

**EAGLE STAR HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# EAGLE STAR HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	H A Pickford G D Jenkins (appointed 01 January 2020)
<b>Secretary</b>	Zurich Corporate Secretary (UK) Limited
<b>Company number</b>	01416463
<b>Registered office</b>	The Grange Bishops Cleeve Cheltenham Gloucestershire GL52 8XX
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

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# **EAGLE STAR HOLDINGS LIMITED**

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# EAGLE STAR HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present the strategic report and audited financial statements for Eagle Star Holdings Limited (the "company") for the year ended 31 December 2019.

#### **Review of the business**

The principal activity of the company is that of an investment holding company. The company's source of income is dividends received from its subsidiaries. The company is a limited company domiciled and incorporated in the UK. The registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

On 15 April 2019, a first and final distribution in specie in respect of Eagle Star Group Holdings Limited ("ESGH") was made of £110 consisting of the transfer of intercompany debt of the same value. This was used to settle the intercompany creditor balance at that date. After payment of this distribution, the investment had a value of £nil. Therefore, the investment was fully impaired from that date.

On 18 September 2019 the company received a dividend of £122,000,000 from Zurich Assurance Ltd ("ZAL").

#### *Key Performance Indicators*

The profit for the year before taxation amounted to £121,997,000 (2018: £249,997,000). After taking taxation into account, the amount transferred to reserves was £121,997,000 (2018: £249,997,000).

At 31 December 2019, the company had net assets of £1,175,706,000 (2018: £1,175,709,000), representing the value of its investment in subsidiary undertakings and amounts owed by Zurich Financial Services (UKISA) Limited (the "parent company").

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 9 and 10.

#### *Future Outlook*

The directors do not expect any material changes to the principal activity of the business in the foreseeable future.

#### **Principal risks and uncertainties**

The principal risks and uncertainties of the company relate to the valuation of the fixed asset investments that the company holds and any future dividends that it may receive from its subsidiaries. The directors' note the impact of both Brexit and the emerging situation with respect to COVID-19 as potential but immaterial business risks.

#### *Business Risk*

Following the decision by the UK in June 2016 to leave the European Union ("EU") and the subsequent passing of the withdrawal Agreement Bill by the UK Parliament on 22 January 2020, the UK left the EU on 31 January 2020. There continues to be an underlying level of uncertainty in the UK regarding the financial and economic impact from this action. However, the risk to the company is not considered to be material.

The directors recognise the possible consequences arising from COVID-19 and have considered the operational impact on the business. The company has well established business continuity plans and as such the directors believe that the company is well positioned to cope with any changes in circumstances as they may arise. The Directors consider that there is no realistic chance of impairment to its investment in subsidiary undertakings.

The above information regarding the possible impact of COVID-19 on the business relevant to the company is accurate at the time of writing but as a result of ongoing developments, may not reflect the developed situation at the time of reading.

#### **Duty to promote the success of the company in accordance with s172(1) Companies Act 2006**

The company is a wholly owned subsidiary entity of Zurich Insurance Group AG and is subject to policies and governance arrangements set by the Zurich Group as well as local statutory and regulatory requirements, which take precedence. In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the company is required to make disclosures in respect of s.172 of the Companies Act 2006 "Duty to promote the success of the company" and stakeholder engagement.

# EAGLE STAR HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Duty to promote the success of the company in accordance with s172(1) Companies Act 2006 (continued)**

During the course of the financial year, the Board consider, both individually and together, that they have acted in a way they consider would be most likely to promote the success of the company for the benefit of its shareholder and customers.

#### Long term decisions

The Board continually assesses the long term strategy of the company and its long term value to its shareholder. In doing so it oversees the Life Business to ensure the fair treatment of its customers whilst enhancing its long-term value to its shareholder through the sustainable and compliant delivery of financial performance targets and the fair treatment of its customers within a framework of prudent and effective controls.

#### Interests of employees

The company does not have any direct employees and accordingly the company does not incur direct staff or pension costs. The principal disclosures in respect of these staff, including the approach to employee engagement, appear in the financial statements of Zurich Employment Services Limited, copies of which can be obtained from The Grange, Bishops Cleeve, Cheltenham, Gloucestershire GL52 8XX.

#### Stakeholder Relationships and Engagement

##### *Business relationships with suppliers, customers and others*

The principal activity of the company is as an investment holding company to companies within the Zurich Group and its source of income is dividends from its subsidiaries.

##### *Impact of operations on the community and environment*

The UK Corporate Affairs team are responsible for Diversity & Inclusion and Social Media and provide a weekly update on stakeholder engagement across the UK together with details on governmental consultation and inquiries.

Zurich Group announced in July 2019 its commitment to the UN Climate Change targets to using only renewable energy by 2022. The Zurich Group has also taken a stance on single use plastics, i.e. to eliminate its use and to reduce internal paper usage by 80%. Zurich is part of a project to help financial institutions align lending and investment portfolios with the Paris Agreement targets. This commitment to climate change is driven down from the top level board and management through all jurisdictions and this commitment will come through as part of the company's long term strategy.

#### Business conduct

The company has three overarching responsibilities:

1. To provide capital funding support, as required, to its subsidiary companies within the UK Life and Savings Business whilst maintaining and managing its own capital funding and liquidity requirements;
2. To maintain the company's business as a going concern; and
3. To ensure that the company remains compliant with local law and meets the expectations of its regulators, paying due regard to jurisdictional best practice.

# EAGLE STAR HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Going concern

The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, this includes consideration of the impact of COVID-19 on the profit and loss of the company and, accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements.

On behalf of the Board

H. Pickford

Name: HELEN PICKFORD  
Director

Date: 30/6/20

# EAGLE STAR HOLDINGS LIMITED

## DIRECTORS REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their annual report and financial statements for the year end 31 December 2019.

#### Results and dividends

The results for the year are set out on page 9.

Interim dividends in respect of ordinary shares of the company totaling £122,000,000 were declared and paid during the year (2018: £250,000,000). The directors do not recommend the payment of a final dividend.

#### Subsequent Events

The directors recognise the possible consequences arising from COVID-19 and note this as a non-adjusting post balance sheet event. The directors have considered the possible economic impacts due to fluctuations in the market on the company's profit and loss. There continues to be uncertainty around the full impact of COVID-19, therefore the directors are unable to accurately quantify the impact to the company. However, there is no indication that the company would not be able to continue in operational existence for the foreseeable future (see note 19).

On 10 March 2020 the company issued 70,000,000 ordinary shares of £1 each to its immediate parent company, Zurich Financial Services (UKISA) Limited, for a consideration of £70,000,000 which it subsequently injected into Zurich Assurance Ltd ("ZAL") to provide capital support in respect of the solvency position of ZAL as a result of the market impact from COVID-19.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

H A Pickford	
J R Sykes	(Resigned 31 December 2019)
G D Jenkins	(Appointed 01 January 2020)

#### Qualifying third party indemnity provisions

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.

#### Future developments

The directors have elected to include a description of the nature of the company's exposure to financial risk and the future outlook as required by regulations made under section 416(4) of the Companies Act 2006, within the Strategic Report on page 1, as permitted by section 414C(11) of the Companies Act 2006.

#### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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:

# EAGLE STAR HOLDINGS LIMITED

## DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### Statement of directors' responsibilities

(continued)

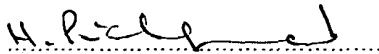
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

### Statement of disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board

  
.....

Name: HELEN PICICCORO  
Director

Date: 30/6/20  
.....



# **EAGLE STAR HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED**

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#### **Report on the financial statements**

##### **Opinion**

In our opinion, Eagle Star Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# EAGLE STAR HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED

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#### Reporting on other information

(continued)

With respect to the Strategic Report and Directors Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### Responsibilities for the financial statements and the audit

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 4 and 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members 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.

# EAGLE STAR HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED

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#### Other required reporting

##### *Companies Act 2006 exception reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 30 June 2020

# EAGLE STAR HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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	Note	2019 £'000	2018 £'000
Income from shares in group undertakings	7	122,000	250,000
Gain on sale of shares in group undertakings	11	-	0
Amounts written off investments	8	(3)	(3)
<b>Profit before taxation</b>		<u>121,997</u>	<u>249,997</u>
Tax on profit	9	-	-
<b>Profit and total comprehensive income for the financial year</b>		<u><u>121,997</u></u>	<u><u>249,997</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no items of other comprehensive income

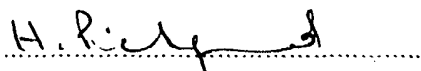
# EAGLE STAR HOLDINGS LIMITED

## BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
<b>Fixed Assets</b>			
Investments	11	<u>1,172,011</u>	<u>1,172,014</u>
<b>Current Assets</b>			
Debtors	13	<u>3,695</u>	<u>3,695</u>
<b>Creditors: Amounts Falling Due Within One Year</b>			
Creditors	14	<u>0</u>	<u>0</u>
<b>Net current assets</b>		<u>3,695</u>	<u>3,695</u>
<b>Total assets less current liabilities</b>		<u>1,175,706</u>	<u>1,175,709</u>
<b>Net assets</b>		<u><u>1,175,706</u></u>	<u><u>1,175,709</u></u>
<b>Equity</b>			
Called up share capital	15	50	50
Capital reserve	16	75,000	75,000
Profit and loss account		<u>1,100,656</u>	<u>1,100,659</u>
<b>Total equity</b>		<u><u>1,175,706</u></u>	<u><u>1,175,709</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:



Name: HAEN PICKFORD  
Director

Company Registration No. 01416463

# EAGLE STAR HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Capital reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2018</b>	50	75,000	1,100,662	1,175,712
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	249,997	249,997
Dividends (see note 10)	-	-	(250,000)	(250,000)
<b>Balance at 31 December 2018:</b>	50	75,000	1,100,659	1,175,709
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year	-	-	121,997	121,997
Dividends (see note 10)	-	-	(122,000)	(122,000)
<b>Balance at 31 December 2019:</b>	50	75,000	1,100,656	1,175,706

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### Company information

Eagle Star Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

##### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken the following exemptions in preparing the financial statements:

- The requirements of International Accounting Standard ("IAS") 1 'Presentation of Financial Statements' paragraph 16 regarding an explicit and unreserved statement of compliance with IFRS accounting, in accordance with FRS 101 paragraph 8(g).
- The requirements of IAS 7 'Statement of Cash Flows' in accordance with FRS 101 paragraphs 8(h) and where relevant, 8(g).
- The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimate and Errors' paragraphs 30 and 31 in respect of new standards, amendments and interpretations issued but not effective for the financial year in accordance with FRS 101 paragraph 8(i).
- The requirements of IAS 24 'Related Party Disclosures' paragraph 17, to disclose key management compensation in accordance with FRS 101 paragraph 8(j).
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member, in accordance with FRS 101 paragraph 8(k).
- The requirements of IFRS 7 'Financial Instruments: Disclosures' in accordance with FRS 101 8(d).

The company has taken advantage of the exemptions contained within section 401 of the Act and has not produced consolidated financial statements for the year ended 31 December 2019, since it is a wholly-owned subsidiary undertaking of a parent company that is not established under the law of an EEA state, which prepares consolidated financial statements in which the company and its subsidiaries are included.

The parent company information has been disclosed in note 17.

##### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.3 Income from shares in group undertakings

Income from shares in group undertakings represents dividend income and is accounted for when paid (for interim dividends) and when declared (for final dividends).

##### 1.4 Amounts written off investments

The directors monitor the value of investments in group undertakings. An impairment is recognised when the cost of the investment is higher than their recoverable amount; their recoverable amount being the higher of fair value less costs of disposal or value in use. Reversals in previous impairment are limited to the value of deemed cost.

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(continued)

#### 1.5 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

##### **Financial assets at amortised cost**

A financial asset is classified and subsequently measured at amortised cost under IFRS 9 if it meets both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows (known as the 'hold-to-collect' business model test), and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date (the 'SPPI' contractual cash flow characteristics test).

Financial assets, including trade, intra group receivables and loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses an annual expected loss allowance for all intercompany debtors. To measure the expected credit losses, intercompany debtors have been grouped based on business area (UK).

##### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.



# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(continued)

#### 1.6 Taxation

##### *Current Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standard has been adopted by the company and has an effect on the current period or a prior period or may have an effect on future periods:

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had no impact on the company (see note 18).

There are no other amendments to accounting standards that are effective for the year ended 31 December 2019.

### 3 Critical accounting estimates and judgments

In the application of the company's accounting policies, the directors are required to make judgments and use certain estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### Investments in group undertakings

The company makes an estimate of the recoverable value of its material investments in group undertakings by considering a number of factors including the expected future cashflows and the market consistent embedded value ("MCEV") of assets and liabilities. In taking into account these factors, the following estimates and assumptions are made:

- A risk-free interest rate is used for discounting and projecting cash flows included within MCEV;
- Mortality assumptions are set with reference to relevant industry and reinsurance information i.e. reference to the standard tables provided by the Continuous Mortality Investigation (CMI) and a CMI projections model;
- Withdrawal or lapse rate assumptions are based on the average rates experienced over the previous two calendar years for all products apart from the whole of life assurances where four calendar years is used. In setting the rates the experience data is grouped by similar product types to ensure it is sufficiently credible. The assumptions are changed to reflect the more recent investigation unless the difference in experience is deemed to be statistically insignificant, in which case the assumptions are left unchanged.

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 4 Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	4	4
Audit of the financial statements of the company's subsidiaries	789	649
	<u>793</u>	<u>653</u>
<b>For other services</b>		
Audit-related assurance services	325	450
Other services pursuant to legislation	450	358
Other services	76	54
	<u>851</u>	<u>862</u>
Total non-audit fees		

### 5 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 2019 and 2018 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, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX

### 6 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	565	523

1 director (2018: 1 director) did not receive remuneration in respect of their services to the company or any of its subsidiary undertakings.

The remuneration of the remaining 1 director (2018: 1 director) is in respect of their role as a director of a subsidiary undertaking of the company.

Directors' remuneration (none of which was 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.

Of the 1 director (2018: 1 director) who received remuneration in respect of their services to the company or any of its subsidiary undertakings during the year:

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to nil (2018: nil).

The number of directors who exercised share options during the year was nil (2018: nil).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 1 (2018: 1).

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Directors' remuneration

(continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	565	523
Company pension contributions to defined contribution schemes	-	-
Accrued lump sum at the end of the year	106	106

The highest paid director did not accrue benefits under a defined benefit scheme (2018: did not accrue benefits). The highest paid director did not accrue benefits under a defined contribution scheme (2018: did not accrue benefits). The highest paid director did not exercise options over shares in ZIG in the year (2018: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2018: was a member). The highest paid director has not changed during the course of the year (2018: has not changed).

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 2019 and 2018 was borne by Zurich Employment Services Limited.

### 7 Income from shares in group undertakings

	2019 £'000	2018 £'000
<b>Dividends</b>		
Zurich Assurance Ltd	122,000	250,000
Eagle Star (Malta) Limited	-	0
Eagle Star Group Holdings Limited	0	-
	<u>122,000</u>	<u>250,000</u>

### 8 Amounts written off investments

	2019 £'000	2018 £'000
Impairments (see note 11)	(3)	(3)
	<u></u>	<u></u>

### 9 Tax on profit

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	-
	<u></u>	<u></u>
Total tax charge	-	-
	<u></u>	<u></u>

A reduction in the UK corporation tax rate from 19% to 17% (with effect from 1 April 2020) was substantively enacted by the Finance Act 2016 in September 2016.

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9 Tax on profit

(continued)

The Budget Statement on 11 March 2020 announced the reversal of the proposed reduction in the UK Corporation Tax rate from 19% to 17%. However, as this measure was not substantively enacted at the balance sheet date the impact is not reflected in the Financial Statements for the year ended 31 December 2019.

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2019 £'000	2018 £'000
Profit before taxation	121,997	249,997
Expected tax charge/(credit) based on the corporation tax rate of 19.00%	23,179	47,499
Income not subject to tax	(23,180)	(47,500)
Impairment of subsidiary undertaking	1	1
<b>Taxation charge for the year</b>	-	-

At 31 December 2019, the company has unused tax losses of £13,405,208 (2018: £13,525,500) for which no deferred tax asset has been recognised.

#### 10 Dividends

	2019 per share	2018 per share	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders:				
Interim dividend paid	2,440	5,000	122,000	250,000

#### 11 Investments

	Current		Non-current	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investments in group undertakings	-	-	1,172,011	1,172,014

#### Fixed asset investments revalued

The original cost of the investments in group undertakings were £1,172,024,147 (2018: £1,172,024,147) and the cumulative impairment at the year-end was £13,654 (2018: £10,244).

The directors have considered the value of each of the company's investments in group undertakings as at 31 December 2019 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet.

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 11 Investments

(continued)

#### Additions

There were no additions during the year.

#### Disposals

There were no disposals during the year.

#### Impairment

Impairment consists of a write off of £3,319 in respect of Grovewood Property Holdings Limited following a change in the net asset value of that company in the year.

On 15 April 2019, a first and final distribution in specie in respect of Eagle Star Group Holdings Limited ("ESGH") was made of £110 consisting of the transfer of intercompany debt of the same value. This was used to settle the intercompany creditor balance at that date. After payment of this distribution, the investment had a value of £nil. Therefore, the investment was fully impaired from that date.

	Shares in group undertakings £'000
<b>Valuation</b>	
At 1 January 2019	1,172,014
Additions	-
Disposals	-
Impairment	(3)
	<hr/>
At 31 December 2019	1,172,011
	<hr/>
<b>Carrying Amount</b>	
At 31 December 2019	1,172,011
	<hr/>
	<hr/>
At 31 December 2018	1,172,014
	<hr/>
	<hr/>

### 12 Subsidiaries

Details of the company's direct subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Eagle Star Group Holdings Limited	Critchleys LLP 23-38 Hythe Bridge Street Oxford, Oxfordshire, OX1 2EP	100	100	In liquidation
Eagle Star Group Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Subsidiaries

(continued)

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Grovewood Property Holdings Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Ex gratia services
Zurich Assurance Ltd	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Life insurance

Details of the company's indirect subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
Access Franchise Management Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Franchise management company
Eagle Star (Leasing) Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Property company
Eagle Star Estates Limited	Critchleys LLP 23-38 Hythe Bridge Street Oxford, Oxfordshire, OX1 2EP	100	100	In liquidation
Eagle Star Farms Limited	Critchleys LLP 23-38 Hythe Bridge Street Oxford, Oxfordshire, OX1 2EP	100	100	In liquidation
Eagle Star Holding Company of Ireland Unlimited Company	Zurich House, Frascati Road, Blackrock, Co Dublin, Ireland	100	100	Dormant
ES (Walsall) Nominee Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Subsidiaries

(continued)

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
ES Dudley Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Dudley Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Plympton Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Plympton Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Ramsgate Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Ramsgate Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
Graphene Capital Partners Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Hawkcentral Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Kennet Road 1 UK Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
Kennet Road 2 UK Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
Nearheath Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Plot 8B Buckingway Management Limited	6th Floor, 65 Gresham Street, London, EC2V 7NQ	100	100	Property management company

# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Subsidiaries

(continued)

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
Zurich Pension Trustees Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Trustee company
Cambridge Research Park Management Co Limited	75 King William Street, London, England, EC4R 9AN	23	23	Real estate management
Plot 6 Buckinghamway Management Limited	4 More London Riverside, London, SE1 2AU	25	25	Property management
Rabone Park Management Company Limited	10 Wrens Court 48 Victoria Road, Sutton Coldfield, West Midlands, England, B72 1SY	42.76	42.76	Property management
The Parklands (Birmingham) Management Company Limited	Redrow House St. Davids Park, Ewloe, Deeside, Clwyd, CH5 3RX	30.56	30.56	Property management

There has been no change in the year in the percentage of nominal value held by the company, or by its subsidiary undertakings, in the subsidiary undertakings listed with the exception of:

- Grovewood Engineering Limited was dissolved on 23 January 2019.
- ES Cannock Nominee 1 Limited was dissolved on 31 December 2019.
- ES Cannock Nominee 2 Limited was dissolved on 31 December 2019.
- 50 Brook Green Management Company Limited was sold during 2019.
- Northampton Business Park Management Limited was sold during 2019.
- Interface Solihull Management Limited was sold during 2019.
- Eagle Star Estates Limited entered liquidation during March 2019 and was formally dissolved on 21 February 2020.
- Eagle Star Farms Limited entered liquidation during March 2019 and was formally dissolved on 12 May 2020.
- Eagle Star Group Holdings Limited entered liquidation during March 2019 and was formally dissolved on 7 April 2020.

### 13 Debtors

	2019 £'000	2018 £'000
Amounts owed by parent undertaking	3,695	3,695

Amounts owed by the parent undertaking are unsecured, interest free and have no fixed date of repayment. There were no adjustments made for the 2019 reporting period relating to IFRS 9 adjustments as the identified impairment loss in relation to the financial assets subject to IFRS 9 was immaterial.



# EAGLE STAR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 14 Creditors

	2019 £'000	2018 £'000
Amounts owed to group undertakings	0	0
	<u>          </u>	<u>          </u>

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

### 15 Called up Share capital

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<i>Issued and fully paid</i>		
50,000 ordinary shares of £1 each	50	50
	<u>          </u>	<u>          </u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

### 16 Capital reserve

	2019 £'000	2018 £'000
At 1 January 2019 and 31 December 2019	75,000	75,000
	<u>          </u>	<u>          </u>
	75,000	75,000
	<u>          </u>	<u>          </u>

This reserve represents capital contributions received from the parent company with no obligation to repay.

### 17 Controlling party

The immediate parent company of Eagle Star Holdings Limited is Zurich Financial Services (UKISA) Limited and its registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

#### Ultimate Parent Company

The company's ultimate parent company and ultimate controlling party is Zurich Insurance Group AG, which is incorporated in Switzerland. Zurich Insurance Group AG is the parent company of the largest group of companies, of which the company is a wholly owned subsidiary, for which group financial statements are drawn up. Zurich Insurance Company Ltd, which is incorporated in Switzerland, 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 Insurance Group Ltd and Zurich Insurance Company Ltd can be obtained from the Secretary of that company at the following address:

Mythenquai 2  
8002 Zurich  
Switzerland

# **EAGLE STAR HOLDINGS LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **18 Changes in accounting policies**

This note explains the impact of the adoption of IFRS 16 Leases on the company's financial statements. Where applicable, IFRS 16 will generally be adopted without restating comparative information. Therefore, any reclassifications and adjustments arising from the new standard will not be reflected in a restated balance sheet as at 31 December 2018 but recognised in the opening balance sheet on 1 January 2019.

#### **IFRS 16 Leases**

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets (Right of Use Asset) and liabilities (Lease Liability) for all leases with a term of more than twelve months, unless the underlying asset is of a low value.

#### **Impact on the financial statements**

The company has no qualifying lease arrangements and as such, there have been no changes in the company's accounting policies and no adjustments required to the financial statements.

### **19 Subsequent events**

The directors recognise the possible consequences arising from COVID-19 and note this as a non-adjusting post balance sheet event. The directors have considered the possible economic impacts due to fluctuations in the market on the company's profit and loss. Market fluctuations impacting the ability of its subsidiaries to pay dividend income which would result in a decrease to the company's profit and loss. However, there was no indication that the company would not have access to adequate resources to continue in operational existence for the foreseeable future. The Directors consider that there is no realistic chance of impairment to its investment in subsidiary undertakings. While the situation is highly fluid at present, the impact of the COVID-19 outbreak on the company is considered accurate at the time of writing.

On 10 March 2020 the company issued 70,000,000 ordinary shares of £1 each to its immediate parent company, Zurich Financial Services (UKISA) Limited for a consideration of £70,000,000 which it subsequently injected into Zurich Assurance Ltd ("ZAL") to provide capital support in respect of the solvency position of ZAL as a result of the market impact from COVID-19.