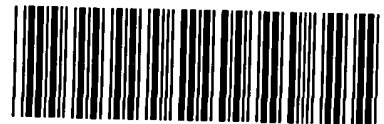


Company Registration No. 01416463 (England and Wales)

EAGLE STAR HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANIES HOUSE

EAGLE STAR HOLDINGS LIMITED

COMPANY INFORMATION

Directors

G D Jenkins
C Horne

Secretary

Zurich Corporate Secretary (UK) Limited

Company number

01416463

Registered office

Unity Place
1 Carfax Close
Swindon
SN1 1AP

Independent Auditor

Ernst & Young LLP
Statutory Auditor
The Paragon
Counterslip
Bristol
BS1 6BX

EAGLE STAR HOLDINGS LIMITED

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EAGLE STAR HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report and audited financial statements for Eagle Star Holdings Limited (the "Company") for the year ended 31 December 2021.

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 Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

On 26 March 2021 the Company received a dividend of £100,000,000 from Zurich Assurance Ltd ("ZAL").

On 26 March 2021 the Company paid an interim dividend of £100,000,000 to the Parent Company.

On 17 December 2021 the Company received a dividend of £689,269 from Grovewood Property Holdings.

Key Performance Indicators

The profit for the year before taxation amounted to £100,016,000 (2020: £85,995,000). After taking taxation into account, the amount transferred to reserves was £100,016,000 (2020: £85,995,000).

At 31 December 2021, the Company had net assets of £1,245,717,000 (2020: £1,245,701,000), representing the value of its investment in subsidiary undertakings and amounts owed by 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.

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

Section 172 of the Companies Act 2006 requires the Board of Directors (the "Board") to promote the success of the Company for the benefit of its members as a whole and in doing so to have regard to the interests of stakeholders including shareholders, customers, employees, suppliers, regulators and the wider society in which the Company operates.

The Company is a wholly owned subsidiary entity of the Zurich Insurance Group Ltd ("ZIG Group") and is subject to policies and governance arrangements set by the Group as well as UK local statutory and regulatory requirements. The Board derives its collective authority by direct delegation from its shareholder. Its key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholder and relevant stakeholders.

The Board's principal aim is to enhance the Company's long-term value to its shareholder through the sustainable delivery of financial performance targets within a framework of prudent and effective controls.

When making decisions to further the Company's strategic purpose, the Board has a duty to promote the success of the Company under s172 of the Companies Act 2006. During the course of the financial year, the Board has given consideration to this duty when making decisions, including the:

- Likely consequences of any decision in the long term;
- Interests of employees;
- Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and the environment;

EAGLE STAR HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

- Maintaining the Company's reputation for high standards of business conduct.

As a wholly owned subsidiary of the Zurich Insurance Group Ltd the Company only has one member and therefore the directors do not need to consider the fairness between members.

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 considers the interests of stakeholders as part of its overall long-term business objectives and continues to align the Company's strategic direction with the shareholder's aspirations. For each matter that is considered by the Board, stakeholders who may be impacted are identified and their interests considered as part of the Board's decision-making process.

The Board considered a proposal to pay an interim dividend to its shareholder in late 2021 and as part of its deliberations considered the impact upon stakeholders as well as the statutory capital requirements and whether the Company would be able to meet its liabilities going forward.

Interests of employees

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 2021 and 2020 have been borne by another group undertaking. The principal disclosures in respect of these staff, including the approach to employee engagement and particularly support provided since the commencement of the COVID-19 pandemic, appear in the financial statement of Zurich Employment Services Limited, Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

However, the following summarises how Zurich UK (Zurich business conducted within the UK) considered employees in its deliberations:

- The Company's employee engagement mechanisms include receiving regular updates on the results of employee surveys to keep fully apprised of employee engagement levels and the quality of leadership across the workforce, as well as a broad range of subjects including collaboration, working conditions, wellbeing, reputation, benefits and rewards, diversity and inclusion and responsible business;
- The Company recognised the challenges faced by employees throughout the COVID-19 pandemic and was committed to supporting employees through its Flex Work scheme and Emergency Leave policy and regularly sought feedback and updates from senior management on morale and wellbeing;
- The Wellbeing hub provides a range of resources and tools to help employees keep active, healthy and safe.

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.

Business relationship with Community

The Company believes in contributing positively to society in order to have a positive impact on the communities in which it operates.

- The UK Public Affairs Team is in place which aims to make Zurich an influential and prominent voice in all aspects of the public policy process. Its primary focus is the identification and monitoring of key regulatory and legislative developments, and the communication of these to the wider business to determine whether to lead, drive, or support, on any external engagement activity.
- Zurich has membership in, and the Public Affairs Team works closely with, industry bodies such as the Association of British Insurers, Confederation of British Industry, and TheCityUK to ensure that Zurich is coordinated and effective in influencing the public policy agenda.

EAGLE STAR HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Stakeholder Relationships and Engagement (continued)

- The UK Public Affairs Team provides a weekly internal update on stakeholder engagement across the UK together with details of government consultations and inquiries of relevance to the Company.
- There are a wide range of initiatives and activities that we have been involved with engaging with society. A complete description of these activities can be found on www.zurich.co.uk/en/about-us/corporate-responsibility/workplace/diversity-and-inclusion.

Impact of operations on sustainability

The Head of Public Affairs also holds responsibility for Sustainability, which is at the centre of the Company, as part of the ZIG group's ambition to be known as one of the most responsible and impactful businesses in the world. The ZIG group aims to be a responsible and sustainable business supporting customers and communities and managing its own environmental, social and governance risks.

The ZIG group has designed a sustainability strategy and the UK has developed its own strategy which is structured on the three themes used by the ZIG group which comprise our internal definition of Sustainability – our 1.5 degree future (supporting the transition to a low carbon economy and managing climate risks); work sustainability (preparing for new ways of working and the skills and solutions needed); and confidence in a digital society (inciting customer resilience against cyber-attacks by enabling confidence in our use of their data).

Sustainability is growing in importance for many of Zurich's stakeholders and the organisations we do business with. The passing of the Social Value Act in 2012 has increased this demand and a number of Zurich's customers now require us to provide information about our corporate responsibility and sustainability activity and targets.

We measure our sustainability commitments thoroughly in order to ensure confidence in what we say we do, and these approaches are embedded throughout the organisation. There are a wide range of initiatives and activities that we have been involved with engaging with environmental issues. A complete description of these activities can be found on www.zurich.co.uk/news-and-insight/sustainability.

Going concern

At the time of signing of these financial statements, the aggression of the Russian government on Ukraine and the resulting war along with the sanctions subsequently imposed on Russia is having no significant impact on the company and its operations and it is not envisaged that this will do so in the 12 months from the date of approval of these financial statements.

On behalf of the Board



Name: Christopher Horne
Director

Date: 19 July 2022

EAGLE STAR HOLDINGS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year end 31 December 2021.

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 £100,000,000 were declared and paid during the year (2020: £86,000,000). The directors do not recommend the payment of a final dividend.

Subsequent events

On 27 June 2022, the company issued 50,105,000 ordinary shares for £1 each to the Parent Company for a consideration of £50,105,000. On the same date the company subscribed for 50,105,000 ordinary shares of £1 each in ZAL for a consideration of £50,105,000.

Directors

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

G D Jenkins
C Horne

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

Ernst & Young LLP ("EY") was appointed as external auditor for the company for the period commencing from 1 January 2021 and have expressed their willingness to accept reappointment.

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:

- 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.

EAGLE STAR HOLDINGS LIMITED

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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: Christopher Horne
Director

Date: 19 July 2022

EAGLE STAR HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED

Opinion

We have audited the financial statements of Eagle Star Holdings Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

EAGLE STAR HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard FRS 101 – Reduced Disclosure framework and the relevant direct tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption and General Data Protection Regulation ('GDPR').

EAGLE STAR HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EAGLE STAR HOLDINGS LIMITED

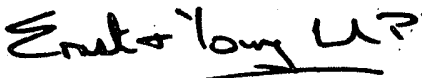
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how the Company is complying with those frameworks by making enquiries of management, those charged with governance, internal audit and those responsible for legal and compliance matters. We corroborated our enquiries through review of meeting minutes of the Board.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and management and as a result of our enquiries, management is not aware of any non-compliance with laws and regulations affecting the financial statements. Based upon our enquiries, we are not aware of any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We considered management's incentives and opportunities for fraudulent manipulation of the financial statements, including management override of controls, and determined that the principal risks were related to posting of manual topside journals to inflate reported results. We tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual manual transactions. We verified that the journals selected are supported, where appropriate, by appropriate source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Page (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Date: 20 July 2022

EAGLE STAR HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Income from shares in group undertakings	7	100,689	86,000
Amounts written off investments	8	(673)	(5)
Profit before taxation		100,016	85,995
Tax on profit	9	-	-
Profit and total comprehensive income for the financial year		<u>100,016</u>	<u>85,995</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 2021

	Note	2021 £'000	2020 £'000
Fixed Assets			
Investments	11	1,241,332	1,242,006
Current Assets			
Debtors	13	4,386	3,695
Creditors: Amounts Falling Due Within One Year			
Creditors	14	(1)	-
Net current assets		4,385	3,696
Total assets less current liabilities		1,245,717	1,245,701
Net assets		1,245,717	1,245,701
Equity			
Called up share capital	15	70,050	70,050
Capital reserve	16	75,000	75,000
Profit and loss account		1,100,667	1,100,651
Total equity		1,245,717	1,245,701

The financial statements on pages 9 to 21 were approved by the board of directors and authorised for issue on 19 July 2022 and are signed on its behalf by:



Name: Christopher Horne
Director

Company Registration No. 01416463

EAGLE STAR HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Capital reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	50	75,000	1,100,656	1,175,706
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	85,995	85,995
Issue of ordinary shares of £1 each	70,000	-	-	70,000
Dividends (see note 10)	-	-	(86,000)	(86,000)
Balance at 31 December 2020:	70,050	75,000	1,100,651	1,245,701
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	100,016	100,016
Dividends (see note 10)	-	-	(100,000)	(100,000)
Balance at 31 December 2021:	70,050	75,000	1,100,667	1,245,717

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policy information

Company information

Eagle Star Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in compliance with the Companies Act 2006.

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 and amendments 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 2021, 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 12 months from the date of approval of these financial statements. 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 for 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 2021

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 and intercompany loans.

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.

1.6 Taxation

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit can differ 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.

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.6 Taxation (continued)

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

The Company elected to adopt the following amendments early:

- IAS 1, IAS 8 and IFRS 2 Practice Statement
- Annual Improvements to IFRS Standards 2018-2020 Cycle

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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.

4 Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's respective auditor and associates:		
For audit services		
Audit of the financial statements of the Company	3	4
Audit of the financial statements of the Company's subsidiaries	739	869
	<u>742</u>	<u>873</u>
For other services		
Audit-related assurance services (Group)	180	361
Other services pursuant to legislation (e.g SII)	138	479
Other services (IFRS 17)	455	40
Total non-audit fees	<u>773</u>	<u>880</u>

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 and 2020 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, Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

6 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	-	139

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.

No directors (2020: 1 director) 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 was nil (2020: nil).

The number of directors who exercised share options during the year was nil (2020: nil).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was nil (2020: 1).

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	-	-
Accrued lump sum at the end of the year	-	-

In 2021 the highest paid director did not accrue benefits under a defined benefit scheme.

In 2021 the highest paid director did not accrue benefits under a defined contribution scheme.

In 2021 the highest paid director did not exercise options over shares in ZIG in the year.

In 2021 the highest paid director was a member of a long-term incentive scheme.

In 2021 the highest paid director had not 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 2021 and 2020 was borne by Zurich Employment Services Limited.

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Income from shares in group undertakings

	2021 £'000	2020 £'000
Dividends		
Zurich Assurance Ltd	100,000	86,000
Groveswood Property Holdings Ltd	689	-
	<u>100,689</u>	<u>86,000</u>

8 Amounts written off investments

	2021 £'000	2020 £'000
Impairments (see note 11)	(673)	(5)
	<u></u>	<u></u>

9 Tax on profit

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	-	-
	<u></u>	<u></u>
Total tax charge	<u>-</u>	<u>-</u>

It was announced in the Budget on 3 March 2021 that the corporation tax rate will increase to 25% with effect 1 April 2023. This was substantively enacted on 24 May 2021.

The charge for the year can be reconciled to the charge at the standard rate of taxation:

	2021 £'000	2020 £'000
Profit before taxation	100,016	85,996
	<u></u>	<u></u>
Expected tax charge/(credit) based on the corporation tax rate of 19% (2020: 19%)	19,003	16,339
Income not subject to tax	(19,131)	(16,340)
Impairment of subsidiary undertaking	128	1
	<u></u>	<u></u>
Taxation charge for the year	<u>-</u>	<u>-</u>

At 31 December 2021, the Company has unused tax losses of £13,405,208 (2020: £13,405,208) for which no deferred tax asset has been recognised.

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Dividends

	2021 per share	2020 per share	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders:				
Interim dividend paid	1,428	1,228	100,000	86,000

11 Investments

	Current		Non-current	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Investments in group undertakings	-	-	1,241,332	1,242,006

Fixed asset investments revalued

The original cost of the investments in group undertakings were £1,172,024,000 (2020: £1,172,024,000) and the cumulative impairment at the year-end was £691,000 (2020: £18,000).

The directors have considered the value of each of the Company's investments in group undertakings as at 31 December 2021 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet.

Additions

There were no additions during the year.

Disposals

There were disposals of £1,000 during the year relating to the sale of non-redeemable non-cumulative preference shares back to Grovewood Property Holdings Limited.

Impairment

The value of the Company's investments in Grovewood Property Holdings Ltd was impaired by £673,000.

	Shares in group undertakings £'000
Valuation	
At 1 January 2021	1,242,006
Disposals	(1)
Impairment	(673)
At 31 December 2021	1,241,332
Carrying Amount	
At 31 December 2021	1,241,332
At 31 December 2020	1,242,006

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Subsidiaries

Details of the Company's direct subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Country of Incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Eagle Star Group Services Limited	United Kingdom	100	100	Dormant
Groveswood Property Holdings Limited	United Kingdom	100	100	Ex gratia services
Zurich Assurance Ltd	United Kingdom	100	100	Life insurance

Details of the Company's indirect subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
Access Franchise Management Limited	United Kingdom	100	100	Franchise management company
Eagle Star (Leasing) Limited	United Kingdom	100	100	Property company
Eagle Star Holding Company of Ireland Unlimited Company	United Kingdom	100	100	Dormant
ES (Walsall) Nominee Limited	United Kingdom	100	100	Property management company
ES Dudley Nominee 1 Limited	United Kingdom	100	100	Property management company
ES Dudley Nominee 2 Limited	United Kingdom	100	100	Property management company

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Subsidiaries

(continued)

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
ES Plympton Nominee 1 Limited	United Kingdom	100	100	Property management company
ES Plympton Nominee 2 Limited	United Kingdom	100	100	Property management company
ES Ramsgate Nominee 1 Limited	United Kingdom	100	100	Property management company
ES Ramsgate Nominee 2 Limited	United Kingdom	100	100	Property management company
Graphene Capital Partners Limited	United Kingdom	100	100	Dormant
Hawkcentral Limited	United Kingdom	100	100	Dormant
Kennet Road 1 UK Limited	United Kingdom	100	100	Property management company
Kennet Road 2 UK Limited	United Kingdom	100	100	Property management company
Nearheath Limited	United Kingdom	100	100	Dormant
Plot 8B Buckingway Management Limited	United Kingdom	100	100	Property management company
Zurich Pension Trustees Limited	United Kingdom	100	100	Trustee company

EAGLE STAR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Subsidiaries

(continued)

Details of significant holdings held by direct subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking (%)	Nature of business
Cambridge Research Park Management Co Limited	United Kingdom	23	23	Real estate management
Plot 6 Buckingway Management Limited	United Kingdom	25	25	Property management
Rabone Park Management Company Limited	United Kingdom	42.76	42.76	Property management
The Parklands (Birmingham) Management Company Limited	United Kingdom	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:

- Eagle Star Estates Limited entered liquidation during March 2020 and was formally dissolved on 21 February 2021.
- Eagle Star Farms Limited entered liquidation during March 2020 and was formally dissolved on 12 May 2021.
- Eagle Star Group Holdings Limited entered liquidation during March 2020 and was formally dissolved on 7 April 2021.

13 Debtors

	2021 £'000	2020 £'000
Amounts owed by parent undertaking	4,386	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 2021 or 2020 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 2021

14 Creditors

	2021 £'000	2020 £'000
Amounts owed to group undertakings	(1)	-

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

15 Called up Share capital

	2021 £'000	2020 £'000
Ordinary share capital		
<i>Issued and fully paid</i>		
70,050,000 (2020: 70,050,000) ordinary shares of £1 each	70,050	70,050

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

	2021 £'000	2020 £'000
As at 31 December 2021	75,000	75,000

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 Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

The Company's ultimate parent company and ultimate controlling party is Zurich Insurance Group Ltd, which is incorporated in Switzerland. Zurich Insurance Group Ltd 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. Copies of the consolidated financial statements of Zurich Insurance Group Ltd can be obtained from the Secretary of that company at the following address:

Mythenquai 2
8002 Zurich
Switzerland

18 Subsequent events

On 27 June 2022, the company issued 50,105,000 ordinary shares for £1 each to the Parent Company for a consideration of £50,105,000. On the same date the company subscribed for 50,105,000 ordinary shares of £1 each in ZAL for a consideration of £50,105,000.