practices is set out in the corporate responsibility report.

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 24 days purchases (2003: 19).

Annual General Meeting

It is proposed that the next AGM be held at The Celtic Manor Resort, Coldra Woods, Chepstow Rd, Newport, Gwent NP18 1HQ on 18 May 2005, at 11.00 am, notice of which is set out at the back of the report and accounts.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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.

Auditor

The Company's auditor, KPMG Audit Plc, has indicated willingness to continue in office and as stated above, 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
18 March 2005