

EAGLE STAR HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009
COMPANY REGISTRATION NUMBER: 1416463

FRIDAY



ADJGKJ7W

A34

16/04/2010

34

COMPANIES HOUSE

EAGLE STAR HOLDINGS LIMITED (company registration number: 1416463)

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Eagle Star Holdings Limited ("the Company") for the year ended 31 December 2009

Principal Activities and Business Review

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.

The profit for the year before taxation amounted to £6,502,000 (2008: £1,196,000). After taking taxation into account, the amount transferred to reserves was £6,283,000 (2008: £2,216,000).

At 31 December 2009, the Company had net assets of £641,988,000 (2008: £457,963,000) representing the value of its investment in subsidiary undertakings and cash 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 principally to financial risks, as described below.

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.

Dividends

Interim dividends in respect of the ordinary shares of the Company totalling £25,000,000 (2008: £nil) were declared and paid during the year.

The directors do not recommend the payment of a final dividend for the year (2008: £nil).

Directors

The directors who served during the year were:

D J Etherington

N J Evans

D P Sims (Resigned 21 August 2009)

O C Tengio (Appointed 21 August 2009)

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.

Financial Risks

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

EAGLE STAR HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Independent Auditors

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

Statement of Directors' Responsibilities

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.

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for 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.

By order of the Board

Secretary



Name

N. S. Lowe

Date

25 MARCH 2010

EAGLE STAR HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


Wayne Megham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 25 March 2010

EAGLE STAR HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2009**

Amount in £'000s	Note	2009	2008
Administrative Expenses		(4)	(16)
Operating Loss		(4)	(16)
Income from Shares in Group Undertakings	5	13,739	-
Amounts Written Off Fixed Asset Investments	9	(7,967)	-
Profit / (Loss) on Ordinary Activities Before Interest and Taxation		5,768	(16)
Other Interest Receivable and Similar Income	6	734	1,212
Profit on Ordinary Activities Before Taxation		6,502	1,196
Tax on Profit on Ordinary Activities	7	(219)	1,020
Profit for the Financial Year		6,283	2,216

All amounts above are in respect of continuing operations

There are no material differences 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 2009

Amount in £'000s	Note	2009	2008
Profit for the Financial Year		6,283	2,216
Revaluation of Subsidiary Undertakings	9	202,742	(7,399)
Total Recognised Gains / (Losses) Relating to the Year		209,025	(5,183)

EAGLE STAR HOLDINGS LIMITED**BALANCE SHEET**
at 31 December 2009

Amount in £'000s	Note	2009	2008
<u>Fixed Assets</u>			
Investments			
Shares in group undertakings	9	640,891	446,116
<u>Current Assets</u>			
Debtors	10	-	22,122
Cash at Bank and in Hand		3,779	694
		<u>3,779</u>	<u>22,816</u>
Creditors: Amounts Falling Due Within One Year	11	<u>(2,682)</u>	<u>(10,969)</u>
Net Current Assets		1,097	11,847
Total Assets Less Current Liabilities		<u>641,988</u>	<u>457,963</u>
Net Assets		<u>641,988</u>	<u>457,963</u>
<u>Capital and Reserves</u>			
Called Up Share Capital	12	50	50
Revaluation Reserve	13	(96,549)	(299,291)
Profit and Loss Account	13	738,487	757,204
Total Shareholder's Funds	13	<u>641,988</u>	<u>457,963</u>

The financial statements on pages 4 to 12 were approved by the Board on 25 March 2010 and were signed on its behalf by

Director 

Name 

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 Basis of Presentation

The financial statements have been prepared in accordance with the Companies Act 2006 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 401 of the Companies Act 2006 and Financial Reporting Standard ("FRS") 2 'Accounting for Subsidiary Undertakings' and has not produced consolidated financial statements for the year ended 31 December 2009, 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 FRS 1 'Cash Flow Statements (Revised 1996)' since it is a wholly owned subsidiary undertaking of a parent company that prepares publicly available consolidated financial statements

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 recognised in the statement of total recognised gains and losses. Permanent impairments are recognised in 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.

1.4 Income from Shares in Group Undertakings

Income from Shares in Group Undertakings is accounted for when received.

1.5 Interest Receivable

Interest income on bank deposits is accounted for on an accruals basis.

2. Auditors' Remuneration

The fees payable to the Company's auditors for the audit of the Company's financial statements were £2,085 (2008: £4,630). In 2009 and 2008 the audit fee was borne by Zurich Financial Services (UK) Limited ("the Parent Company").

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

Amount in £'000	2009	2008
Audit Services		
Auditors' remuneration in respect of audit services	2	5
Other Services		
Audit of the Company's subsidiaries, pursuant to legislation	1,029	663
Other services supplied pursuant to legislation, specifically the audit of the regulatory returns of subsidiaries	282	212
Services relating to taxation	-	2
Other services not covered above	-	11
	1,311	888

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Employee Information

Staff are not employed directly by the Company and accordingly the Company does not incur direct staff or pension costs. The costs of staff working for the Company in 2009 and 2008 have been borne by another group undertaking.

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, Zurich Employment Services Limited, UK Life Centre, Station Road, Swindon, SN1 1EL.

4 Directors' Remuneration

The remuneration received by the directors of the Company in respect of their services to the Company and its subsidiary undertakings in the year is detailed below.

Amount in £'000s	2009	2008
Aggregate remuneration	1,188	1,255
Aggregate remuneration – highest paid director	486	713

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

Directors' remuneration (none of which are in respect of fees) include performance related pay, benefits, bonuses and an accrual in respect of deferred bonuses which may become payable in future years.

1 director (2008: **1 director**) was not paid in respect of his services as director to the Company or any of its subsidiary undertakings.

2 directors (2008: **2 directors**) who served during the year are members of a defined benefits scheme.

3 directors (2008: **2 directors**) who served during the year are members of long-term incentive schemes.

1 director (2008: **No directors**) who served during the year exercised options over shares in Zurich Financial Services Ltd ("ZFS") in the year.

No directors (2008: **No directors**) who served during the year are a member of a defined contribution scheme.

The value of the highest paid director's accrued annual pension benefits at 31 December was £121,526 (2008: £114,443). The highest paid director did exercise options over shares in ZFS in the year (2008: did not exercise share options). The highest paid director in both years was a member of a long-term incentive scheme.

No advances or credits granted to any director subsisted during the year. Also no guarantees on behalf of any director subsisted during the year.

The directors' remuneration in 2009 and 2008 was borne by Zurich Employment Services Limited.

5. Income from Shares in Group Undertakings

Amount in £'000s	2009	2008
Dividends		
Eagle Star (Fund Management) Limited – Ordinary Shares	8,491	-
Eagle Star International Services (Ireland) Limited – Ordinary Shares	5,248	-
	13,739	-

EAGLE STAR HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. Other Interest Receivable and Similar Income**

Amount in £'000s	2009	2008
Interest receivable on loans to fellow group undertakings	723	122
Interest receivable on cash at bank	11	1,090
	734	1,212

7. Taxation

Amount in £'000s	2009	2008
Current Tax		
- UK Corporation Tax charge at a standard rate of 28% (2008 effective rate of 28.5%) for the year	204	341
- Adjustment in respect of prior years	15	(1,361)
Tax on Profit on Ordinary Activities	219	(1,020)

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

The tax assessed for the year can be reconciled to the standard rate of corporation tax in the UK of 28% (2008 effective rate of 28.5%) The differences are explained below

Amount in £'000s	2009	2008
Profit on Ordinary Activities Before Taxation	6,502	1,196
Profit on ordinary activities multiplied by the standard rate of corporate tax in the UK of 28% (2008 effective rate of 28.5%)	1,820	341
Dividend income not taxable	(3,847)	-
Expenses not deductible for tax purposes	2,231	-
Adjustment to tax in respect of prior years	15	(1,361)
Current tax charge / (credit) for the year	219	(1,020)

The standard rate of corporation tax in the UK decreased from 30% to 28% from 1 April 2008 resulting in an effective rate of corporation tax of 28.5% for the year ended 31 December 2008

EAGLE STAR HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****8. Dividends**

Amount in £'000s	2009	2008
Equity – ordinary 2009 Interim £500 (2008 £nil) per £1 share	25,000	-

9. Shares in Group Undertakings

Amount in £'000s	2009	2008
Shares in subsidiary undertakings	640,891	446,116
Cost	801,910	809,610

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2009 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

Amount in £'000s	
As at 1 January 2009	446,116
Revaluations	202,742
Impairments	(7,967)
As at 31 December 2009	640,891

Revaluations

Revaluations consist of an increase in the valuation of Zurich Assurance Ltd of £209,000,000 and a reduction in the valuations of Grovewood Property Holdings Limited of £5,927, Eagle Star International Services (Ireland) Limited of £5,728,412 and Eagle Star (Fund Management) Limited of £523,697

Impairments

The value of the Company's investment in the following group undertaking was impaired in the year as follows

Amount in £'000s	2009	2008
Eagle Star (Fund Management) Limited	7,967	-
Total Impairments	7,967	-

EAGLE STAR HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. Debtors**

Amount in £'000s	2009	2008
Amounts owed by fellow group undertakings	-	22,122

On 28 November 2008 the Company lent £22,000,000 to a fellow group undertaking, Zurich Insurance Company Ltd, 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% and then repaid.

11. Creditors: Amounts Falling Due Within One Year

Amount in £'000s	2009	2008
Amounts owed to subsidiary undertakings	2,218	10,800
Corporation tax payable	464	169
	2,682	10,969

Amounts owed to subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

12. Called Up Share Capital

Amount in £'000s	2009	2008
Allotted, issued and fully paid Ordinary shares of £1 each	50	50

13. Reconciliation of Movement in Shareholder's Funds and Statement of Reserves

Amount in £'000s	Share capital	Revaluation reserve	Profit & loss account	Total 2009
Opening shareholder's funds brought forward	50	(299,291)	757,204	457,963
Profit for the financial year	-	-	6,283	6,283
Dividends paid on ordinary shares	-	-	(25,000)	(25,000)
Revaluation of subsidiary undertakings	-	202,742	-	202,742
Closing shareholder's funds	50	(96,549)	738,487	641,988

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. 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 Ltd's group undertakings. Balances with Zurich Financial Services Ltd's group undertakings are shown in notes 10 and 11.

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.

15. Contingent Liability

On the 14 October 2005, Zurich Assurance Ltd and Eagle Star Holding Company of Ireland ("ESHCI") disposed of their holdings in Zurich Life Assurance plc (formerly known as Eagle Star Life Assurance Company of Ireland Limited) to Zurich Holding Ireland Limited, all of which are fellow Zurich Financial Services Ltd's 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.

16. Principal Subsidiary Undertakings

Company and country of registration or incorporation	Share class	Percentage of nominal value held by the company
England and Wales		
Zurich Assurance Ltd	ordinary	100
Groewood Property Holdings Limited	ordinary	100
Groewood Property Holdings Limited	non-cum preference	100
Republic of Ireland		
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.

In December 2009, Eagle Star International Services (Ireland) Limited filed for a members voluntary liquidation. It is anticipated that the liquidation will be completed in April 2010.

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Ultimate Parent Company

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

The Secretary
Zurich Financial Services Ltd
Mythenquai 2
8002 Zurich
Switzerland