

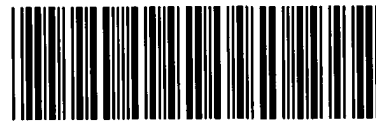
**ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**COMPANY REGISTRATION NUMBER 01860680**

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## **Zurich Financial Services (UKISA) Limited (company registration number 01860680)**

The directors present the strategic report, their report and the audited financial statements for Zurich Financial Services (UKISA) Limited ("the Company") for the year ended 31 December 2016.

### **STRATEGIC REPORT**

The principal activity of the Company is that of an investment holding company. The Company's main 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.

The results for the year are set out on page 6. The loss for the year before taxation amounted to £53.7m (2015: £183.1m profit before taxation). After taking taxation and distributions into account, the amount transferred from reserves was £80.1m (2015: £157.7m transferred to reserves).

The Company's 2016 loss before taxation mainly represents amounts written off fixed asset investments, interest payable on loans from fellow group undertakings and preference share payments.

At 31 December 2016, the Company had net assets of £2,119.4m (2015: £2,200.5m) representing principally the value of its investment in group undertakings and cash, net of amounts owed to subsidiary and group undertakings.

On 31 May 2016 the Company provided a loan of £61.5m to Zurich Insurance Company Ltd ("ZIC"), of which £46.5m matured on 10 June 2016, £9.0m on 20 July 2016 and £6.0m on 29 September 2016.

On 13 June 2016, the Company made a capital injection of £28.4m to Zurich Employment Services Limited ("ZES"), see note 11 for more details.

The Company made a capital contribution to Zurich Intermediary Group Limited ("ZIGL") of £15.7m on 30 June 2016 and a capital injection of £8.0m on 16 December 2016. The Company also made capital contributions to Sterling ISA Managers Limited ("SIML") of £10.0m on 26 July 2016, and £17.0m on 16 December 2016.

On 5 July 2016, Sackville Old Street Limited was formally dissolved resulting in the write-down of the Company's fixed asset investment to £nil, see note 11 for more details.

On 29 September 2016 the Company received a loan of £25.0m from ZIC which matures on 31 May 2017. On 1 December 2016 the Company received a loan of £23.0m from ZIC which matures on 31 May 2017. On 13 December 2016 the Company received a loan of £25.0m from ZIC which matures on 31 May 2017.

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, statement of comprehensive income, and balance sheet on pages 6 and 7.

The principal risks and uncertainties faced by the Company are mainly in respect of financial instruments. The Company's financial instruments and its exposure to the risks and uncertainties in respect of those financial instruments are summarised in note 12.

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

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

On behalf of the Board

Secretary



Name

A. Brown

For and on behalf of Zurich Corporate Secretary (UK) Limited

Date

17-8-2017

## **Zurich Financial Services (UKISA) Limited**

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

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

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The directors do not recommend the payment of a final dividend for the year (2015: £nil).

Preference share payments in respect of the non-redeemable cumulative preference shares totalling £17.6m (2015: £17.6m) were recognised in the year.

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#### **Subsequent Events**

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On 30 May 2017 the Company received a dividend of £139,000,000 from Eagle Star Holdings Limited.

On 13 June 2017 the Company provided a loan of £40,000,000 to ZIC, which will mature on 29 September 2017.

On 15 June 2017 the Company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28.4m.

During 2017, a review of the long term assumptions underlying the Market Consistent Embedded Value (MCEV) valuation of the UK Life and Pensions in force business resulted in a reduction in MCEV, partially offset by impacts from new business in 2017. These movements would reduce the value of the Company's investments in group undertakings below the amount at which they are stated in the balance sheet, resulting in an estimated impairment post year end in the region of £40m in respect of these changes.

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#### **Directors**

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The directors who held office during the year and up to the date of signing the financial statements are given below:

N.A. Freshwater	(Resigned 23 September 2016)
N.J. Evans	(Resigned 31 March 2016)
H.A. Pickford	(Appointed 1 April 2016)
J.B. Quin	(Appointed 23 September 2016)
G.P.J. Shaughnessy	(Resigned 1 January 2016)
J.F. Solberg	(Appointed 27 February 2017)
P. Sutton	
J.R. Sykes	(Appointed 1 January 2016; Resigned 23 September 2016)
J. Temes	
O.C. Tengtio	(Resigned 27 February 2017)
A. Torry	(Appointed 23 September 2016; Resigned 4 May 2017)

There have been no appointments or resignations, other than those listed above, between the end of the financial year and the date of signing these financial statements.

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

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#### **Financial Risk and Future Outlook**

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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 as permitted by section 414C(11) of the Companies Act 2006.

## **Zurich Financial Services (UKISA) Limited**

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

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

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The following statement sets out the responsibilities of the directors in relation to the financial statements of the Company. The report of the auditors shown on pages 4 and 5 sets out their responsibilities in relation to the financial statements.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

On behalf of the Board

Secretary

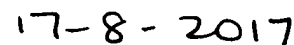


Name



For and on behalf of Zurich Corporate Secretary (UK) Limited

Date



## **Zurich Financial Services (UKISA) Limited**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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

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##### **Our opinion**

In our opinion Zurich Financial Services (UKISA) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss 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.

##### **What we have audited**

The financial statements, included within the Reports and Financial Statements, comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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#### **Other matters on which we are required to report by exception**

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##### **Adequacy of accounting records and information and explanations received**

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, 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Zurich Financial Services (UKISA) Limited**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH FINANCIAL SERVICES (UKISA) LIMITED (continued)**

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

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sue Morling (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date

17 August 2017

**Zurich Financial Services (UKISA) Limited****PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2016**

	Note	2016 £m	2015 £m
Income from Shares in Group Undertakings	2	-	235.7
Administrative Expenses		(2.5)	(3.7)
Operating (Loss) / Profit		(2.5)	232.0
Net Amounts Written Off Investments	11	(29.4)	(28.4)
(Loss) / Profit on Ordinary Activities Before Interest and Taxation		(31.9)	203.6
Interest Receivable and Similar Income	6	0.5	1.9
Interest Payable and Similar Charges	7	(4.7)	(4.8)
Preference Share Payments	8	(17.6)	(17.6)
(Loss) / Profit on Ordinary Activities Before Taxation		(53.7)	183.1
Tax on (Loss) / Profit on Ordinary Activities	10	7.3	8.3
(Loss) / Profit for the Financial Year		(46.4)	191.4

All amounts above are in respect of continuing operations.

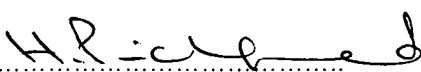
**STATEMENT OF COMPREHENSIVE INCOME****for the year ended 31 December 2016**

	Note	2016 £m	2015 £m
(Loss) / Profit for the Financial Year		(46.4)	191.4
Items that will not be reclassified to profit or loss:			
Losses Recognised on the Pension Scheme	16	(1.7)	(1.8)
Movement in Deferred Tax Relating to the Pension Scheme	16	0.2	0.2
Total Comprehensive (Expense) / Income for the Year		(47.9)	189.8

**Zurich Financial Services (UKISA) Limited****BALANCE SHEET****at 31 December 2016**

	Note	2016 £m	2015 £m
<u>Fixed Assets</u>			
<u>Investments:</u>			
Investments in Group Undertakings	11	2,425.6	2,385.8
Loans to Subsidiary Undertakings	12	7.0	7.0
		<u>2,432.6</u>	<u>2,392.8</u>
<u>Current Assets</u>			
<u>Debtors</u>			
Cash at Bank and in Hand	13	1.2	0.1
		<u>7.4</u>	<u>67.1</u>
		8.6	67.2
Creditors: Amounts Falling Due Within One Year	14	(87.8)	(25.5)
Net Current (Liabilities) / Assets		<u>(79.2)</u>	<u>41.7</u>
Total Assets Less Current Liabilities		2,353.4	2,434.5
Creditors: Amounts Falling Due After More Than One Year	15	(234.0)	(234.0)
Net Assets before Provisions for Employee Retirement Benefits		<u>2,119.4</u>	<u>2,200.5</u>
Provisions for Employee Retirement Benefits	16	-	-
Net Assets		<u>2,119.4</u>	<u>2,200.5</u>
<u>Capital and Reserves</u>			
Called Up Share Capital	17	1,492.1	1,492.1
Capital Reserve		190.0	190.0
Profit and Loss Account		(9.0)	72.6
Total Shareholder's Funds		<u>1,673.1</u>	<u>1,754.7</u>
Subordinated Loans Designated as Equity	18	446.3	445.8
Capital and Reserves Attributable to Equity Holders of the Company		<u>2,119.4</u>	<u>2,200.5</u>

The financial statements on pages 6 to 28 were approved by the Board on 17 August 2017 and were signed on its behalf by

Director 

Name H. PICKFORD



**Zurich Financial Services (UKISA) Limited****STATEMENT OF CHANGES IN EQUITY****for the year ended 31 December 2016**

	Called Up Share Capital £m	Capital Reserve £m	Profit & Loss Account £m	Total Shareholder's Funds £m
Opening Balance at 1 January 2015	1,492.1	190.0	(83.5)	1,598.6
Profit for the financial year	-	-	191.4	191.4
Distributions paid on subordinated loans classified as equity (see note 9)	-	-	(33.7)	(33.7)
Actuarial losses on pension scheme after tax	-	-	(1.6)	(1.6)
Balance at 31 December 2015	1,492.1	190.0	72.6	1,754.7
(Loss) for the financial year	-	-	(46.4)	(46.4)
Distributions paid on subordinated loans classified as equity (see note 9)	-	-	(33.7)	(33.7)
Actuarial losses on pension scheme after tax	-	-	(1.5)	(1.5)
Balance at 31 December 2016	1,492.1	190.0	(9.0)	1,673.1

Capital contributions that the Company receives from the Parent Company are shown in the capital reserve. The directors consider the capital reserve to be distributable.

## **Zurich Financial Services (UKISA) Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1. Accounting Policies**

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The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 ("the Act").

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 2016, 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.

##### **Summary of FRS 101 exemptions adopted**

FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards.

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).

##### **1.2 Pension Costs**

The Company acts as the principal employer for the Zurich Financial Services UK Pension Scheme ("Main Scheme"). The scheme comprises of two sections as follows.

## **Zurich Financial Services (UKISA) Limited**

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

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#### **1. Accounting Policies (continued)**

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##### **1.2 Pension Costs (continued)**

###### **ZPen Section**

The majority of active members in ZPen are employees of either ZES or Zurich UK General Services Limited ("ZUKGS"). In December 2008 ZES and ZUKGS agreed an allocation basis to apportion the underlying assets and liabilities and pension costs for the defined benefit scheme within ZPen, to be applied from 31 December 2008 onwards. As a result ZES and ZUKGS have applied defined benefit accounting in their respective accounts, effective from 31 December 2008. After 31 December 2015 the active ZPensionBuilder members became active ZCashBuilder members and with effect from that date these members are not accruing additional years within the ZPensionBuilder section, but do still retain the link to their final salary.

###### **ES Executives' Section**

The Company was previously the principal employer of the Zurich Financial Services UK (ES) Executives' Pension Scheme ("Executives' Scheme"). This scheme was transferred into a new ring fenced section of the Main Scheme on 28 April 2009. The former scheme was wound up in 2011.

The Company continues to apply defined benefit accounting to the ES Executives' Section (previously the Executives' Scheme), which has no active members. Under defined benefit pension accounting, the assets are valued at fair value using current bid prices and liabilities are measured on an actuarial basis using the projected unit method, discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent value and term to the scheme liabilities. An actuarial valuation is obtained at least triennially and updated at the balance sheet date.

Each section of the scheme has its own ring fenced rules, assets and liabilities. There is no cross subsidy between the sections.

There is a UK Pension Trustee Board, which is responsible for the governance of the Main Scheme. The ongoing funding of the ZPen and ES Executives' Sections is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Zurich Insurance Group Ltd.

##### **1.3 Dividends**

Dividends receivable from group undertakings are recognised in the year in which the dividends are paid.

##### **1.4 Current and Deferred Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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.

## **Zurich Financial Services (UKISA) Limited**

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

#### **1. Accounting Policies (continued)**

##### **1.4 Current and Deferred Taxation (continued)**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### **1.5 Fixed Asset Investments**

Investments in group undertakings are valued at cost, being deemed cost (the previous carrying amount at the date of transition to FRS 101) or, where there has been an impairment in value, at their recoverable amount being the higher of fair value less costs of disposal or value in use.

##### **1.6 Subordinated Loans Designated as Equity**

Subordinated loans classified as equity are initially included in the balance sheet at the value of consideration received, net of unamortised capitalised issue costs and thereafter stated at amortised cost using the effective interest method to allocate all cash flows over the expected life of the debt. The finance charge is recognised as an attribution from profit determined using the effective interest method.

##### **1.7 Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are expressed in Sterling at rates of exchange ruling at the year end. Transactions denominated in foreign currencies are recorded at the actual rate of exchange prevailing on the date of the transaction and any exchange differences are dealt with in the profit and loss account.

##### **1.8 Preference Shares**

The £160.0m non-redeemable cumulative preference shares issued by the Company on 19 December 2008 are classified within creditors: amounts falling due in more than one year in the Balance Sheet to reflect the contractual obligation to make cash payments.

##### **1.9 Interest Receivable**

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

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

	2016 £m	2015 £m
Dividends		
Eagle Star Holdings Limited	-	230.0
Zurich Finance (UK) plc	-	5.7
	-	235.7

## **Zurich Financial Services (UKISA) Limited**

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

#### **3. Auditors' Remuneration**

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

	2016 £000	2015 £000
Audit Services:		
Auditors' remuneration in respect of audit services	15	16
	<u>15</u>	<u>16</u>
Other Services:		
Audit of the Company's subsidiaries	1,637	1,604
Audit related assurance services	274	286
Other services not covered above	516	400
	<u>2,427</u>	<u>2,290</u>

#### **4. Employee Information**

Staff are not employed directly by the Company and accordingly the Company does not incur direct staff or pension costs. The pension costs of the Company relate to past employees of the Zurich Insurance Group Ltd ("ZIG") group. The costs of staff working for the Company in 2016 and 2015 have been borne by another group undertaking.

The principal disclosures in respect of these staff appear in the financial statements of ZES, copies of which can be obtained from The Secretary, Zurich Employment Services Limited, The Zurich Centre, 3000 Parkway, Whiteley, Fareham PO15 7JZ.

#### **5. Directors' Remuneration**

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

	2016 £m	2015 £m
Aggregate remuneration	0.8	1.0
Aggregate remuneration – highest paid director	0.6	1.0

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

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

**7 directors** (2015: 8 directors) were not paid in respect of their services as directors to the Company or any of its subsidiary undertakings.

## **Zurich Financial Services (UKISA) Limited**

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

#### **5. Directors' Remuneration (continued)**

Of the **3 directors** (2015: 1 director) who received remuneration in respect of their services to the Company or any of its subsidiary undertakings during the year:

- **2 directors** (2015: no director) accrued benefits under a defined contribution pension scheme, the associated pension costs of which are accounted for in ZES. The aggregate value of company contributions paid, or treated as paid, in respect of this defined contribution scheme for this director in the year was £18,074 (2015: £nil).
- **No director** (2015: no director) accrued benefits under a defined benefit pension scheme.
- **3 directors** (2015: 1 director) is a member of long-term incentive schemes.
- **1 director** (2015: no director) exercised options over shares in ZIG in the year.

The value of the highest paid director's accrued annual pension benefits at 31 December 2016 was £104,660 (2015: £nil). The highest paid director did not accrue benefits under a defined benefit scheme during the year (2015: did not accrue). The highest paid director did not accrue benefits under a defined contribution scheme during the year (2015: did not accrue). The aggregate value of company contributions paid, or treated as paid, in respect of that defined contribution scheme for that director in the year was £nil (2015: £nil). The highest paid director did not exercise options over shares in ZIG in the year (2015: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2015: was a member). The highest paid director has changed during the course of the year.

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

The directors' remuneration in 2016 and 2015 was borne by the respective subsidiary undertakings.

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

	2016 £m	2015 £m
Interest on loans to subsidiary undertakings	0.4	1.3
Interest on loans to fellow group companies	-	0.5
Interest receivable on cash at bank	0.1	0.1
	<u>0.5</u>	<u>1.9</u>

#### **7. Interest Payable and Similar Charges**

	2016 £m	2015 £m
Interest on loans from subsidiary undertakings	-	0.2
Interest on loans from fellow group companies	4.7	4.6
	<u>4.7</u>	<u>4.8</u>

#### **8. Preference Share Payments**

	2016 £m	2015 £m
<b>Accrued payments on preference shares</b>		
10.99% (2015: 10.99%) non-redeemable cumulative preference shares of £1 each	17.6	17.6

**Zurich Financial Services (UKISA) Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****9. Distribution for Interest Payable on Subordinated Loans Designated as Equity**

	2016 £m	2015 £m
Distribution on £450.0m subordinated loan at an effective interest rate of 7.56%	33.7	33.7

**10. Tax on (Loss) / Profit on Ordinary Activities****Tax income included in the profit and loss account**

	2016 £m	2015 £m
Current Tax:		
- UK corporation tax on (loss)/profit for the year	(7.5)	(8.5)
Total Current Tax	<u>(7.5)</u>	<u>(8.5)</u>
Deferred Tax:		
- Origination and reversal of timing differences	0.3	0.3
- Impact of change in tax rate	(0.1)	(0.1)
Total Deferred Tax	<u>0.2</u>	<u>0.2</u>
Tax on Loss on Ordinary Activities	<u>(7.3)</u>	<u>(8.3)</u>

**Tax expense included in other comprehensive income**

	2016 £m	2015 £m
Deferred Tax:		
- Origination and reversal of timing differences	(0.3)	(0.3)
- Impact of change in tax rate	0.1	0.1
Total tax expense included in other comprehensive income	<u>(0.2)</u>	<u>(0.2)</u>

## **Zurich Financial Services (UKISA) Limited**

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

#### **10. Tax on Profit on Ordinary Activities (continued)**

The tax credit for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £m	2015 £m
(Loss)/Profit on Ordinary Activities Before Taxation	(53.7)	183.1
(Loss)/Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(10.7)	37.1
Effects of:		
- Dividend income not taxable	-	(47.7)
- Preference share payments not deductible for tax purposes	3.5	3.6
- Other income not taxable	(0.4)	(0.4)
- Expenses not deductible for tax purposes	5.9	5.7
- Interest payments deductible for tax purposes	(6.8)	(6.8)
- Re-measurement of deferred tax – pension scheme	0.2	0.2
- Tax losses not recognised / losses surrendered for no consideration	1.0	-
Tax credit for the year	<u>(7.3)</u>	<u>(8.3)</u>

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% with effect from 1 April 2015.

Further reductions to the UK corporation tax rates were substantively enacted as part of the Finance No.2 Act 2015 on 26 October 2015 and the Finance Act 2016 on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

#### **11. Investments in Group Undertakings**

	2016 £m	2015 £m
Shares in group undertakings	<u>2,425.6</u>	<u>2,385.8</u>
Cost	<u>2,484.5</u>	<u>2,415.4</u>

The subsidiary undertakings of the Company as at 31 December 2016 are set out in note 19.

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2016 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet.

The movement in the year comprises:

	2016 £m
Opening balance at 1 January	2,385.8
Additions	79.1
Disposals	(9.9)
Impairments	(29.4)
Closing balance at 31 December	<u>2,425.6</u>



## **Zurich Financial Services (UKISA) Limited**

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

#### **11. Investments in Group Undertakings (continued)**

##### Additions

On 13 June 2016, the Company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28.4m.

During the year, the Company made capital contributions of £15.7m on 30 June 2016 to ZIGL and, £10.0m on 26 July and £17.0m on 16 December to SIML.

On 16 December 2016, the Company subscribed for 8,000,000 ordinary shares of £1.00 each in ZIGL for a consideration of £8.0m.

##### Disposals

On 5 July 2016 Sackville Old Street was formally dissolved and the investment written down to £nil. A first and final distribution was made on 18 February 2016 of £9.9m which was used to settle the intercompany creditor balance at that date.

##### Impairments

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

	2016 £m	2015 £m
Zurich Employment Services Limited	28.4	28.4
Allied Dunbar Assurance Limited	1.0	-
	<u>29.4</u>	<u>28.4</u>

#### **12. Financial Instruments and Financial Risk**

At 31 December 2016, the Company had the following financial assets:

Loans to subsidiary undertakings shown in the table below.

	2016 £m	2016 Interest Rate	2016 Maturity Date	2015 £m	2015 Interest Rate	2015 Maturity Date
<b>Variable interest lending</b>						
Sterling ISA Managers Limited	5.0	3.07%	undated	5.0	2.98%	undated
Total variable interest lending	<u>5.0</u>			<u>5.0</u>		
	2016 £m	2016 Interest Rate	2016 Maturity Date	2015 £m	2015 Interest Rate	2015 Maturity Date
<b>Fixed interest lending</b>						
Sterling ISA Managers Limited	2.0	9.43%	Undated	2.0	9.43%	undated
Total fixed interest lending	<u>2.0</u>			<u>2.0</u>		
Total loans to subsidiary undertakings	<u>7.0</u>			<u>7.0</u>		

## **Zurich Financial Services (UKISA) Limited**

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

#### **12. Financial Instruments and Financial Risk (continued)**

At 31 December 2016, the Company had the following financial liabilities:

£73m (2015: £nil) of senior loans, £74.0m (2015: £74.0m) of subordinated loans and £160.0m (2015: £160.0m) of non-redeemable preference shares shown in the table below.

	2016 £m	2016 Fixed Interest Rate	2016 Maturity Date	2015 £m	2015 Fixed Interest Rate	2015 Maturity Date
Amounts owed to fellow group undertakings:						
Senior loans	25.0	0.8451%	31 May 17	-	-	-
Amounts owed to fellow group undertakings:						
Senior loans	23.0	0.7802%	31 May 17	-	-	-
Amounts owed to fellow group undertakings:						
Senior loans	25.0	0.7919%	31 May 17	-	-	-
Amounts owed to fellow group undertakings:						
Subordinated loans	74.0	6.22%	30 Jun 20	74.0	6.22%	30 Jun 20
Non-Redeemable Cumulative Preference Shares	160.0	10.99%	undated	160.0	10.99%	undated
	<u>307.0</u>			<u>234.0</u>		

At 31 December 2016, in addition to the above fixed interest borrowings, the Company owed £5.3m (2015: £14.9m) to subsidiary undertakings and £9.4m (2015: £9.2m) to fellow group undertakings for accrued interest and other trading balances.

Trading balances with group undertakings are unsecured, interest free and have no fixed date of repayment.

The Company's finances are actively managed to ensure that sufficient funds are available to meet liabilities as they fall due, thus mitigating any liquidity risk that the Company faces. As the financial instruments are Sterling denominated and predominantly have a fixed interest rate (LIBOR on the date of the agreement, plus a margin), they carry no exchange rate risk or interest rate risk on cash flows, apart from a small exchange rate risk on the settlement of Swiss Franc denominated invoices to group undertakings.

The Company has access to a \$1.3bn credit facility as part of a \$3.2bn credit facility provided to the ZIG group.

#### **13. Debtors**

	2016 £m	2015 £m
Corporation tax recoverable	1.2	-
Other debtors	-	0.1
	<u>1.2</u>	<u>0.1</u>

## **Zurich Financial Services (UKISA) Limited**

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

#### **14. Creditors: Amounts Falling Due Within One Year**

	2016	2015
	£m	£m
Amounts owed to subsidiary undertakings (see note 12)	5.3	14.9
Amounts owed to fellow group undertakings (see note 12)	82.4	9.2
Corporation Tax payable	-	1.3
Other creditors	0.1	0.1
	<u>87.8</u>	<u>25.5</u>

Included within amounts owed to fellow group undertakings in 2016 are loans to the value of £73.0m from ZIC.

#### **15. Creditors: Amounts Falling Due After More Than One Year**

	2016	2015
	£m	£m
Amounts owed to fellow group undertakings (see note 12):		
Subordinated Loan	74.0	74.0
10.99% (2015: 10.99%) non-redeemable cumulative preference shares of £1 each	160.0	160.0
	<u>234.0</u>	<u>234.0</u>

On 23 May 2011, the Company entered into a Subordinated Loan Agreement with Zurich Finance (Luxembourg) S.A. The outstanding loan amount of £74.0m (2015: £74.0m) matures on 30 June 2020 and interest is charged on the outstanding amount at 6.22% (2015: 6.22%).

Holders of the non-redeemable cumulative preference shares are not entitled to receive notice of general meetings nor entitled to attend or vote at such meetings. The holders of the non-redeemable cumulative preference shares shall not be entitled to participate further in the profits of the Company.

Should the Company have insufficient reserves available for distribution, the Company is prohibited from paying dividends. When distributable reserves become available, the non-redeemable cumulative preference dividends are cumulative as to prior years, shall be payable in priority to any other dividend and are recognised in the Profit and Loss Account accordingly.

#### **16. Pensions and Post-Retirement Benefits**

The Company acts as the principal employer for the Zurich Financial Services UK Pension Scheme ("Main Scheme"). On 28 April 2009 the previous two defined benefit pension schemes, the Main Scheme and the Executives' Scheme, were restructured to create two sections of the Main Scheme: the ZPen Section and the ES Executives' Section. The ZPen Section includes the members that existed in the Main Scheme as of 28 April 2009. The ES Executives' Section consists of the former Executives' Scheme, which was transferred in to a new ring fenced section of the Main Scheme on 28 April 2009.

##### **ZPen Section**

In December 2008 ZES and ZUKGS agreed an allocation basis to apportion the underlying scheme assets and liabilities and deficit reduction contributions for the defined benefit scheme within the ZPen Section, to be applied from 31 December 2008 onwards.

Further information may be found in the annual financial statements of these companies.

## **Zurich Financial Services (UKISA) Limited**

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

#### **16. Pensions and Post-Retirement Benefits (continued)**

##### **ES Executives' Section**

The Company continues to apply defined benefit accounting in respect of the pension scheme arrangements of the ES Executives' Section. The date of the last full actuarial valuation of the ES Executives' Section was 30 June 2013, although the values for the scheme's assets and liabilities are based on updated information provided at 31 December 2016. The valuation of the scheme is carried out by Independent Actuaries. The assets are held separately from those of the Company in independently administered funds. There are no active members in the ES Executives' Section.

Principal actuarial assumptions are as follows:

	2016	2015
Rate of increase for pensions in payment	3.4%	3.3%
Discount rate	2.5%	3.6%
Rate of inflation - RPI	3.3%	3.0%
Rate of inflation - CPI	2.3%	2.0%

Mortality rates are based on the standard tables, 85% of PNMA00 for males and 85% of PNFA00 for females. Mortality improvements are allowed through the use of the CMI core projection model issued in 2015, with projections applicable to individual members' year of birth with a long-term rate of improvement of 1%.

##### **Reconciliation of present value of Scheme liabilities**

	2016 £m	2015 £m
Opening balance at 1 January	(159.1)	(171.7)
Current service cost	-	-
Interest cost	(5.2)	(5.9)
Benefits paid	8.0	8.1
Actuarial experience (losses)/gains	(1.5)	0.6
Actuarial gains arising from changes in demographic assumptions	1.5	3.6
Actuarial (losses)/gains arising from changes in financial assumptions	(30.9)	6.2
Closing balance at 31 December	(187.2)	(159.1)

##### **Sensitivity analysis of Scheme liabilities**

	% Change in assumption	Impact on scheme liabilities
Discount	1% decrease	£0.6m increase
Inflation	1% decrease	£0.2m decrease
Life expectancy	10% increase	£28.3m increase

To illustrate the sensitivity analysis above, a 1% decrease in the discount rate leads to a revised rate of 2.4552%, a reduction of 2.5 basis points.

The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the defined benefit obligation.

## Zurich Financial Services (UKISA) Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 16. Pensions and Post-Retirement Benefits (continued)

##### Reconciliation of fair value of scheme assets

	2016 £m	2015 £m
Opening balance at 1 January	170.1	172.5
Expected return on scheme assets	5.2	5.9
Benefits paid	(8.0)	(8.1)
Employer contributions	1.7	1.8
Actuarial gains/(losses)	27.8	(2.0)
Closing balance at 31 December	196.8	170.1

Scheme assets do not include any investments in group companies nor any property occupied by the ZIG group.

The expected rate of return on scheme assets is determined by using the discount rate at the beginning of the year.

The actual return on scheme assets in the year was a gain of £33.0m (2015: £3.9m).

The fair value of the scheme's assets were:

	2016				2015			
	Quoted in active markets <sup>1</sup>	Other <sup>2</sup>	Total	% of Total	Quoted in active markets <sup>1</sup>	Other <sup>2</sup>	Total	% of Total
	£m	£m	£m		£m	£m	£m	
Equity securities	4.0	28.0	32.0	16.3	3.0	23.2	26.2	15.4
Debt securities	-	157.8	157.8	80.2	-	136.2	136.2	80.1
Real estate	-	6.1	6.1	3.1	-	6.8	6.8	4.0
Cash and cash equivalents	0.9	-	0.9	0.4	0.9	-	0.9	0.5
Total market value of assets	4.9	191.9	196.8		3.9	166.2	170.1	

<sup>1</sup>Level 1 assets

<sup>2</sup>Level 2 and 3 assets

Level 1 assets includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 assets includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 assets includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

## **Zurich Financial Services (UKISA) Limited**

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

#### **16. Pensions and Post-Retirement Benefits (continued)**

The assets of the scheme reported in the Company were:

	2016 £m	2015 £m
Defined benefit obligation	(187.2)	(159.1)
Plan assets	196.8	170.1
Surplus	9.6	11.0
Recognition of asset ceiling	(9.6)	(11.0)
Reported in balance sheet	-	-

In accordance with the terms of the scheme, the asset ceiling has been applied as any surplus funds will not revert to the Company.

Analysis of amounts reported in the profit and loss is as follows:

	2016 £m	2015 £m
Interest Cost	5.2	5.9
Expected return on plan assets	(5.2)	(5.9)
Reported in profit and loss account	-	-

The amount reported in the profit and loss account in 2016 and 2015 is included within interest payable and similar charges, other finance charges (see note 7).

#### **Actuarial Gains and Losses**

Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income:

	2016 £m	2015 £m
Actuarial losses	(11.2)	(9.5)
Deferred tax on actuarial losses	1.9	1.7
	(9.3)	(7.8)

#### **Actuarial valuation**

The last full valuation at 30 June 2013 showed a deficit of £8.2m, as a consequence of which, and following agreement in August 2014, the Company agreed to make contributions under the Recovery Plan of £1.7 million per annum until 31 December 2018 and £0.9 million in the calendar year 2019, to be paid to the Scheme on or before 30 June in each calendar year to which the payment relates. This agreement replaced the previous Deficit Reduction Plan. The valuation at 30 June 2016 is underway, with the results expected by July 2017.

## **Zurich Financial Services (UKISA) Limited**

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

#### **16. Pensions and Post-Retirement Benefits (continued)**

##### Total amount recognised in the statement of comprehensive income – movements

	2016 £m	2015 £m
Experience adjustment on plan assets	27.8	(2.0)
Actuarial experience (losses) / gains	(1.5)	0.6
Actuarial gains arising from changes in demographic assumptions	1.5	3.6
Actuarial (losses) / gains arising from changes in financial assumptions	(30.9)	6.2
Movement in recognition of asset ceiling	1.4	(10.2)
Amount recognised in the statement of comprehensive income	(1.7)	(1.8)
Related deferred tax recognised in the statement of comprehensive income	0.2	0.2
	(1.5)	(1.6)

##### Analysis of amounts reported in balance sheet is as follows:

	2016 £m	2015 £m
Pension scheme deficit	-	-
Deferred tax asset	-	-
Reported in balance sheet	-	-

At 31 December 2016, as a result of the enacted changes in the corporation tax rate to 20% with effect from 1 April 2015, deferred tax balances have been calculated at 17% (2015: 18%) on the basis that materially all timing differences are expected to reverse at that rate.

#### **17. Called Up Share Capital**

	2016 £m	2015 £m
Allotted, issued and fully paid: 1,492,139,000 (2015: 1,492,139,000) Ordinary shares of £1 each	1,492.1	1,492.1

#### **18. Subordinated Loans Designated as Equity**

	2016 £m	2015 £m
Subordinated Loans Designated as Equity	446.3	445.8

On 2 October 2003 a former subsidiary company, ZFUK, issued £450.0m 6.625% undated subordinated guaranteed bonds. The proceeds, after the deduction of £8.1m in respect of costs associated with the issue, were loaned, in the form of an undated subordinated loan to the Company at an interest rate of 7.375%.

The loan is subordinated such that, in the event of a winding-up of the Company, there shall be payable in such winding-up on the undated subordinated loan, subject to and after the claims of all creditors and prior to any payments to holders of debt that is expressly designated as ranking junior to the undated subordinated loans, or holders of issued shares at such time in the Company, an amount equal to the principal amount of such undated subordinated loan together with interest which has accrued up to, but excluding, the date of repayment.

The undated subordinated loan has been classified as equity because the terms of the agreement mean that the loan is undated and interest can be deferred indefinitely by the Company.

## **Zurich Financial Services (UKISA) Limited**

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

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#### **18. Subordinated Loans Designated as Equity (continued)**

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The issue costs on the £450.0m loan are amortised using the effective interest method to allocate all cash flows over the amortisation period, which is the 18 years ending on the interest rate reset date of 2 October 2022. An effective interest rate of 7.56% (2015: 7.56%) was used for the calculation of the amortisation on the loan.

At 31 December 2016, the fair value of the undated subordinated loan was £517.9m (2015: £514.4m). This has been calculated as the present value of future cash flows using a discount rate of 4.20% (2015: 4.70%).

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#### **19. Related Parties**

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a) Ultimate Parent Company

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 accounts 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 accounts 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

The Company's immediate parent company is Allied Zurich Holdings Limited.

b) Related Party balances

No contract of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under IAS 24.

During the year the Company made contributions under the Recovery Plan of £1.7m to the ES Executives' Section of the Main Scheme.



## **Zurich Financial Services (UKISA) Limited**

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

#### **19. Related Parties (continued)**

##### c) Subsidiary Undertakings

The following are the Company's subsidiary undertakings at 31 December 2016.

	<b>Class of Share Capital</b>	<b>Percentage of nominal value held by the Company</b>	<b>Percentage of nominal value held by subsidiary undertakings</b>
Allied Dunbar Assurance plc*	Ordinary	100	
Concourse Skelmersdale Limited	Ordinary	100	
Eagle Star Holdings Limited*	Ordinary	100	
Eagle Star Executives Pension Trustee Limited*	Ordinary	100	
Sterling ISA Managers Limited*	Ordinary	100	
Zurich Employment Services Limited*	Ordinary	100	
Zurich Financial Services (Channel Islands) Limited	Ordinary	100	
Zurich Financial Services UK Pension Trustee Limited*	Ordinary	99	
Zurich Financial Services (UKISA) Group Services Limited*	Ordinary	100	
Zurich Financial Services (UKISA) Nominees Limited*	Ordinary	100	
Zurich Intermediary Group Limited*	Ordinary	100	
50 Brook Green Management Company Limited	Ordinary		80
Access Franchise Management Limited*	Ordinary		100
Access Franchise Management Limited*	Deferred		100
Albert Road 1 UK Limited**	Ordinary		100
Albert Road 2 UK Limited**	Ordinary		100
Allied Dunbar Asset Management Limited*	Ordinary		99.9
Allied Dunbar Financial Services Limited*	Ordinary		100
Allied Dunbar Healthcare Marketing Limited*	Ordinary		100
Allied Dunbar Property Services Limited*	Deferred		100
Allied Dunbar Property Services Limited*	Ordinary		100
Allied Dunbar Provident plc*	Ordinary		100
Community Trust Services Limited*	Ordinary		100
Dunbar Sports and Social Club Limited*	Ordinary		100
Eagle Star (Leasing) Limited*	Ordinary		100
Eagle Star (Malta) Limited	Ordinary		99.996
Eagle Star Computer Services Limited*	Ordinary		100
Eagle Star Estates Limited*	Ordinary		100
Eagle Star Farms Limited*	Ordinary		100
Eagle Star Forests Limited*	Ordinary		100
Eagle Star Group Holdings Limited*	Ordinary		100
Eagle Star Group Services Limited*	Ordinary		100
Eagle Star Holding Company of Ireland Unlimited Company	Ordinary		100

**Zurich Financial Services (UKISA) Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****19. Related Parties (continued)**

## c) Subsidiary Undertakings (continued)

	<b>Class of Share Capital</b>	<b>Percentage of nominal value held by the Company</b>	<b>Percentage of nominal value held by subsidiary undertakings</b>
Eagle Star Loans Limited*	Ordinary		100
Eagle Star Mortgages Limited*	Ordinary		100
Employee Services Limited*	Ordinary		100
ES (Leeds) Nominee Limited**	Ordinary		100
ES (Walsall) Nominee Limited**	Ordinary		100
ES Camberley Nominee 1 Limited**	Ordinary		100
ES Camberley Nominee 2 Limited**	Ordinary		100
ES Cannock Nominee 1 Limited**	Ordinary		100
ES Cannock Nominee 2 Limited**	Ordinary		100
ES Coventry Nominee 1 Limited**	Ordinary		100
ES Coventry Nominee 2 Limited**	Ordinary		100
ES Dudley Nominee 1 Limited**	Ordinary		100
ES Dudley Nominee 2 Limited**	Ordinary		100
ES Hoddesdon Nominee 1 Limited**	Ordinary		100
ES Hoddesdon Nominee 2 Limited**	Ordinary		100
ES Plympton Nominee 1 Limited**	Ordinary		100
ES Plympton Nominee 2 Limited**	Ordinary		100
ES Ramsgate Nominee 1 Limited**	Ordinary		100
ES Ramsgate Nominee 2 Limited**	Ordinary		100
Graphene Capital Partners Limited*	Ordinary		100
Groewood Engineering Limited*	Ordinary		100
Groewood Property Holdings Limited*	Ordinary		100
Groewood Property Holdings Limited*	Preference		100
Hawkcentral Limited*	Ordinary		100
Ipsley Street 1 UK Limited**	Ordinary		100
Ipsley Street 2 UK Limited **	Ordinary		100
Kennet Road 1 UK Limited**	Ordinary		100
Kennet Road 2 UK Limited**	Ordinary		100
Logobrook Limited*	Ordinary		100
Mentionland Limited*	Ordinary		100
Meritclass Investments Limited*	Ordinary		100
Plot 8B Buckingway Management Limited	Ordinary		100
Nearheath Limited*	Ordinary		100
Sterling ISA Managers (Nominees) Limited*	Ordinary		100
Zurich Advice Network Limited*	Ordinary		100
Zurich Assurance Ltd*	Ordinary		100
Zurich Assurance (2004) Limited*	Ordinary		100
Zurich Computer Services Limited*	Ordinary		100
Zurich Financial Management Limited*	Ordinary		100
Zurich Group Pension Services (UK) Limited*	Ordinary		100
Zurich Independent Wealth Management Limited*	Ordinary		100
Zurich International Solutions Limited*	Ordinary		100

## **Zurich Financial Services (UKISA) Limited**

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

#### **19. Related Parties (continued)**

##### **c) Subsidiary Undertakings (continued)**

	<b>Class of Share Capital</b>	<b>Percentage of nominal value held by the Company</b>	<b>Percentage of nominal value held by subsidiary undertakings</b>
Zurich Leisure Services Limited*	Ordinary		100
Zurich Pensions Management Limited*	Ordinary		100
Zurich Pension Trustees Limited*	Ordinary		100
Zurich Training and Development Services Limited*	Ordinary		100
Zurich Trustee Company (UK) Limited*	Ordinary		100

##### **d) Significant holdings in undertakings other than subsidiary undertakings**

	<b>Class of Share Capital</b>	<b>Percentage of nominal value held by the Company</b>	<b>Percentage of nominal value held by subsidiary undertakings</b>
Cambridge Research Park Management Co Limited	Ordinary		23
Dukes Green Property Management Limited	Ordinary		46
Interface Solihull Management Limited	Ordinary		29
Northampton Business Park Management Limited	Ordinary		23
Plot 6 Buckingway Management Limited	Ordinary		25
Rabone Park Management Company Limited	Ordinary		43
The Parklands (Birmingham) Management Company Limited	Ordinary		30.56
Wrexham Services Limited	Ordinary		33.3

The above companies listed in sections c and d are registered or incorporated in England and Wales with the exception of:

- Zurich Financial Services (Channel Islands) Limited, which is incorporated in Jersey.
- Eagle Star Holding Company of Ireland Unlimited Company, which is incorporated in the Republic of Ireland.
- Eagle Star (Malta) Limited, which is incorporated in Malta.

The above companies listed in sections c and d are registered at the following addresses:

\* The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX

\*\* 100 Barbirolli Square, Manchester, Lancashire, M2 3AB

## **Zurich Financial Services (UKISA) Limited**

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

#### **19. Related Parties (continued)**

The following companies registered addresses are:

<b>Company</b>	<b>Registered Address</b>
50 Brook Green Management Company Limited	125 London Wall, London, EC2Y 5AL
Cambridge Research Park Management Co Limited	2nd Floor 45 King William Street, London, England, EC4R 9AN
Concourse Skelmersdale Limited	Cannon Place, Cannon Square, London, EC4N 6AG
Dukes Green Property Management Limited	1 Colmore Square, Birmingham, B4 6AJ
Eagle Star (Malta) Limited	4 <sup>th</sup> Floor, Kingsway Palace, Republic Street, Valletta, Malta
Eagle Star Holding Company of Ireland Unlimited Company	Zurich House, Frascati Road, Blackrock, Co Dublin, Ireland
Interface Solihull Management Limited	10 Wrens Court, 48 Victoria Road, Sutton Coldfield, West Midlands, B72 1SY
Northampton Business Park Management Limited	350 Pavilion Drive, Northampton Business Park, Northampton, United Kingdom, NN4 7YQ
Plot 6 Buckingway Management Limited	4 More, London Riverside, London, SE1 2AU
Plot 8B Buckingway Management Limited	1 <sup>st</sup> Floor, 40 Dukes Place, London, EC3A 7NH
Rabone Park Management Company Limited	10 Wrens Court, 48 Victoria Road, Sutton Coldfield, West Midlands, England, B72 1SY
The Parklands (Birmingham) Management Company Limited	Redrow House, St. Davids Park, Ewloe, Deeside, Clwyd, CH5 3RX
Wrexham Services Limited	125 London Wall, London, EC2Y 5AL
Zurich Financial Services (Channel Islands) Limited	12 Castle Street, St. Helier, Jersey, JE2 3RT

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

There has been no change in the 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:

- Uxbridge Business Park Management Limited. All shares were transferred to the purchaser of the related property during 2016.
- Wrexham Services Limited. All shares were transferred to the purchaser of the related property during January 2017.
- Societe Continentale D'Investissement Immobilier, which was incorporated in France, was removed from the Commercial Register in France on 29 February 2016, following the company's liquidation.
- Sackville Old Street Limited. This company was formally dissolved on 5 July 2016.

## **Zurich Financial Services (UKISA) Limited**

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

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#### **20. Subsequent Events**

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On 30 May 2017 the Company received a dividend of £139,000,000 from Eagle Star Holdings Limited.

On 13 June 2017 the Company provided a loan of £40,000,000 to ZIC, which will mature on 29 September 2017.

On 15 June 2017 the Company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28.4m.

During 2017, a review of the long term assumptions underlying the Market Consistent Embedded Value (MCEV) valuation of the UK Life and Pensions in force business resulted in a reduction in MCEV, partially offset by impacts from new business in 2017. These movements would reduce the value of the Company's investments in group undertakings below the amount at which they are stated in the balance sheet, resulting in an estimated impairment post year end in the region of £40m in respect of these changes.