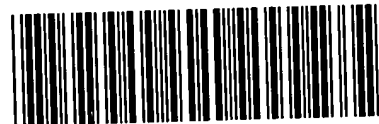


Company Registration No. 01860680 (England and Wales)

**ZURICH FINANCIAL SERVICES (UKISA) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	S M Collinson T R Naidu H A Pickford J F Solberg J Temes	(Appointed 30 September 2018)
<b>Secretary</b>	Zurich Corporate Secretary (UK) Limited	
<b>Company number</b>	01860680	
<b>Registered office</b>	The Grange Bishops Cleeve Cheltenham Gloucestershire GL52 8XX	
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR	

# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present the strategic report and the audited financial statements for the year ended 31 December 2018.

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

The principal activity of Zurich Financial Services (UKISA) Limited ("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 England and Wales. The registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

On 23 March 2018, the Company entered into a Deed of Guarantee with Endsleigh Pension Trustee Limited to irrevocably and unconditionally guarantee the payment of any present and future obligations under the scheme of contributions by EFS Financial Services Limited.

On 26 March 2018, the company entered into a Deed of Indemnity with Endsleigh Pension Trustee Limited in relation to the Endsleigh Insurance Services Limited Pension and Assurance Scheme.

On 29 March 2018, the company entered into a Funding Agreement with Zurich Financial Services UK Pension Trustee Limited to procure that Zurich Employment Services Limited shall make annual payments to the Zurich Financial Services UK Pension Scheme per the agreed mitigation payments schedule.

On 20 April 2018, the company received a loan of £5,000,000 from Zurich Insurance Company Ltd ("ZIC") at an interest rate of 0.77230% with a maturity date of 29 June 2018. This loan was repaid, together with accrued interest of £7,406 and immediately replaced with a new loan of £5,000,000 from ZIC at an interest rate of 0.79780% with a maturity date of 28 September 2018. On 28 September 2018, the £5,000,000 loan was repaid together with interest of £9,945.

On 23 April 2018 the company subscribed for 500,000,000 ordinary shares of £0.01 each in Zurich Employment Services Ltd ("ZES") for a consideration of £5m.

On 24 May 2018 the company subscribed for 837,168 "B" ordinary shares of £1 each in EFS Financial Services Limited for a consideration of £837,168.

On 31 May 2018, the company received a loan of £12,000,000 from ZIC at an interest rate of 0.78650% with a maturity date of 28 September 2018. On the same date the previous loan of £12,000,000 from ZIC, together with accrued interest, was repaid. On 28 September 2018, the £12,000,000 loan was repaid together with interest of £31,029.

On 14 June 2018, the company received a loan of £31,000,000 from ZIC at an interest rate of 0.77640% with a maturity date of 28 September 2018. This was repaid with interest of £69,897 on 28 September 2018.

On 15 June 2018, the company subscribed for 1,674,336 "B" ordinary shares of £1 each in EFS for a consideration of £1,674,336.

On 15 June 2018 the company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.32.

On 20 September 2018, the company completed a capital restructure pursuant to s642 Companies Act 2006 by cancelling and extinguishing 492,000,000 ordinary shares of £1 each and transferring this to the Profit and Loss Account. As a result of this transaction, the company was in a position to pay interim dividends totalling £160,000,000 to Allied Zurich Holdings Limited (the "parent company").

On 20 September 2018, the company received a dividend of £150,000,000 from Eagle Star Holdings Limited ("ESH").

On 29 September 2018, the company received a dividend of £35,746 from Zurich Financial Services (Channel Islands) Limited ("ZFS CI") which was settled via the intercompany account.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2018**

### Review of the business

(continued)

On 5 November 2018, the company received a dividend of £10,000,000 from Sterling ISA Managers Ltd ("SIML").

On 23 November 2018, the company received a dividend of £100,000,000 from Eagle Star Holdings Limited ("ESH").

On 30 November 2018, the uncommitted and committed Bilateral Credit Facilities, entered into on 30 November 2017, under which the company has a total borrowing limit of \$1.36bn, being \$1.12bn committed and \$0.24bn uncommitted, were extended and the maturity of the facilities reset to the initial 5 year tenor per the facility agreement.

### Key Performance Indicators

The loss for the year before taxation amounted to £126.1m (2017: profit of £20.1m). After taking taxation and distributions paid on subordinated loans into account, the amount transferred from reserves was £151.3 m (2017: £8.5m).

The company's 2018 loss before taxation mainly represents income from shares in group undertakings, offset by amounts written off fixed asset investments, interest payable on loans from fellow group undertakings and preference share payments.

At 31 December 2018, the company had net assets of £1,800.7m (2017: £2,111.4m) representing principally the value of its investment in group undertakings and cash, net of amounts owed to subsidiary and group undertakings.

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, statement of comprehensive income account and balance sheet on pages 8, 9 and 10.

### Future Outlook

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

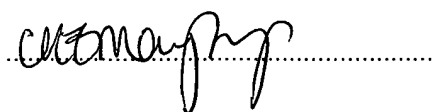
### Principal Risks and Uncertainties

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 15.

### Going concern

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.

By order of the Board



Name: CHARLOTTE MAUBURY  
Zurich Corporate Secretary (UK) Limited  
Secretary

Date: 27 JUNE 2019

# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report and financial statements for the year ended 31 December 2018.

#### **Results and dividends**

The results for the year are set out on pages 8 and 9.

Ordinary dividends totalling £160,000,000 were declared and paid during the year (2017: nil). The directors do not recommend payment of a final dividend.

Preference share payments in respect of the non-redeemable cumulative preference shares totalling £17.6m (2017: £17.6m) were recognised in the year.

#### **Subsequent Events**

On 30 January 2019 the company subscribed for 500,000,000 ordinary shares of £0.01 each in ZES for a consideration of £5m.

On 13 June 2019, the company received a loan of £21,000,000 from Zurich Insurance Company Ltd ("ZIC") at an interest rate of 0.8620% with a maturity date of 30 September 2019.

On 14 June 2019, the company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.32.

#### **Directors**

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

S M Collinson	(Appointed 30 September 2018)
T R Naidu	
H A Pickford	
J F Solberg	
P Sutton	(Resigned 30 September 2018)
J Temes	

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

#### **Independent Auditors**

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

#### **Statement of directors' responsibilities**

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

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

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Statement of directors' responsibilities

(continued)

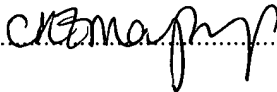
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

### Statement of disclosure to auditor

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.

By order of the Board



Name: CHARLOTTE MAMBURY  
Zurich Corporate Secretary (UK) Limited  
**Secretary**

Date: 27 JUNE 2019

# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

---

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### *Independence*

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

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

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

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

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



# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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### **Reporting on other information**

**(continued)**

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

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

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of directors' responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### *Use of this report*

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

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ZURICH FINANCIAL SERVICES (UKISA) LIMITED

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### Other reporting required

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

28/6/19

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£m	£m
Administrative expenses		(38.5)	(1.1)
Income from shares in group undertakings	4	260.0	139.0
<b>Operating profit</b>		<b>221.5</b>	<b>137.9</b>
Amounts written off fixed asset investments	14	(325.6)	(95.7)
<b>(Loss) / profit before interest and taxation</b>		<b>(104.1)</b>	<b>42.2</b>
Interest receivable and similar income	8	0.4	0.4
Interest payable and similar charges	9	(4.8)	(4.9)
Preference share payments	10	(17.6)	(17.6)
<b>(Loss) / profit before taxation</b>		<b>(126.1)</b>	<b>20.1</b>
Tax on (loss) / profit	12	8.5	5.1
<b>(Loss) / profit for the financial year</b>		<b>(117.6)</b>	<b>25.2</b>

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

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 £m
(Loss) / profit for the financial year		(117.6)	25.2
Items that will not be reclassified to profit or loss:			
Losses recognised on the pension scheme	18	0.1	0.0
Movement in deferred tax relating to the pension scheme	18	0.0	0.0
Total comprehensive (expense) / income for the financial year		(117.5)	25.2

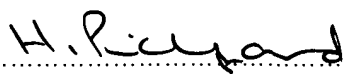
# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 £m
<b>Fixed Assets</b>			
Investments:			
Investments in group undertakings	14	2,068.4	2,358.2
Loans to subsidiary undertakings	15	-	7.0
		<u>2,068.4</u>	<u>2,365.2</u>
<b>Current Assets</b>			
Debtors	16	0.1	0.3
Current tax recoverable		4.4	2.8
Cash at bank and in hand		<u>14.1</u>	<u>3.4</u>
		18.6	6.5
<b>Creditors: amounts falling due within one year</b>			
Creditors	17	(15.3)	(26.3)
<b>Net current assets / (liabilities)</b>		<u>3.3</u>	<u>(19.8)</u>
<b>Net assets</b>		2,071.7	2,345.4
<b>Creditors: amounts falling due after more than one year</b>			
Creditors	17	(234.0)	(234.0)
<b>Net assets before provisions</b>		<u>1,837.7</u>	<u>2,111.4</u>
Provisions for employee retirement benefits	18	-	-
Other provisions	19	(37.0)	-
<b>Net assets</b>		<u>1,800.7</u>	<u>2,111.4</u>
<b>Capital and reserves</b>			
Called up share capital	20	1,000.0	1,492.1
Capital reserve		190.0	190.0
Profit and loss account		<u>163.3</u>	<u>(17.5)</u>
<b>Total equity</b>		1,353.3	1,664.6
Subordinated loans designated as equity	21	447.4	446.8
<b>Capital and reserves attributable to equity holders of the company</b>		<u>1,800.7</u>	<u>2,111.4</u>

The financial statements were approved by the board of directors and authorised for issue on 27 June 2019 and are signed on its behalf by:



Name: HAEN PICKEFORD

Director

Company Registration No. 01860680

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called Up Share Capital £m	Capital Reserve £m	Profit & Loss Account £m	Total Shareholder's Funds £m
<b>Balance at 1 January 2017</b>	1,492.1	190.0	(9.0)	1,673.1
<b>Year ended 31 December 2017:</b>				
Profit for the financial year	-	-	25.2	25.2
<b>Other comprehensive expense</b>				
Distributions paid on subordinated loans classified as equity (see note 11)	-	-	(33.7)	(33.7)
Actuarial gain/(losses) on pension scheme after tax	-	-	-	-
<b>Total comprehensive expense for the year</b>	-	-	(8.5)	(8.5)
<b>Balance at 31 December 2017</b>	1,492.1	190.0	(17.5)	1,664.6
<b>Year ended 31 December 2018:</b>				
Loss for the financial year	-	-	(117.6)	(80.5)
<b>Other comprehensive expense</b>				
Distributions paid on subordinated loans classified as equity (see note 11)	-	-	(33.8)	(33.8)
Actuarial gains/(losses) on pension scheme after tax	-	-	0.1	0.1
<b>Total comprehensive expense for the year</b>	-	-	(151.3)	(114.2)
Dividends (see note 13)	-	-	(160.0)	(160.0)
Transfer to other reserves (see note 20)	(492.1)	-	492.1	-
<b>Balance at 31 December 2018</b>	1,000.0	190.0	163.3	1,353.3

Capital contributions that the company receives from Allied Zurich Holdings Limited (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

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

Zurich Financial Services (UKISA) Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

#### 1.1 Accounting convention

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

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

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 2018, 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 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 disclosure requirements of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 to the extent they apply to assets and liabilities other than financial instruments in accordance with FRS 101 paragraph 8(e).

#### 1.2 Going concern

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

#### 1.3 Income from shares in group undertakings

Income 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 Administrative expenses

Administrative expenses represent allocations for shared services and are charged to the profit and loss account on an accruals basis.

#### 1.5 Amounts written off fixed asset investments

Amounts written off fixed asset investments occurs where there has been a change in the value of investments in group undertakings. An impairment is recognised when the cost is lower 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.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (continued)

#### 1.6 Interest receivable and similar income

Interest receivable and similar income includes interest on loans to subsidiary, loans to other group undertakings and cash balances and is accounted for on an accruals basis.

#### 1.7 Interest payable and similar charges

Interest payable and similar charges includes interest on loans from other group undertakings and is accounted for on an accruals basis.

#### 1.8 Preference share payments

Amounts payable in relation to the £160m of non redeemable cumulative preference shares is accounted for on an accruals basis and paid as interest annually in line with the terms of the agreement and classification of the instrument as a liability in line with IAS 32 'Financial Instruments: Presentation'.

#### 1.9 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.

##### 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. There is no impact on the company from the ZPen section.

##### 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.



# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(continued)

#### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

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

##### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.11 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.

#### 1.12 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.13 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.

#### 1.14 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.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(continued)

#### 1.15 Financial assets

Financial assets are recognised in the company's balance sheet 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. To measure the expected credit losses, intercompany debtors have been grouped based on business area (UK and Group).

##### **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.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(continued)

#### 1.16 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### *Other financial liabilities*

IFRS 9 requires all financial liabilities to be measured at amortised cost unless either:

- The financial liability is required to be measured at FVTPL because it is held for trading (e.g. derivatives that have not been designated in a hedging relationship), or
- The entity elects to measure the financial liability at FVTPL (using the fair value option).

Financial liabilities classified as at amortised cost are subsequently measured at amortised cost using the effective interest method. Accrued interest and expenses are calculated using the contractually agreed interest rates applicable to each loan or credit facility agreement and are settled annually in arrears.

Financial liabilities, including trade, intra group payables and loans, other payables and bank borrowings 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.

The £12m senior debt from ZIC had no issue costs and was therefore held at the value of consideration received. The £74m subordinated loan with Zurich Finance (Luxembourg) S.A has no issue costs and is therefore held at the value of consideration received. The £160.0m non-redeemable cumulative preference shares issued by the company on 19 December 2008 are classified as a financial liability to reflect the contractual obligation to make cash payments.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### 1.17 Provisions for liabilities

Provision is provided on the funding agreement with Zurich Financial Services UK Pension Trustee Limited to procure that Zurich Employment Services Limited shall make annual payments to the Zurich Financial Services UK Pension Scheme per the agreed mitigation payments schedule. Cash flows are discounted to present value and movements in the provision are charged to the profit and loss account in the period.

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

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

IFRS 9 and IFRS 15 accounting standards are effective for the year ended 31 December 2018 and have not had a material impact on the company (note 26). There are no other amendments to accounting standards that are effective for the year ended 31 December 2018.

### 3. Critical accounting estimates and judgements

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.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 3. Critical accounting estimates and judgements

(continued)

#### Investments in group undertakings

The company makes an estimate of the recoverable value of its material investments in subsidiary 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.
- The expected future cashflows are based on Plan information provided by the business over a period of 5 years from the year end date;
- Where evidence is available, the future cashflows are restricted based on a historical achievement of new business contributions (inflows) versus Plan; and
- The expected future cashflows are discounted over this period at a rate of 6.06% representing the UK Weighted Average Cost of Capital ("WACC").

#### Non-redeemable cumulative preference shares

In line with IAS 32 'Financial Instruments: Presentation', the company has classified the £160.0m non-redeemable cumulative preference shares issued by the company on 19 December 2008 as a financial liability to reflect the contractual obligation to make cash payments.

#### Subordinated loans

In line with IAS 32 'Financial Instruments: Presentation', the company has classified the £450.0m undated subordinated loan as equity to reflect there is no contractual obligation to make cash payments due to the ability of the company to defer the payment of arrears of interest.

### 4. Income from shares in group undertakings

	2018 £m	2017 £m
Dividends:		
Eagle Star Holdings Limited	250.0	139.0
SIML	10.0	-
Zurich Financial Services (Channel Islands) Limited	0.0	-
	<u>260.0</u>	<u>139.0</u>

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 5. Auditors' remuneration

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

	2018 £000	2017 £000
Audit Services:		
Auditors' remuneration in respect of audit services	14	15
	<u>14</u>	<u>15</u>
Other Services:		
Audit of the company's subsidiaries	809	929
Audit related assurance services	844	863
Other services not covered above	181	216
	<u>1,834</u>	<u>2,008</u>

#### 6. Employees

Employees in the UK working on behalf of the company are predominantly employed by ZES 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. During 2018 and 2017, management charges were made to the company, which included staff costs. The element of these charges relating to these staff costs cannot be separately ascertained therefore no disclosure has been made for staff numbers and costs.

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 Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

#### 7. Directors' remuneration

	2018 £m	2017 £m
Remuneration for qualifying services	0.6	1.1

4 directors (2017: 5 directors) did not receive remuneration in respect of their services to the company or any of its subsidiary undertakings. The remuneration of the remaining 2 directors (2017: 5 directors) is 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.

Of the 2 directors (2017: 5 directors) who received remuneration in respect of their services to the company or any of its subsidiary undertakings during the year:

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017: 3).

The number of directors who exercised share options during the year was nil (2017: 1).

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. Directors' remuneration

(continued)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2017: 5).

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

	2018 £m	2017 £m
Remuneration for qualifying services	0.6	0.5
Company pension contributions to defined contribution schemes	0.0	0.0
Accrued lump sum at the end of the year	0.0	0.1
	<u>0.6</u>	<u>0.6</u>

The highest paid director did not accrue benefits under a defined benefit scheme (2017: did not accrue benefits). The highest paid director did accrue benefits under a defined contribution scheme (2017: did not accrue benefits). The highest paid director did not exercise options over shares in ZIG in the year (2017: did not exercise share options). The highest paid director is not a member of a long-term incentive scheme (2017: 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.

### 8. Interest receivable and similar income

	2018 £m	2017 £m
Interest on loans to subsidiary undertakings	0.3	0.4
Interest on loans to fellow group companies	0.0	0.0
Interest receivable on cash at bank	0.1	0.0
	<u>0.4</u>	<u>0.4</u>

### 9. Interest payable and similar charges

	2018 £m	2017 £m
Interest on loans from fellow group companies	4.8	4.9
Other finance charges	0.0	0.0
	<u>4.8</u>	<u>4.9</u>

### 10. Preference share payments

	2018 £m	2017 £m
10.99% (2017: 10.99%) non-redeemable cumulative preference shares of £1 (2017: £1) each	<u>17.6</u>	<u>17.6</u>

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 11. Distribution for interest payable on subordinated loans designated as equity

	2018 £m	2017 £m
Distribution on £450.0m subordinated loan at an effective interest rate of 7.56% (2017: 7.56%)	33.8	33.7

#### 12. Tax on (loss) / profit

	2018 £m	2017 £m
<b>Current tax</b>		
- UK corporation tax on (loss)/profit for the year	(7.5)	(5.2)
- Adjustments in respect of prior periods	(1.0)	0.1
<b>Total UK current tax</b>	<b>(8.5)</b>	<b>(5.1)</b>
<b>Deferred tax</b>		
- Origination and reversal of temporary differences	-	-
- Changes in tax rates	-	-
<b>Total tax credit</b>	<b>(8.5)</b>	<b>(5.1)</b>

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 20% to 19% with effect from 1 April 2017.

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 17% from 1 April 2020.

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

	2018 £m	2017 £m
(Loss) / profit before taxation	(126.1)	20.1
Expected tax (credit) / charge based on a corporation tax rate of 19.00%	(24.0)	3.9
Dividend income not taxable	(49.4)	(26.7)
Preference share payments not deductible for tax purposes	3.3	3.4
Other income not taxable	-	-
Expenses not deductible for tax purposes	68.9	18.4
Interest payments deductible for tax purposes	(6.4)	(6.5)
Re-measurement of deferred tax – pension scheme	0.0	-
Adjustment in respect of prior periods	(0.9)	-
Tax losses not recognised / losses surrendered for no consideration	0.0	2.4
<b>Taxation credit for the year</b>	<b>(8.5)</b>	<b>(5.1)</b>

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 13. Dividends

	2018 per share	2017 per share	2018 £m	2017 £m
Amounts recognised as distributions to equity holders:				
Interim dividend paid September 2018	0.06	-	60.0	-
Interim dividend paid November 2018	0.10	-	100.0	-
	<b>0.16</b>		<b>160.0</b>	

### 14. Investments in group undertakings

	2018 £m	2017 £m
Shares in group undertakings	2,068.4	2,358.2
Cost	2,548.7	2,512.9

The subsidiary undertakings of the company as at 31 December 2018 are set out in note 22.

The directors have considered the value of each of the company's investments in subsidiary undertakings as at 31 December 2018 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:

	2018 £m
Opening balance at 1 January	2,358.2
Additions	35.9
Disposals	(0.1)
Impairments	(325.6)
Closing balance at 31 December	<b>2,068.4</b>

#### Additions

On 23 April 2018, the company subscribed for 500,000,000 ordinary shares of 0.01p each in ZES for a consideration of £5.0m.

On 24 May 2018 the company subscribed for 837,168 "B" ordinary shares of £1 each in EFS Financial Services Limited for a consideration of £0.8m.

On 15 June 2018, the company subscribed for 2,836,240,032 ordinary shares of 0.01p each in ZES for a consideration of £28.4m.

On 15 June 2018, the company subscribed for 1,674,336 "B" ordinary shares of £1 each in EFS for a consideration of £1.7m.

#### Disposals

Zurich Financial Services (Channel Islands) Limited was dissolved during 2018.



# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. Investments in group undertakings

(continued)

#### Impairments

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

	2018 £m	2017 £m
Zurich Employment Services Limited	33.4	28.4
Zurich Intermediary Group Limited	-	17.4
Sterling ISA Managers Limited	70.5	49.9
EFS Financial Services Limited	2.5	-
Eagle Star Holdings Limited	219.0	-
Allied Dunbar Assurance plc	0.2	-
	<u>325.6</u>	<u>95.7</u>

### 15. Financial Instruments and Financial Risk

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.

Until 30 November 2017, the company had access to \$1.3bn as part of a syndicated revolving credit facility. This facility was dissolved and the company now has access to a \$1.12bn of committed bilateral credit facilities and \$0.24bn of uncommitted bilateral credit facilities as part of \$3.4bn committed and uncommitted bilateral credit facilities provided to the ZIG group.

At 31 December 2018, the company had the following financial assets:

Loans to subsidiary undertakings shown in the table below.

	2018 £m	2018 Interest Rate	2018 Maturity Date	2017 £m	2017 Interest Rate	2017 Maturity Date
<b>Variable interest lending</b>						
Sterling ISA Managers Limited	-	-	-	5.0	3.07%	undated
Total variable interest lending	<u>-</u>			<u>5.0</u>		
	2018 £m	2018 Interest Rate	2018 Maturity Date	2017 £m	2017 Interest Rate	2017 Maturity Date
<b>Fixed interest lending</b>						
Sterling ISA Managers Limited	-	-	-	2.0	9.43%	undated
Total fixed interest lending	<u>-</u>			<u>2.0</u>		
Total loans to subsidiary undertakings	<u>-</u>			<u>7.0</u>		

Sterling ISA Managers Limited repaid both loans in November 2018.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 15. Financial Instruments and Financial Risk

(continued)

At 31 December 2018, the company had the following financial liabilities:

	2018 £m	2018 Fixed Interest Rate	2018 Maturity Date	2017 £m	2017 Fixed Interest Rate	2017 Maturity Date
Amounts owed to fellow group undertakings:						
Senior loans	-	-	-	12.0	-	31 May 18
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>234.0</u>			<u>246.0</u>		

At 31 December 2018, in addition to the above fixed interest borrowings, the company owed £6.1m (2017: £5.0m) to subsidiary undertakings and £9.2m (2017: £9.3m) 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.

### 16. Debtors

	2018 £m	2017 £m
Other debtors	0.1	0.3
	<u>0.1</u>	<u>0.3</u>

All amounts in relation to other debtors are current.

At 31 December 2018 the company had unused tax losses of £12.4m (2017: £17.3m) for which no deferred tax asset has been recognised.

### 17. Creditors

	Due within one year		Due after one year	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	6.1	5.0	-	-
Amounts owed to fellow group undertakings	9.2	21.3	-	-
Subordinated Loan	-	-	74.0	74.0
10.99% (2017: 10.99%) non-redeemable cumulative preference shares of £1 (2017: £1) each	-	-	160.0	160.0
Other creditors	0.0	0.0	-	-
	<u>15.3</u>	<u>26.3</u>	<u>234.0</u>	<u>234.0</u>

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17. Creditors

(continued)

Included within amounts owed to fellow group undertakings in 2018 are loans to the value of £0.0m (2017: £12.0m) from ZIC.

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 (2017: £74.0m) matures on 30 June 2020 and interest is charged on the outstanding amount at 6.22% (2017: 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.

#### 18. 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.

##### 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 2016, although the values for the scheme's assets and liabilities are based on updated information provided at 31 December 2018. The valuation of the scheme is carried out 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:

	2018	2017
Rate of increase for pensions in payment	3.6%	3.6%
Discount rate	2.6%	2.3%
Rate of inflation - RPI	3.2%	3.2%
Rate of inflation - CPI	2.2%	2.2%

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

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. Pensions and post-retirement benefits

(continued)

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

	2018 £m	2017 £m
Opening balance at 1 January	(187.6)	(187.2)
Current service cost	(0.0)	-
Interest cost	(3.7)	(3.5)
Benefits paid	8.5	8.5
Actuarial experience losses	(1.4)	(2.1)
Actuarial (losses)/gains arising from changes in demographic assumptions	5.1	(0.9)
Actuarial losses arising from changes in financial assumptions	4.9	(2.4)
Closing balance at 31 December	(174.2)	(187.6)

#### Sensitivity analysis of Scheme liabilities

	% Change in assumption	Impact on scheme liabilities
Discount	1% decrease	£0.6m increase
Inflation	1% decrease	£0.3m decrease
Life expectancy	10% increase	£28.6m increase

To illustrate the sensitivity analysis above, a 1% decrease in the discount rate leads to a revised rate of 2.5641%, a reduction of 2.6 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.

#### Reconciliation of fair value of scheme assets

	2018 £m	2017 £m
Opening balance at 1 January	195.7	196.8
Expected return on scheme assets	3.8	4.0
Benefits paid	(8.5)	(8.5)
Employer contributions	0.0	-
Actuarial gains/(losses)	(3.5)	3.4
Closing balance at 31 December	187.5	195.7

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

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 18. Pensions and post-retirement benefits

(continued)

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 £0.2m (2017: £7.4m).

The fair value of the scheme's assets were:

	2018				2017			
	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	3.1	24.3	27.4	14.6	3.8	25.6	29.4	15.0
Debt securities	-	151.6	151.6	80.9	-	158.7	158.7	81.1
Real estate	-	7.2	7.2	3.9	-	6.8	6.8	3.5
Cash and cash equivalents	1.3	-	1.3	0.7	0.8	-	0.8	0.4
Total market value of assets	4.4	183.1	187.5		4.6	191.1	195.7	

<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.

The assets of the scheme reported in the company were:

	2018 £m	2017 £m
Defined benefit obligation	(174.2)	(187.2)
Plan assets	187.5	195.7
Surplus	13.3	8.1
Recognition of asset ceiling	(13.3)	(8.1)
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.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. Pensions and post-retirement benefits

(continued)

#### Change in irrecoverable surplus

	2018 £m	2017 £m
Irrecoverable surplus at 1 January	(8.1)	(9.6)
Interest cost on irrecoverable surplus	(0.1)	(0.2)
Change in irrecoverable surplus in excess of interest cost	(5.1)	1.7
Irrecoverable surplus at 31 December	(13.3)	(8.1)

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

	2018 £m	2017 £m
Current Service Cost	0.0	0.0
Interest Cost (see note 9)	3.7	3.8
Interest Cost on irrecoverable surplus (see note 9)	0.1	0.2
Expected return on plan assets (see note 9)	(3.8)	(4.0)
Reported in profit and loss account	0.0	0.0

#### Actuarial Gains and Losses

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

	2018 £m	2017 £m
Actuarial losses	(11.2)	(11.2)
Deferred tax on actuarial losses	1.9	1.9
	(9.3)	(9.3)

#### Actuarial valuation

The results of the triennial valuation in 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.

The results of the triennial valuation at 30 June 2016 were agreed by the Scheme Trustees in June 2017, valuing the total scheme surplus at £1.6m. In light of the results of this valuation, the Scheme Trustees agreed with the company that no further contributions would be made under the Recovery Plan previously agreed. This agreement replaces the agreement put in place following the results of the triennial valuation in 2013.

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. Pensions and post-retirement benefits

(continued)

Total amount recognised in the statement of comprehensive income – movements

	2018 £m	2017 £m
Experience adjustment on plan assets	(3.6)	3.4
Experience adjustment on plan liabilities	(1.3)	(2.1)
Actuarial (losses) / gains arising from changes in demographic assumptions	5.1	(0.9)
Actuarial losses arising from changes in financial assumptions	4.9	(2.4)
Movement in recognition of asset ceiling	(5.2)	2.0
Amount recognised in the statement of comprehensive income	(0.1)	0.0
Related deferred tax recognised in the statement of comprehensive income	-	0.0
	(0.1)	0.0

Analysis of amounts reported in balance sheet is as follows:

	2018 £m	2017 £m
Pension scheme deficit	-	-
Deferred tax asset	-	-
Reported in balance sheet	-	-

At 31 December 2018, as a result of the enacted changes in the corporation tax rate to 19% with effect from 1 April 2017, deferred tax balances have been calculated at 17% (2017: 17%) on the basis that materially all timing differences are expected to reverse at that rate.

### 19. Provisions for liabilities

	Pension Guarantee £m	Total £m
At 1 January 2018	-	-
Increase in provision	37.0	37.0
Release to profit and loss	-	-
Discount rate change	-	-
Amortisation of discount	-	-
Utilised in the year	-	-
<b>At 31 December 2018</b>	<b>37.0</b>	<b>37.0</b>
At 1 January 2017	-	-
Increase in provision	-	-
Release to profit and loss	-	-
Discount rate change	-	-
Amortisation of discount	-	-
Utilised in the year	-	-
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 19. Provisions for liabilities

(continued)

Movement in Provisions – included in administrative expenses

	2018 £	2017 £
Increase in provision	(37.0)	(37.0)
Release to profit and loss	-	-
Discount rate change	-	-
Utilised in the year	-	-
	<u>(37.0)</u>	<u>(37.0)</u>

The discount rate for the year is 1.064% (2017: nil).

#### Pension Guarantee

The provision is in respect of a funding agreement with Zurich Financial Services UK Pension Trustee Limited to procure that ZES shall make annual payments to the Zurich Financial Services UK Pension Scheme per the agreed mitigation payments schedule. The maximum liability arising under this funding agreement is expected to be in the region of £38.4m, payable annually for a period of 8 years, discounted to present value using the above discount rate at 31 December 2018.

£5.0m (2017: nil) of other provisions are current and £32.0m (2017: nil) are non-current.

#### 20. Called up share capital

	2018 £m	2017 £m
Allotted, issued and fully paid: 1,000,000,000 (2017: 1,492,139,000) ordinary shares of £1 (2017: £1) each	<u>1,000.0</u>	<u>1,492.1</u>

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

In line with the Group's strategy of simplification and returning excess capital back to shareholders to optimise balance sheets and increase capital efficiencies, the company completed a capital restructure pursuant to s642 Companies Act 2006 by cancelling and extinguishing £492.1m ordinary shares of £1 each and transferring this to the profit and loss account.

#### 21. Subordinated loans designated as equity

	2018 £m	2017 £m
Subordinated Loans Designated as Equity	<u>447.4</u>	<u>446.8</u>

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.



# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 21. Subordinated loans designated as equity (continued)

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.

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% (2017: 7.56%) was used for the calculation of the amortisation on the loan.

At 31 December 2018, the fair value of the undated subordinated loan was £522.7m (2017: £560.1m). This has been calculated as the present value of future cash flows using a discount rate of 4.19% (2017: 2.29%).

#### 22. Subsidiaries

Details of the company's direct subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Allied Dunbar Assurance plc	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Holding company/ previously life insurance company
Concourse Skelmersdale Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AG	100	100	Real estate management
Eagle Star Executives Pension Trustee Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	In liquidation
Eagle Star Holdings Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Holding company
Sterling ISA Managers Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Financial intermediation
Zurich Employment Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Employing company
Zurich Financial Services (UKISA) Group Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	In liquidation

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 22. Subsidiaries

(continued)

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Zurich Financial Services (UKISA) Nominees Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Zurich Financial Services UK Pension Trustee Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	99	Dormant
Zurich Intermediary Group Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Financial intermediation

Details of the company's indirect subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Eagle Star Group Holdings Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Eagle Star Group Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Groveswood Property Holdings Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Ex gratia services
Zurich Assurance Ltd	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Life insurance
50 Brook Green Management Company Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF	80	80	Management company

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 22. Subsidiaries (continued)

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Access Franchise Management Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Franchise management company
Eagle Star (Leasing) Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Property company
Eagle Star Estates Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Eagle Star Farms Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Eagle Star Holding Company of Ireland Unlimited Company	Zurich House, Frascati Road, Blackrock, Co Dublin, Ireland	100	100	Holding company
ES (Walsall) Nominee Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Cannock Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Cannock Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Dudley Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Dudley Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 22. Subsidiaries (continued)

Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
ES Plympton Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Plympton Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Ramsgate Nominee 1 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
ES Ramsgate Nominee 2 Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
Graphene Capital Partners Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Grovwewood Engineering Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	In liquidation
Hawkcentral Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Kennet Road 1 UK Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company
Kennet Road 2 UK Limited	100 Barbirolli Square, Manchester, Lancashire, M2 3AB	100	100	Property management company

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22. Subsidiaries		(continued)		
Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Nearheath Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Plot 8B Buckingham Management Limited	6th Floor, 65 Gresham Street, London, EC2V 7NQ	100	100	Property management company
Zurich Pension Trustees Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Trustee company
Cambridge Research Park Management Co Limited	75 King William Street, London, England, EC4R 9AN	23	23	Real estate management
Interface Solihull Management Limited	10 Wrens Court 48 Victoria Road, Sutton Coldfield, West Midlands, England, B72 1SY	29.17	29.17	Real estate management
Northampton Business Park Management Limited	350 Pavilion Drive Northampton Business Park, Northampton, United Kingdom, NN4 7YQ	22.86	22.86	Real estate management
Plot 6 Buckingham Management Limited	4 More London Riverside, London, SE1 2AU	25	25	Property management
Rabone Park Management Company Limited	10 Wrens Court 48 Victoria Road, Sutton Coldfield, West Midlands, England, B72 1SY	42.76	42.76	Property management
The Parklands (Birmingham) Management Company Limited	Redrow House St. Davids Park, Ewloe, Deeside, Clwyd, CH5 3RX	30.56	30.56	Property management
Allied Dunbar Financial Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant

# ZURICH FINANCIAL SERVICES (UKISA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22. Subsidiaries (continued)				
Name of undertaking	Registered office	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Allied Dunbar Healthcare Marketing Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Health insurance
Allied Dunbar Provident plc	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Zurich Advice Network Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Financial intermediation
Zurich Independent Wealth Management Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	In liquidation
Zurich Leisure Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	In liquidation
Zurich Pensions Management Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Ex gratia services
Employee Services Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Employing entity
Sterling ISA Managers (Nominees) Limited	The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX	100	100	Dormant
Community Trust Services Limited	Critchleys LLP 23-38 Hythe Bridge Street Oxford, Oxfordshire, OX1 2EP	100	100	In liquidation

# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **22. Subsidiaries**

**(continued)**

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:

- Dunbar Sports and Social Club Limited was dissolved during 2018.
- Zurich Computer Services Limited was dissolved during 2018.
- Zurich Financial Management Limited was dissolved during 2018.
- Zurich Training and Development Services Limited was dissolved during 2018.
- Eagle Star Loans Limited was dissolved during 2018.
- Eagle Star Mortgages Limited was dissolved during 2018.
- Zurich International Solutions Limited was dissolved during 2018.
- Eagle Star Computer Services Limited was dissolved during 2018.
- Zurich Assurance (2004) Limited was dissolved during 2018.
- Logobrook Limited was dissolved during 2018.
- Mentionland Limited was dissolved during 2018.
- Meritclass Investments Limited was dissolved during 2018.
- Eagle Star Forests Limited was dissolved during 2018.
- Allied Dunbar Asset Management Limited was dissolved during 2018.
- Allied Dunbar Property Services Limited was dissolved during 2018.
- Zurich Trustee Company (UK) Limited was dissolved during 2018.
- Zurich Financial Services (Channel Islands) Limited was dissolved during 2018.
- ES Camberley Nominee 1 Limited was dissolved during 2018.
- ES Camberley Nominee 2 Limited was dissolved during 2018.
- ES Coventry Nominee 1 Limited was dissolved during 2018.
- ES Coventry Nominee 2 Limited was dissolved during 2018.
- Grovewood Engineering Limited entered liquidation during February 2018 and was formally dissolved on 23 January 2019.
- Zurich Group Pension Services (UK) Limited was sold on 3 April 2018.
- Eagle Star (Malta) Limited was sold on 31 July 2018.
- Zurich Independent Wealth Management Limited entered liquidation during September 2018.
- Zurich Leisure Services Limited entered liquidation during September 2018.
- Eagle Star Executives' Pension Trustee Limited entered liquidation during September 2018.
- Zurich Financial Services (UKISA) Group Services Limited entered liquidation during September 2018.
- Community Trust Services Limited entered liquidation during September 2018.
- Dukes Green Property Management Services Limited no longer hold share since November 2018
- Allied Dunbar Healthcare Marketing Limited entered liquidation during March 2019.
- Eagle Star Group Holdings Limited entered liquidation during March 2019.
- Eagle Star Farms Limited entered liquidation during March 2019.
- Eagle Star Estates Limited entered liquidation during March 2019.
- 50 Brook Green Management Company Limited no longer owned by ZAL in April 2019

At the date of signing these financial statements, the registered office of the subsidiary undertakings in liquidation is Critchleys LLP, Beaver House, 23-38 Hythe Bridge Street, Oxford, OX1 2EP.

#### **23. Controlling party**

The parent company of Zurich Finance Services (UKISA) Limited is Allied Zurich Holdings Limited and its registered office is 12 Castle Street, St. Helier, JE2 3RT, Jersey.

# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **23. Controlling party**

**(continued)**

##### **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 financial statements are drawn up. Zurich Insurance Company Ltd, which is incorporated in Switzerland, is the parent company of the smallest group of companies, of which the company is a wholly owned subsidiary, for which group financial statements are drawn up.

Copies of the consolidated financial statements of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd can be obtained from the Secretary of that company at the following address:

Mythenquai 2  
8002 Zurich  
Switzerland

#### **24. Related Parties**

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 £nil (2017: £nil) to the ES Executives' Section of the Main Scheme.

Following the subscription of ordinary B class shares in EFS Financial Services Limited during 2018, it is now a related party. EFS Financial Services Limited is a wholly owned subsidiary of Zurich Holdings (UK) Limited.

#### **25. Subsequent Events**

On 30 January 2019 the company subscribed for 500,000,000 ordinary shares of £0.01 each in ZES for a consideration of £5m.

On 13 June 2019, the company received a loan of £21,000,000 from Zurich Insurance Company Ltd ("ZIC") at an interest rate of 0.8620% with a maturity date of 30 September 2019.

On 14 June 2019, the company subscribed for 2,836,240,032 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.32.

#### **26 Changes in accounting policies**

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the company's financial statements.

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

As a result of the changes in the entity's accounting policies, consideration of any requirement to restate the prior year financial statements has been undertaken. Where applicable, IFRS 9 will generally be adopted without restating comparative information.

##### **IFRS 9 Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.



# **ZURICH FINANCIAL SERVICES (UKISA) LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **26 Changes in accounting policies**

**(continued)**

The adoption of IFRS 9 Financial Instruments from 1 January 2018 has resulted in changes in accounting policies but has not resulted in adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1.15, 1.16 and 2 above.

There were no adjustments made to line items for the 2017 reporting period relating to IFRS 9 adjustments as the identified impairment loss in relation to the financial assets subject to IFRS 9 was immaterial.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 replaces IAS 11 (Construction contracts) and IAS 18 (Revenue) and relates to how and when revenue is recognised. The adoption of IFRS 15 Revenue from Contracts with Customers is not relevant to the company, as the company only have income from shares in group undertaking and interest income which is outside the scope of IFRS 15 and accounted for according to IFRS 9; as such, there have been no adjustments required to the financial statements.

### **27 Contingent Liabilities**

At the balance sheet date the company has a contingent liability in relation to a Deed of Guarantee with Endsleigh Pension Trustee Limited in relation to the Endsleigh Insurance Services Limited Pension and Assurance Scheme to irrevocably and unconditionally guarantee the payment of any present and future obligations under the scheme of contributions by EFS Financial Services Limited. The company has not made any provision for the potential value of these payments as it considers that either EFS Financial Services Limited or its parent company, Zurich Holdings (UK) Limited, would be able to meet these obligations as they fall due. The maximum liability arising under this Deed of Guarantee is expected to be in the region of £54m, payable in equal instalments annually for a period of 8 years.