

Admiral Syndicate Management Limited

**Directors' Report and Financial
Statements**

Registered number 3877606

31 December 2002



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Directors and advisers

Directors

H A Engelhardt
D G Stevens
A J R Mackay * (Resigned 12/09/02)
A C Probert
D A Walker (Resigned 30/09/02)
S D Clarke
A J Keys *
R M Brick *
D J Cooper
M Aldag (Appointed 20/03/02, Resigned 19/09/02)
S J Morgan (Appointed 07/01/03)

* = non executive

Secretary

D J Cooper

Auditors

KPMG Audit Plc
Marlborough House
Fitzalan Court
Cardiff
CF24 0TE

Registered office

Capital Tower
Greyfriars Road
Cardiff
South Glamorgan
CF10 3AZ

Bankers

Lloyds TSB
113-116 Leadenhall Street
London
EC3 4AX

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and review of business

The Company, which is a wholly owned subsidiary of Admiral Group Limited ("AGL"), manages Syndicate 2004, as agent for the sole capital provider to that syndicate – Admiral Syndicate Limited ("ASL"), another sister company within the Admiral Group.

For the year ended 31 December 2002, the Syndicate, which commenced business for the 2000 year of account, underwrote UK private motor insurance. Following the decision to cease writing business in Lloyd's for the 2003 year, Syndicate 2004 went into run off with effect from 31 December 2002. The Company will manage the run off of the Syndicate until all underwriting years have been closed or novated.

During 2002, the business underwritten by the Syndicate was transacted directly with members of the public via telesales or the internet as part of the total motor insurance portfolio managed by the Admiral Group.

Another sister company, Admiral Insurance Services Limited ("AISL") carries on the underwriting function on behalf of Syndicate 2004 and other third party insurers. AISL also employs all the staff involved in the Company's business, except for the non-executive directors who are directly employed by the Company.

The business has performed within the expectations of the directors.

Results and dividends

The profit for the year after tax, but before dividends amounted to £78,000 (2001: £210,000). A final dividend of 50p per share (2001: £nil) has been proposed, but was not paid during the year.

Share capital

Details of authorised and called up share capital are shown in note 9.

Fixed assets

The company does not own fixed assets directly.

Directors and their interests

The directors of the company who held office during the year and following the year end are set out on page 1. The directors have no interest in the share capital of the Company. Directors' interests in the share capital of the immediate and ultimate holding company, Admiral Group Limited, are shown in that company's accounts.

Directors' report *(continued)*

Auditors

KPMG Audit Plc have expressed willingness to be reappointed as auditors. Pursuant to S386 of Companies Act 1985 (as amended), the Company has passed a resolution dispensing with the obligation to appoint auditors annually.

By order of the Board



S D Clarke
Director

20 February 2003

Capital Tower
Greyfriars Road
Cardiff
South Glamorgan
CF10 3AZ

Statement of 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 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 applied, subject to any material departure disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Marlborough House
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of Admiral Syndicate Management Limited

We have audited the financial statements on pages 6 to 11.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

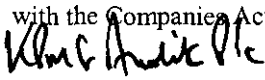
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

11 March 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Turnover	2	550	1,025
Administrative expenses		(484)	(697)
Operating profit	5	66	328
Interest receivable		38	2
Profit on ordinary activities before taxation		104	330
Tax on profit on ordinary activities	6	(26)	(120)
Profit for the financial year		78	210
Dividends		(200)	-
Retained (loss) / profit for the year	10	(122)	210

All results are derived from continuing operations.

A statement of total recognised gains and losses has not been prepared as there are no recognised gains or losses for either period other than as stated in the profit and loss account.

The notes on pages 8 to 11 form an integral part of these accounts.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Current assets			
Debtors	7	-	3
Cash at bank and in hand		923	905
		<u>923</u>	<u>908</u>
Current liabilities			
Creditors – amounts falling due within one year	8	(435)	(298)
Net current assets		<u>488</u>	<u>610</u>
Net assets		<u>488</u>	<u>610</u>
Capital and reserves			
Called up share capital	9	400	400
Profit and loss account	10	88	210
Equity shareholders' funds		<u>488</u>	<u>610</u>

These financial statements were approved by the Board of directors on 20 February 2003 and were signed on its behalf by:



S D Clarke
 Director

Notes

(forming part of the financial statements)

1 Basis of preparation of the annual report

These financial statements are prepared in accordance with applicable Accounting Standards. The company has adopted FRS 19 (Deferred Tax) in these financial statements. FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Previously, deferred tax was provided for using the tax rates estimated to arise when the timing differences reversed and was accounted for to the extent that it was probable that a liability or asset would crystallise. Under FRS 19 deferred tax is provided using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

The financial statements are prepared in accordance with the historical cost convention.

Deferred 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 suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2 Turnover

Turnover is attributable to the Company's activities as an underwriting agent at Lloyd's and comprises managing agency fees charged to the managed syndicate.

All turnover arises on activities within the United Kingdom.

3 Employees

All staff involved in the Company's business, except for the non-executive directors are employed by its sister company, Admiral Insurance Services Limited ("AISL"). Thus, while it has a full complement of directors, only the non-executive directors are directly employed by the Company.

The costs incurred in respect of these employees are disclosed within the financial statements of AISL, which is registered in England and Wales. The financial statements of this company can be obtained from the registered office at Capital Tower, Greyfriars Road, Cardiff, CF10 3AZ.

4 Directors

As described in note 3, only the non-executive directors are employed directly by the Company. Their combined remuneration amounted to £94,000 (2001: £239,000). In addition, AISL charged £102,000 (2001: £88,000) for the services of other directors to the Company.

Notes (continued)

5 Operating profit

Operating profit is stated after charging:

	2002 £'000	2001 £'000
Auditors remuneration		
Audit	6	5
Other services	-	12
	<hr/>	<hr/>

6 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
UK Corporation tax at 20% (2001: 20%)	10	9
Group relief received	16	97
Tax under-provided in previous years	-	14
	<hr/>	<hr/>
	26	120
	<hr/>	<hr/>

For 2002, there is no significant difference between the actual and effective tax rates. In 2001, The effective tax rate was higher than the actual rate due to the impact of disallowable expenses.

The group company surrendering tax losses is Admiral Group Limited (2001: Admiral Syndicate Limited). The inter-company balance reflects the tax value of the surrendered loss.

There was no provided or unprovided deferred tax at either year end.

7 Debtors

	2002 £'000	2001 £'000
Other debtors	-	3
	<hr/>	<hr/>
Total – all due within one year	-	3
	<hr/>	<hr/>

Notes (continued)

8 Creditors – amounts falling due within one year

	2002 £'000	2001 £'000
Amounts owed to fellow group companies:		
Admiral Group Limited	216	-
Admiral Insurance Services Limited	183	177
Admiral Syndicate Limited	-	97
Accruals	4	2
Corporation Tax	32	22
	<u>435</u>	<u>298</u>

9 Called up share capital

	2002 £'000	2001 £'000
Authorised, allotted and fully paid 400,000 ordinary £1 shares	<u>400</u>	<u>400</u>

10 Reconciliation of movement in shareholders' funds

	Issued share capital £'000	Profit & loss Account £'000	Total £'000
At 31 December 2001	400	210	610
Retained loss for the year	-	(122)	(122)
At 31 December 2002	<u>400</u>	<u>88</u>	<u>488</u>

11 Capital commitments

The Company does not hold fixed assets, and as such there are no capital commitments.

12 Cashflow statement

The directors have relied upon the exemptions conferred in Financial Reporting Standard 1 (revised 1996) 'Cash Flow Statements', on the grounds that the Company is a subsidiary of Admiral Group Limited ("AGL"), and the cashflows of the Company are included in the consolidated financial statements of AGL. Accordingly, no cashflow statement has been produced in these financial statements.

Notes (continued)

13 Group accounts

The Company's accounts are included within the group financial statements of Admiral Group Limited, a company registered in England & Wales. Group financial statements can be obtained from the Company Secretary at the registered office, Capital Tower, Greyfriars Road, Cardiff, CF10 3AZ.

14 Parent undertaking

The Company's immediate and ultimate parent undertaking is Admiral Group Limited, a company registered in England & Wales. The registered office is set out in note 13.

15 Related parties

The directors have relied upon the exemptions conferred in Financial Reporting Standard 8 'Related Party Disclosures', on the grounds that the Company is a subsidiary of Admiral Group Limited. Accordingly, no transactions with group companies are disclosed within these financial statements.