

**EAGLE STAR HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**  
**REGISTERED NUMBER: 1416463**

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# **EAGLE STAR HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements of Eagle Star Holdings Limited (the "Company") for the year ended 31 December 2008.

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### **Principal Activities, Business Review and Future Developments**

The principal activity of the Company is that of an investment holding company. The Company's main sources of income are dividends received from its subsidiaries and interest received on cash.

The profit for the year before taxation amounted to £1,196,000 (2007: £276,422,000). After taking taxation into account, the amount transferred to reserves was £2,216,000 profit (2007: £268,340,000 profit).

At 31 December 2008, the Company had net assets of £457,963,000 (2007: £463,146,000) representing mainly the value of its investment in subsidiary undertakings and amounts owed by fellow group undertakings net of amounts owed to subsidiaries and current tax payable.

The directors do not expect any material changes in the principal activity or the underlying performance of the business in the foreseeable future. The results for the year are set out on page 4.

Given the nature of the business, the Company's directors are of the opinion that no additional key performance indicators are necessary for an understanding of the development, performance and position of the business other than the performance and position shown in the profit and loss account and balance sheet on pages 4 and 5.

The execution of the Company's strategy is subject mainly to financial risks.

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements.

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### **Financial Risks**

The main financial risk arising to the Company is liquidity risk. The Company's finances are actively managed to ensure that sufficient funds are available for liabilities as they fall due.

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### **Preference Share Payments and Dividends**

The directors do not recommend a final dividend on the ordinary shares (2007: £490,000,000 and £265,000,000 were declared and paid during the year).

The 'C' cumulative redeemable convertible preference were cancelled on 22 November 2007, therefore no payments were recognised during the year (2007: £15,566,000).

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### **Directors**

The directors who served during the year were:

D J Etherington  
N J Evans  
D P Sims

There have been no appointments or resignations between the end of the financial year and the date of signing these financial statements.

Qualifying third party indemnity provisions (as defined in Section 234(2) of the Companies Act 2006) have been in force for the benefit of directors during the year and remain in force as at the date of this Directors' Report.

## **EAGLE STAR HOLDINGS LIMITED**

### **DIRECTORS' REPORT (continued)**

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#### **Statement of Directors' Responsibilities**

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The following statement sets out the responsibilities of the directors in relation to the financial statements of the Company. The report of the auditors, shown on page 3, sets out their responsibilities in relation to the financial statements.

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 as at the end of the financial period and of the profit or loss for the financial period. In preparing those financial statements, the directors are required to:

- select appropriate policies and apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

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#### **Independent Auditors**

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The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

By order of the Board

Signature



Name

D P SIMS  
(Director / ~~Secretary~~)

Date

3 APRIL 2009

## **EAGLE STAR HOLDINGS LIMITED**

### **Independent Auditors' Report to the Member of Eagle Star Holdings Limited**

We have audited the financial statements of Eagle Star Holdings Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

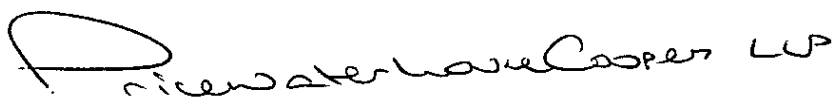
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Date: 3 April 2009

**EAGLE STAR HOLDINGS LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2008**

Amount in £'000s	Note	2008	2007
Administrative Expenses		(16)	(580)
<b>Operating Loss</b>		<b>(16)</b>	<b>(580)</b>
Income From Shares in Group Undertakings	3	-	265,000
Amounts Written Off on Fixed Assets Investments	8	-	(3)
<b>(Loss) / Profit on Ordinary Activities Before Interest and Taxation</b>		<b>(16)</b>	<b>264,417</b>
Interest Receivable and Similar Income	4	1,212	27,571
Preference Share Payments	5	-	(15,566)
<b>Profit on Ordinary Activities Before Taxation</b>		<b>1,196</b>	<b>276,422</b>
Tax on Profit on Ordinary Activities	6	1,020	(8,082)
<b>Profit for the Financial Year</b>		<b>2,216</b>	<b>268,340</b>

The results above all relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, other than the revaluation amount reported in the Statement of Total Recognised Gains and Losses, and their historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 December 2008**

Amount in £'000s	Note	2008	2007
<b>Profit for the Financial Year</b>		<b>2,216</b>	<b>268,340</b>
Revaluation of Shares in Subsidiary Undertakings	8	(7,399)	(240,330)
<b>Total Recognised (Losses) / Gains Relating to the Year</b>		<b>(5,183)</b>	<b>28,010</b>

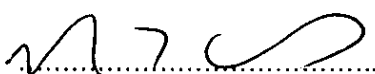
# **EAGLE STAR HOLDINGS LIMITED**

## **BALANCE SHEET**

**At 31 December 2008**

Amount in £'000s	Note	2008	2007
<b>Fixed Asset Investments</b>			
Shares in Subsidiary Undertakings	8	446,116	453,515
<b>Current Assets</b>			
Amounts Owed by Fellow Group Undertakings	9	22,000	-
Debtors		122	85
Cash at Bank and in Hand		694	24,373
		<u>22,816</u>	<u>24,458</u>
<b>Creditors: Amounts Falling Due Within One Year</b>			
Amounts Owed to Holding Company		-	(3)
Amounts Owed to Subsidiary Undertakings		(10,800)	(9,742)
Current Tax Payable		(169)	(5,082)
		<u>(10,969)</u>	<u>(14,827)</u>
<b>Net Current Assets</b>		<b>11,847</b>	<b>9,631</b>
<b>Net Assets</b>		<b>457,963</b>	<b>463,146</b>
<b>Capital and Reserves</b>			
<b>Equity Interests:</b>			
Called Up Share Capital	10	50	50
Revaluation Reserve	11	(299,291)	(291,892)
Profit and Loss Account	11	757,204	754,988
<b>Total Shareholder's Funds</b>	<b>11</b>	<b>457,963</b>	<b>463,146</b>

The financial statements on page 4 to page 11 were approved by the Board of Directors and were signed on its behalf by

Signature 

Name NEIL EVANS  
(Director)

Date 3rd APRIL 2009

The notes on pages 6 to 11 form an integral part of the financial statements

# **EAGLE STAR HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **1 Accounting Policies**

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#### **1.1 Basis of Presentation**

The financial statements have been prepared under the historical cost convention other than the revaluation amount reported in the statement of total recognised gains and losses and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The accounting policies have been consistently applied to all years presented.

The Company has taken advantage of the exemption contained within section 228A of the Companies Act 1985 and Financial Reporting Standard ("FRS") 2 'Accounting for Subsidiary Undertakings' and has not produced consolidated financial statements for the year ended 31 December 2008, since it is a subsidiary undertaking of a parent company that prepares consolidated financial statements.

#### **1.2 Cash Flow Statement**

The Company qualifies as exempt from the requirement to produce a cash flow statement under FRS1 'Cash Flow Statements (Revised 1996)'. It is a subsidiary undertaking of Zurich Financial Services, which prepares a consolidated cash flow statement.

#### **1.3 Investments**

Fixed asset investments are stated at directors' valuation being net asset value or, where there has been an impairment in value, at their recoverable amount. Changes in valuation are taken to the revaluation reserve. Permanent impairments are taken to the profit and loss account.

The investment in group undertakings is tested for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

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### **2 Profit and Loss Account**

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The auditors' remuneration in 2008 and 2007 was borne by the Company's immediate parent company, Zurich Financial Services (UKISA) Limited.

#### **Auditors' Remuneration**

During the year the Company obtained the following services from the Company's auditors at costs as detailed below:

<b>Amount in £'000</b>	<b>2008</b>	<b>2007</b>
<b>Audit Services</b>		
Auditors' remuneration in respect of audit services	<u>5</u>	<u>9</u>
<b>Other Services</b>		
Audit of the Company's subsidiaries, pursuant to legislation	663	1,133
Other services supplied pursuant to legislation, specifically the audit of the regulatory returns of subsidiaries	212	362
Services relating to taxation	2	-
Other services not covered above	<u>11</u>	<u>-</u>
	<b>888</b>	<b>1,495</b>

## **EAGLE STAR HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2 Profit and Loss Account (continued)**

##### **Directors' Emoluments**

Emoluments received by the directors of the Company in respect of their services to the Company and its subsidiary undertakings in the year are detailed below:

<b>Amount in £'000s</b>	<b>2008</b>	<b>2007</b>
Aggregate emoluments – highest paid director	713	683
Aggregate emoluments – other	542	525
	<b>1,255</b>	<b>1,208</b>

The emoluments received by the directors are in respect of their role as directors of a subsidiary undertaking of the Company.

**1 director** (2007: 1 director) was not paid in respect of his services as director to the Company or any of its subsidiary undertakings.

**2 directors** (2007: 2 directors) who served during the year are members of a defined benefits scheme.

**No director** (2007: No directors) who served during the year is a member of a defined contribution scheme.

**2 directors** (2007: 2 directors) who served during the year are members of long-term incentive schemes.

The value of the highest paid director's accrued annual pension benefits at 31 December was £114,443 (2007: £107,360). The highest paid director is a member of a long-term incentive scheme (2007: was a member).

The directors' emoluments in 2008 and 2007 were borne by Zurich Employment Services Limited.

##### **Employees**

The Company has no employees (2007: no employees). Staff utilised by the Company are employed by fellow subsidiary companies. The principal disclosures in respect of these staff appear in the financial statements of Zurich Employment Services Limited, copies of which can be obtained from The Secretary, UK Life Centre, Station Road, Swindon, SN1 1EL.

#### **3 Income from Shares in Group Undertakings**

<b>Amount in £'000s</b>	<b>2008</b>	<b>2007</b>
<b>Dividends</b>		
Zurich Assurance Ltd – Ordinary Shares	-	265,000
	<b>-</b>	<b>265,000</b>



**EAGLE STAR HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****4 Interest Receivable and Similar Income**

Amount in £'000s	2008	2007
Interest receivable on loans to parent company	-	26,771
Interest receivable on loans to fellow group undertakings	122	-
Interest receivable on cash at bank	1,090	800
	<b>1,212</b>	<b>27,571</b>

**5 Preference Share Payments**

Amount in £'000s	2008	2007
Payments on 'C' 6.25% cumulative redeemable convertible preference shares	-	15,566
	<b>-</b>	<b>15,566</b>

Preference share payments on the 'C' 6.25% cumulative redeemable convertible preference shares were made up to 22 November 2007, at which date they were cancelled.

**6 Taxation**

Taxation in the profit and loss account was as follows:

Amount in £'000s	2008	2007
UK corporation tax charge at an effective rate of 28.5% (2007: 30%)	341	8,082
Adjustments in respect of prior years	(1,361)	-
<b>Current tax (credit) / charge</b>	<b>(1,020)</b>	<b>8,082</b>

**Factors affecting the tax (credit) / charge for the year**

The tax assessed for the current year and prior year can be reconciled to the effective rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

Amount in £'000s	2008	2007
Profit on ordinary activities before tax	1,196	276,422
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 28.5% (2007: 30%)	341	82,927
Dividend income not taxable	-	(79,500)
Expenses not deductible for tax purposes	-	4,655
Adjustments in respect of prior years	(1,361)	-
<b>Current tax (credit) / charge for the year</b>	<b>(1,020)</b>	<b>8,082</b>

## **EAGLE STAR HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **7 Dividends**

<b>Amount in £'000s</b>	<b>2008</b>	<b>2007</b>
Equity – ordinary		
2008 Interim: £nil (2007: £9,800) per £1 share	-	490,000
2008 Interim: £nil (2007: £5,300) per £1 share	-	265,000
	<b>-</b>	<b>755,000</b>

#### **8 Shares in Subsidiary Undertakings**

<b>Amount in £'000s</b>	<b>2008</b>	<b>2007</b>
Shares in subsidiary undertakings	<b>446,116</b>	<b>453,515</b>

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2008 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet.

The movement in the year comprises:

<b>Amount in £'000s</b>	
As at 1 January 2008	453,515
Revaluations	(7,399)
<b>As at 31 December 2008</b>	<b>446,116</b>

##### **Revaluations**

Revaluations consist of a reduction in the valuations of Zurich Assurance Ltd of £9,000,000 and Grovewood Property Holdings Limited of £9,781, net of an increase in the valuation of Eagle Star International Services (Ireland) Limited of £1,610,741. The reduction in the valuation of Zurich Assurance Ltd was due to a reduction in the net asset value in the year.

##### **Impairments**

The value of the Company's investments in the following group undertakings was impaired in the year as follows:

<b>Amount in £'000s</b>	<b>2008</b>	<b>2007</b>
Eagle Star Group Services Limited	-	(3)
<b>Total Impairments</b>	<b>-</b>	<b>(3)</b>

## **EAGLE STAR HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **9 Amounts Owed by Fellow Group Undertakings**

On 28 November 2008 the Company lent £22,000,000 to a fellow group undertaking, Zurich Insurance Company, at a fixed interest rate of 5.96%. The loan was repayable on 27 March 2009, at which time it was extended until 30 September 2009 at a fixed interest rate of 3.70%.

#### **10 Share Capital**

Amount in £'000s	2008	2007
<b>Authorised:</b>		
50,000 (2007: 50,000) ordinary shares of £1 each	50	50
<b>Allotted, issued, called up and fully paid:</b>		
50,000 (2007: 50,000) ordinary shares of £1 each	50	50

#### **11 Reconciliation of Movement in Shareholder's Funds and Statement of Reserves**

Amount in £'000s	Share capital	Revaluation reserve	Profit & loss account	Total 2008
<b>Shareholder's funds brought forward</b>	50	(291,892)	754,988	463,146
Profit for the financial year	-	-	2,216	2,216
Revaluation of shares in subsidiary undertakings	-	(7,399)	-	(7,399)
<b>Shareholder's funds carried forward</b>	50	(299,291)	757,204	457,963

#### **12 Related Party Transactions**

The Company has taken advantage of an exemption from FRS 8 'Related Party Disclosures' not to disclose transactions with Zurich Financial Services' group undertakings. Balances with Zurich Financial Services' group undertakings are shown on the balance sheet.

No contract of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8.

## **EAGLE STAR HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **13 Contingent Liability**

On the 14 October 2005, Zurich Assurance Ltd and Eagle Star Holding Company of Ireland (ESHCI) disposed of their holdings in Eagle Star Life Assurance Company of Ireland Limited to Zurich Holding Ireland Limited, all of which are fellow Zurich Financial Services group companies. The Company has indemnified ESHCI against any capital gains tax arising in respect of an earlier reorganisation of its Irish subsidiaries that may crystallise as a result of this disposal. The directors' opinion is that no liability is expected to arise under this indemnity.

#### **14 Principal Subsidiary Undertakings as at the End of the Year**

<b>Company and country of registration or incorporation</b>	<b>Share class</b>	<b>Percentage of nominal value held by the company</b>
<b>England and Wales</b>		
Eagle Star (Fund Management) Limited	'A' red. preference	100
Eagle Star (Fund Management) Limited	'B' red. preference	100
Eagle Star (Fund Management) Limited	'C' red. preference	100
Eagle Star (Fund Management) Limited	ordinary	100
Eagle Star Group Holdings Limited	'A' ordinary	100
Eagle Star Group Holdings Limited	'B' ordinary	100
Eagle Star Group Limited	ordinary	100
Eagle Star Group Services Limited	ordinary	100
Eagle Star Investment Managers Limited	ordinary	100
Groewood Property Holdings Limited	ordinary	100
Groewood Property Holdings Limited	non-cum. preference	100
Jas.W.King & Co. Limited	ordinary	100
Zurich Assurance Ltd	ordinary	100
ZGEE2 Limited	ordinary	100
<b>Republic of Ireland</b>		
Eagle Star International Services (Ireland) Limited	ordinary	100

The principal country in which each of the above named subsidiary undertakings operates is its country of registration or incorporation.

There has been no change in the percentage of nominal value held by the Company in the principal subsidiary undertakings listed above in the year.

#### **15 Ultimate Parent Company**

The Company's ultimate parent company is Zurich Financial Services, which is incorporated in Switzerland. Zurich Financial Services is the parent company of the smallest group of companies, of which the Company is a wholly owned subsidiary, for which group financial statements are drawn up. Copies of the consolidated financial statements of Zurich Financial Services can be obtained from:

The Secretary  
Zurich Financial Services  
Mythenquai 2  
8002 Zurich  
Switzerland