

**EAGLE STAR HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2010**  
**COMPANY REGISTRATION NUMBER: 1416463**



**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 2010

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**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 £190,018,000 (2009 £6,502,000). After taking taxation into account, the amount transferred to reserves was £190,710,000 (2009 £6,283,000).

At 31 December 2010, the Company had net assets of £778,673,000 (2009 £641,988,000) 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.

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**Dividends**

Interim dividends in respect of the ordinary shares of the Company totalling £190,000,000 (2009 £25,000,000) were declared and paid during the year.

The directors do not recommend the payment of a final dividend for the year (2009 £nil).

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**Directors**

The directors who served during the year were

D J Etherington  
N J Evans  
O C Tengio

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.

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**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)**

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#### **Independent Auditors**

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

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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.

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 NIGEL LOWE

Date 29 MARCH 2011

# **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 2010 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 and express an opinion on 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 Chapter 3 of Part 16 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 2010 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.

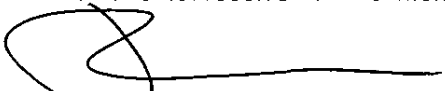
#### **Opinion on other matter prescribed by the Companies Act 2006**

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.

  
Joanne Leeson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
Date 29 March 2011

**EAGLE STAR HOLDINGS LIMITED****PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2010**

Amount in £'000s	Note	2010	2009
Administrative Expenses		(5)	(4)
<b>Operating Loss</b>		<b>(5)</b>	<b>(4)</b>
Income from Shares in Group Undertakings	5	190,000	13,739
Amounts Written Off Fixed Asset Investments	9	-	(7,967)
<b>Profit on Ordinary Activities Before Interest and Taxation</b>		<b>189,995</b>	<b>5,768</b>
Other Interest Receivable and Similar Income	6	23	734
<b>Profit on Ordinary Activities Before Taxation</b>		<b>190,018</b>	<b>6,502</b>
Tax on Profit on Ordinary Activities	7	692	(219)
<b>Profit for the Financial Year</b>		<b>190,710</b>	<b>6,283</b>

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 2010**

Amount in £'000s	Note	2010	2009
<b>Profit for the Financial Year</b>		<b>190,710</b>	<b>6,283</b>
Revaluation of Subsidiary Undertakings	9	135,975	202,742
<b>Total Recognised Gains Relating to the Year</b>		<b>326,685</b>	<b>209,025</b>

**EAGLE STAR HOLDINGS LIMITED****BALANCE SHEET**  
**at 31 December 2010**

Amount in £'000s	Note	2010	2009
<b><u>Fixed Assets</u></b>			
Investments			
Shares in group undertakings	9	776,866	640,891
<b><u>Current Assets</u></b>			
Debtors	10	333	-
Cash at Bank and in Hand		3,700	3,779
		4,033	3,779
<b>Creditors. Amounts Falling Due Within One Year</b>	11	(2,226)	(2,682)
<b>Net Current Assets</b>		<b>1,807</b>	<b>1,097</b>
<b>Total Assets Less Current Liabilities</b>		<b>778,673</b>	<b>641,988</b>
<b>Net Assets</b>		<b>778,673</b>	<b>641,988</b>
<b><u>Capital and Reserves</u></b>			
Called Up Share Capital	12	50	50
Revaluation Reserve	13	39,426	(96,549)
Profit and Loss Account	13	739,197	738,487
<b>Total Shareholder's Funds</b>	13	<b>778,673</b>	<b>641,988</b>

The financial statements on pages 4 to 12 were approved by the Board on 29 March 2011 and were signed on its behalf by

Director



Name

NEIL EVANS

# **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 2010, 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 for 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 £2,481 (2009 £2,085). In 2010 and 2009 the audit fee was borne by Zurich Financial Services (UKISA) Limited ("the Parent Company").

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>2010</b>	<b>2009</b>
<b>Audit Services</b>		
Auditors' remuneration in respect of audit services	2	2
<b>Other Services</b>		
Audit of the Company's subsidiaries, pursuant to legislation	1,215	1,029
Other services supplied pursuant to legislation	333	282
Other services not covered above	127	-
	<b>1,677</b>	<b>1,313</b>

## **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 2010 and 2009 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.

<b>Amount in £'000s</b>	<b>2010</b>	<b>2009</b>
Aggregate remuneration	<b>1,175</b>	<b>1,188</b>
Aggregate remuneration – highest paid director	<b>692</b>	<b>486</b>

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) includes performance related pay, benefits, bonuses and an accrual in respect of deferred bonuses which may become payable in future years.

**1 director** (2009: **1 director**) was not paid in respect of his services as director to the Company or any of its subsidiary undertakings.

**2 directors** (2009: **2 directors**) who served during the year are members of a defined benefits scheme.

**2 directors** (2009: **3 directors**) who served during the year are members of long-term incentive schemes.

**1 director** (2009: **1 director**) who served during the year exercised options over shares in Zurich Financial Services Ltd ("ZFS") in the year.

**1 director** (2009: **No directors**) who served during the year is a member of a defined contribution scheme. The aggregate value of company contributions paid, or treated as paid, in respect of that defined contributions scheme for that director in the year was **£9,034** (2009: **£nil**).

The value of the highest paid director's accrued annual pension benefits at 31 December was £34,160 (2009: £121,526). The highest paid director is a member of a defined contribution scheme. The aggregate value of company contributions paid, or treated as paid, in respect of that defined contribution scheme for that director in the year was £9,034 (2009: £nil). The highest paid director did not exercise options over shares in ZFS in the year (2009: did exercise share options). The highest paid director is a member of a long-term incentive scheme (2009: was a member). The highest paid director has changed during the course of the year.

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 2010 and 2009 was borne by Zurich Employment Services Limited.



## **EAGLE STAR HOLDINGS LIMITED**

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

#### **5. Income from Shares in Group Undertakings**

<b>Amount in £'000s</b>	<b>2010</b>	<b>2009</b>
<b>Dividends</b>		
Eagle Star (Fund Management) Limited – Ordinary Shares	-	8,491
Eagle Star International Services (Ireland) Limited – Ordinary Shares	-	5,248
Zurich Assurance Ltd – Ordinary Shares	190,000	-
	<b>190,000</b>	<b>13,739</b>

#### **6. Other Interest Receivable and Similar Income**

<b>Amount in £'000s</b>	<b>2010</b>	<b>2009</b>
Interest receivable on loans to fellow group undertakings	-	723
Interest receivable on cash at bank	23	11
	<b>23</b>	<b>734</b>

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.

**EAGLE STAR HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****7. Tax on Profit on Ordinary Activities**

Amount in £'000s	2010	2009
Current Tax		
- UK Corporation Tax at a standard rate of 28% (2009 28%) for the year	5	204
- Adjustment in respect of prior years	(697)	15
<b>Tax on Profit on Ordinary Activities</b>	<b>(692)</b>	<b>219</b>

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

The tax assessed for the year can be reconciled to the standard rate of corporation tax in the UK of 28% (2009 28%) The analysis is shown below

Amount in £'000s	2010	2009
Profit on Ordinary Activities Before Taxation	190,018	6,502
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	53,205	1,820
Dividend income not taxable	(53,200)	(3,847)
Expenses not deductible for tax purposes	-	2,231
Adjustment to tax in respect of prior years	(697)	15
<b>Current tax (credit) / charge for the year</b>	<b>(692)</b>	<b>219</b>

**Factors affecting future tax charges**

A change in the corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. The Budget on 22 March 2011 has further reduced the corporation tax rate to 26% from 1 April 2011 (this will be enacted separately)

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget and March 2011 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

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

<b>Amount in £'000s</b>	<b>2010</b>	<b>2009</b>
Equity – ordinary 2010 Interim £3,800 (2009 £500) per £1 share	<b>190,000</b>	<b>25,000</b>

**9. Shares in Group Undertakings**

<b>Amount in £'000s</b>	<b>2010</b>	<b>2009</b>
Shares in subsidiary undertakings	<b>776,866</b>	640,891
Cost	<b>801,910</b>	801,910

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2010 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 2010	640,891
Revaluations	135,975
<b>As at 31 December 2010</b>	<b>776,866</b>

**Revaluations**

Revaluations consist of an increase in the valuation of Zurich Assurance Ltd of £136,000,000 and a reduction in the valuations of Grovewood Property Holdings Limited of £5,500 and Eagle Star International Services (Ireland) Limited of £19,475

**Impairments**

In 2009, the value of the Company's investment in the following group undertaking was impaired in the year as follows

<b>Amount in £'000s</b>	<b>2009</b>
Eagle Star (Fund Management) Limited	<b>7,967</b>
<b>Total Impairments</b>	<b>7,967</b>

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

Amount in £'000s	2010	2009
Corporation tax recoverable	332	-
Other debtors	1	-
	<b>333</b>	<b>-</b>

**11. Creditors: Amounts Falling Due Within One Year**

Amount in £'000s	2010	2009
Amounts owed to subsidiary undertakings	2,210	2,218
Amounts owed to group undertakings	16	-
Corporation tax payable	-	464
	<b>2,226</b>	<b>2,682</b>

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

**12 Called Up Share Capital**

Amount in £'000s	2010	2009
Allotted, issued and fully paid Ordinary shares of £1 each	<b>50</b>	<b>50</b>

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

Amount in £'000s	Share capital	Revaluation reserve	Profit & loss account	Total 2010
Opening shareholder's funds brought forward	50	(96,549)	738,487	641,988
Profit for the financial year	-	-	190,710	190,710
Dividends paid on ordinary shares	-	-	(190,000)	(190,000)
Revaluation of subsidiary undertakings	-	135,975	-	135,975
<b>Closing shareholder's funds</b>	<b>50</b>	<b>39,426</b>	<b>739,197</b>	<b>778,673</b>

## **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, since it is a wholly-owned subsidiary undertaking within that group. Balances with Zurich Financial Services Ltd's group undertakings are shown in note 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
<b>England and Wales</b>		
Zurich Assurance Ltd	ordinary	100
Groveswood Property Holdings Limited	ordinary	100
Groveswood Property Holdings Limited	non-cum preference	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.

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 2011.

#### **17. Ultimate Parent Company**

The Company's ultimate parent company and ultimate controlling party 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