Company Registration No. 01860680 (England and Wales)

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

COMPANY INFORMATION

Directors	T Bailey S M Collinson H A Pickford J Temes C Vink
Secretary	Zurich Corporate Secretary (UK) Limited
Company number	01860680
Registered office	Unity Place 1 Carfax Close Swindon SN1 1AP
Independent auditor	Ernst & Young LLP Statutory Auditor The Paragon Counterslip Bristol BS1 6BX

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

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ZURICH FINANCIAL SERVICES (UKISA) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report and the audited financial statements for Zurich Financial Services (UKISA) Limited ("the company") for the year ended 31 December 2021.

Review of the business

The principal activity of the company is that of an investment holding company. The company's 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 Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

On 22 January 2021, the company subscribed for 500,000,000 ordinary shares of £0.01 each in Zurich Employee Services Ltd ("ZES") for a consideration of £5m.

On 11 January 2021, the company completed a repayment for the remaining balance totalling £6,000,000, together with accrued interest, on the £21,000,000 loan entered into on 17 December 2019 with Zurich Insurance Company Ltd ("ZIC").

On 11 January 2021, the company completed an early repayment of £42,000,000, together with accrued interest, on the loan from ZIC entered into on 28 September 2022.

On 11 January 2021, the company provided a loan of £34,000,000 to ZIC at an interest rate of 0.07560% with a maturity date of 31 May 2021.

On 26 March 2021, the company received a dividend of £100,000,000 from Eagle Star Holdings Ltd ("ESH").

On 30 March 2021, the company provided a loan of £100,000,000 to ZIC at an interest rate of 0.12450% with a maturity date of 28 June 2021.

On 31 May 2021, the company received the repayment of £34,000,000, together with accrued interest, on the loan to ZIC with a maturity date of 31 May 2021.

On 4 June 2021, the company entered into a new revolving credit facility with access to a $80m of committed bilateral credit facilities as part of $200m committed bilateral credit facilities provided to Zurich Insurance Group Ltd ("ZIG") group.

On 10 June 2021, the company subscribed for 2,836,240,000 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.

On 26 June 2021, the company subscribed for 2,971,700,000 ordinary shares of £0.01 each in ZES for a consideration of £29,700,000.

On 28 June 2021, the company received repayment of the £100,000,000 loan, together with interest, on the loan to ZIC with a maturity date of 28 June 2021. On the same day, UKISA provided a short term loan to ZIC for £70,000,000, maturing on 28 September 2021 resulting in a net payment to UKISA of £30,030,699.

On 28 September 2021, the company received the repayment of £70,000,000, together with accrued interest, on the loan to ZIC with a maturity date of 28 September 2021.

On 28 September 2021, the company provided a loan of £40,000,000 to ZIC a maturity date of 6 June 2022.

On 15 October 2021, the company received a dividend of £6,500,000 from Zurich Intermediary Group Ltd ("ZIGL").

Key Performance Indicators
The loss for the year before taxation amounted to £264,300,000 (2020: profit of £186,500,000). After taking taxation and distributions paid on subordinated loans into account, the amount transferred from reserves was £290,800,000 (2020: amount transferred to reserves of £151,800,000).

The company's 2021 loss before taxation mainly comprises income from shares in group undertakings, amounts written off fixed asset investments, and interest payable on loans from group undertakings.

Review of the business (continued)

At 31 December 2021, the company had net assets of £1,863.4m (2020: £2,153.5m) representing principally the value of its investment in group undertakings and cash, net of provision of liabilities.

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 17, 18 and 19.

Future Outlook
The directors expect the current activity of the company to continue for the 12 months from the date of approval of these financial statements.

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 13. The directors' note the ongoing impact of Russia/Ukraine, and do not expect any material business risks to arise as a result.

Business risk
The company has process in place to regularly monitor its performance against its business plan. These monitoring activities allow the directors of the company to take mitigating actions where appropriate. Risks are identified by the company through its strategic risk assessment process with mitigating actions monitored by the Board.

The directors recognise the economic conditions, including ongoing uncertainty following the Brexit deal, as well as the changing market landscape and the opportunities these bring to ensure that the company remains at the forefront of meeting customer needs. The company benefits from a growing customer base, strong distribution Partnerships, and the strength of the Zurich brand. As such, the directors believe the company is well positioned to cope with the uncertainty in the business environment which might arise following Brexit and take advantage of the inherent opportunities.

The company has regular solvency monitoring processes and protocols in place including an agreement to receive financial support from the ZIG group should this be required and as such the directors believe that the company is well positioned to assess and adjust to any changes in circumstances as they may arise.

The above information regarding current and possible future impacts of the external environment to the company is accurate at the time of writing.

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

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

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

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

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

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

- Likely consequences of any decision in the long term;
- Interests of employees;
- Company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and the environment; and
- Maintaining the company's reputation for high standards of business conduct.

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

Long term decisions

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

Interests of employees

As the company does not have any direct employees, a management charge is made to the company from the UK employing entity, Zurich Employment Services Limited, in respect of employees who work on behalf of the UK Life business and have a responsibility for the company. The principal disclosures in respect of these staff, including the approach to employee engagement and particularly support provided since the commencement of the Covid-19 pandemic, appear in the financial statement of Zurich Employment Services Limited, Unity Place 1, Carfax Close, Swindon, SN1 1AP.

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

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

Stakeholder Relationships and Engagement

Business relationships with suppliers, customers and others

The principal activity of the company during the period was to act as an investment holding company and the principal employer of the Zurich Financial Services UK Pension Scheme (the "Pension Scheme") and held the obligation to procure that the participating employers met their ongoing funding liabilities to the Pension Scheme. The company also guaranteed contributions to the Endsleigh Insurance Services Ltd Pension and Assurance Scheme. The company did not engage directly with the members of the pension schemes, this activity was carried out by the respective Trustees. Whilst the company did not have a right of veto on the decisions made by the respective Trustees, the company could make recommendations on any proposals submitted.

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

Business relationship with Community

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

The following summarises how the Board considered communities in its deliberations:

- The UK Public Affairs Team was in place which aimed to make Zurich an influential and prominent voice in all aspects of the public policy process. Its primary focus was the identification and monitoring of key regulatory and legislative developments, and the communication of these to the wider business to determine whether to lead, drive, or support, on any external engagement activity.
- Zurich has membership in, and the Public Affairs Team works closely with, industry bodies such as the Association of British Insurers, Confederation of British Industry, and TheCityUK to ensure that Zurich is coordinated and effective in influencing the public policy agenda.
- The UK Public Affairs Team provided a weekly internal update on stakeholder engagement across the UK together with details of government consultations and inquiries of relevance to the company.
- There were a wide range of initiatives and activities that supported engagement within local communities. A complete description of these activities can be found on www.zurich.co.uk/sustainability/people-and-society.

During the year Zurich UK's Youth First programme was announced, which aims to support children in secondary education build and develop core skills and knowledge that will help them make the transition from full time education to the working world. A donation of £1m has been planned to the education charity Teach First over the next five years to fund the new programme and provide support in the following ways:

- Direct funding to help schools navigate the challenges of Covid-19.
- Zurich employees to volunteer as part of Teach First's Coaching Programme.
- Supporting the professional development of teachers, in the classroom and in leadership positions.
- Running workshops with students in Year 9, 10 and 11 in schools throughout the United Kingdom, to help go through CVs, get interview advice, and receive a vocational introduction to insurance.

Impact of operations on sustainability

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

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

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

In October, Zurich UK hosted the second Youth Against Carbon Conference (YAC Con). The event was specifically designed to give young people a voice in the climate crisis debate, and this year focused on ethical consumption. This is just one example of the work done to promote sustainability within business and the wider community. A full recording of the discussion can be found on /www.youtube.com/watch?v=tMKS14vmBR4.

Sustainability commitments were measured thoroughly in order to ensure confidence in what was said and done. These approaches were embedded throughout the organisation. There were a wide range of initiatives and activities that supported engagement with environmental issues. A complete description of these activities can be found on www.zurich.co.uk/news-and-insight/sustainability.

Going concern

As at 31 December 2021, the company reported net assets of £1,863.4m (2020: £2153.5m) evidencing a strong capital position. Liquidity monitoring and management processes continue to indicate that liquid funds will be available to meet liabilities as they fall due for payment.

Forecast performance has been prepared for the next two years and support the ongoing concern of the company. The company's dividend income from the repayment of £40m on the loan to ZIC received to date in 2022 and a funding agreement from other Group companies has been agreed in principle and are sufficient to cover the company's financial commitments in 2022.

In line with the ZIG group's risk and capital management policy, capital is pooled as much as possible to operationalise its risk diversification and is then allocated to the ZIG group to meet capital needs; there is strong historic evidence of the ZIG Group providing such support to the company.

Notwithstanding this, the company has a total borrowing limit of $1.44bn in relation to uncommitted and committed Bilateral Credit Facilities as part of $3.6bn committed and uncommitted bilateral credit facilities provided to the ZIG group.

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

On behalf of the Board

H. Pickford

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Name: Helen Pickford
Director

Date: 21 September 2022

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Results and dividends

The results for the year are set out on pages 17 and 18.

No interim dividends in respect of ordinary shares of the company were declared or paid during the year (2020: nil). The directors do not propose the payment of a final dividend for the year (2020: nil).

Subsequent events

On 18 January 2022, the company subscribed for 500,000,000 ordinary shares of £0.01 each in ZES for a consideration of £5m.

On 6 June 2022, the company received the repayment of £40,000,000 on the loan to ZIC with a maturity date of 6 June 2022.

On 14 June 2022, the company subscribed for 2,836,240,000 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.

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

On 22 July 2022, it was resolved to replace the existing Subordinated Debt of £450m through repayment of the ZFUK loan with a new Subordinated Debt from ZIC.

Directors

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

T Bailey	(Appointed 1 January 2021)
S M Collinson	
H A Pickford	
J Temes	
C Vink	

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 (see section Future Outlook on page 1) as permitted by section 414C(11) of the Companies Act 2006.

Independent auditors

Ernst & Young LLP ("EY") were appointed as external auditors for the company with effect from 1 January 2021 and have expressed their willingness to accept reappointment.

Employees

Employee relations and involvement

We have a formal consultation body constituted in law, the UK Employee Consultation Board which goes well beyond legal minimums in terms of engagement and seeking involvement of employees. Along with this group, we have a number of other engagement groups - social committees, wellbeing and D&I groups, Zurich Community Trust (UK) Limited ("ZCT") committees, as well as our Organisational Health Groups in each location and a group to represent Home and Mobile workers. Zurich's aim is to encourage our 'employee's voice' in the topics that interest them.

Zurich has conducted two Employee Net Promoter Score ("ENPS") surveys in 2021, and along with the feedback from the 2020 Organisational Health Index survey, the ENPS feedback is discussed in all of our employee forums and used to inform action to improve all aspects of working at Zurich.

Given the lockdown at the start of 2021 and the continued restrictions due to the pandemic, rather than have a start of year roadshow, each month the UK Executive Team invites employees to an all employee Teams call, covering topics such as business performance, customer stories, our work with ZCT and more. These calls provide employees with a virtual face to face opportunity to ask questions to the Executive team.

The People Hub (a generalist service available to all employees and managers in the UK to gain quick and expert advice on all employee related topics) has continued to focus this year on supporting employees and their managers through COVID and in the second half of the year on transitioning back into a hybrid way of working, both in the office and at home, providing advice and guidance, particularly concerning welfare and mental health considerations.

In addition, to support our ongoing focus on inclusion, we have worked with our Employee Resource Groups this year to set up a network of employee Inclusion Allies, to support colleagues who want support if they have any inclusion related concerns, in addition to our formal Dignity at Work policy.

Our People Portal holds all our collateral in respect of employment matters, and we continue to enhance this service by further developing the chat facility and the user interface which helps people find the material they are looking for whenever they log on. We will continue to update the articles and policies held on this site to ensure they reflect our employee brand and tone of voice.

Performance management and reward

Throughout 2021 we have seen continuing uncertainty surrounding return to work caused by the COVID-19 pandemic, we know that this has continued to have a significant impact on performance management and reward, both in terms of principles but also how these are implemented by people leaders across the organisation.

Guidance provided to managers in relation to performance management was focused on ensuring that managers considered employees' personal circumstances during the year when evaluating performance, reducing the possibility of unfair assessment due to time away from work, or changes to working patterns during the year.

Due to the financial impact of the pandemic, there was no salary review budget applied to the UK population. To mitigate the impact of this for the most junior UK employees, a payment of one week's salary was made to this population in March 2021. There were limited exclusion criteria for this payment and it was designed to protect the population from increasing costs in the absence of an increased salary.

Business performance of Zurich in the UK for 2021 has been markedly better than in 2020 and as such, the salary review budget for 2022 has been confirmed at 5%. This has been agreed following consultation with the Unions and UK Employee Consultation Board. The discussion has considered current performance, financial outlook and market pressures, including peer expectations and inflationary figures across the UK. The business is continuing to work with the consultation bodies to refine how this budget is distributed and also to ensure continued pay focus and progression throughout 2022 and future years.

There was continued flexibility in the benefit scheme, allowing employees to flex their benefits based on changing needs and external circumstances throughout the year and ensuring employees had options that suited their lifestyles.

Employees (continued)

Performance management and reward (continued)
Additionally, we introduced two new benefits towards the end of the year, Gympass is a comprehensive health and wellbeing provider allowing employees to access a huge variety of offerings and products and also a carbon offsetting benefit that allowed employees to sacrifice salary in exchange for offsetting their carbon creation through certified credits.

There has been continued focus on goal setting throughout the 2021 performance cycle, ensuring that the organisation's strategic goals are reflected at all levels, as well as making sure that team and individual goals drive the best outcomes for our customers. A leadership goal was introduced for the UK Executive team and additional senior leaders across the business.

The construct of our Short Term Incentive plan changed slightly, with the creation of management pools under the overall UK pool. These sub pools allow for more targeted evaluation within functions and ensures teams are rewarded consistently, improving motivation and engagement. These changes apply to the UK business with the exception of those working within Group Functions such as compliance, legal and risk.

Employee relationships – company response to COVID-19
COVID-19 has significantly impacted the workplace landscape since early March 2020. From the outset our Zurich UK workforce response has aimed to carefully balance the need to ensure our employees are working safely and are supported in a challenging work and home environment, alongside the need to serve our customers at a critical time for them.

- All employees have continued in their roles in the UK throughout 2021 and consistent with 2020, furlough has not been used. The UK has taken an approach of encouraging flexibility in working pattern where needed, helping employees to manage their work to the best of their ability whilst also dealing with the demands of childcare or other caring responsibilities and any other pressure created by the change in working environment. All employees had access to 2 weeks of emergency leave in 2021.
- Any employees that have been self-isolating have continued to be remunerated as normal.
- Physical safety – The majority of our UK employees continued to work from home during the first half of 2021 and all usual operational activity has continued. During lockdown periods, employees have been able to work in the office on a limited basis, adhering to COVID-19 safe guidelines, where there is a welfare need to return to an office environment. The latter part of 2021, as restrictions have eased, has seen a gradual transition to a hybrid working model. Employees have been encouraged and supported to return to working in the office, giving the opportunity to engage with colleagues on face-to-face basis and meet with customers and suppliers. We have provided support and guidance to employees and managers during this period.
- Mental Health and Wellbeing – employees have been provided with a wide range of support during 2021, focused on supporting employees in areas on financial hardship, physical health and mental wellbeing. Support has drawn on a range of resources; financial wellbeing provider, newsletters with wellbeing materials and advice, webinars and podcasts from external providers. All material has been collated in a single 'wellbeing hub' providing employees with an easily accessible pool of resource and external support.
- Communication – During 2021, the company has ensured that there are regular opportunities for communication with employees at all levels and in a variety of formats. We continue to have a weekly employee newsletter, fortnightly communications for people managers, a COVID-19 Q&A site and regular all employee calls. In addition to these more formal methods, workplace has continued to be used for more informal communication between employees, sharing news, feedback and support.

Employee share schemes
The company encourages both awareness of Zurich Insurance Group financial performance and participation in its success through the Reward Share Scheme.

The Reward Share Scheme is an element of a HM Revenue & Customs Approved Share Incentive Plan operated by ZIG. Shares are allocated in ZIG based on the business performance of operating units for the year ended 31 December 2021 in which eligible employees worked, performance was confirmed in February with the announcement of the UK Business' financial results, with shares awarded in March.

Employees (continued)

Approach to diversity and inclusion
Our people are Zurich's most important asset. They enable us to achieve our strategy and deliver for our stakeholders. Their varied skills, perspectives and experiences drive innovation and they should reflect the breadth and diversity of our customers, suppliers, business partners, communities and investors across the UK.

We therefore aim to create a workplace where all employees can thrive, in an environment where everyone is treated as equally important. It enables us to attract and retain the best talent, reduces risk, and improves decision making. But we also do it because it is simply the right thing to do, it's part of how we achieve our purpose - to create a brighter future together.

In 2021, we have delivered on this commitment through numerous initiatives, which we capture under 5 pillars: Leadership, recruitment, development, measurement & reporting, and inclusion. Activities across these pillars are designed to address gender balance, representation of ethnic minorities, and inclusion of disabled and LGBT+ employees. Zurich in the UK has employee networks covering each of these characteristics with a combined membership of more than a quarter of employees. In 2021 we have again published our pay gaps for each of these areas, along with an action plan designed to reduce each of those gaps. We continue to host a UK D&I Council, chaired by the CEO, and made up of senior representatives from each of the business areas. This was put in place in order to make each business area accountable for their diversity and inclusion performance, and in 2021 we published targets for gender and ethnicity.

Zurich UK retains its status as 'leader' in the Government's Disability Confident Scheme, and is also signed up to the Race at Work charter and the 10,000 Black Interns initiative. We appear in Working Families Top 30 Employers list and in Stonewall's Global Leaders list. In 2021, we have built on these successes, focusing particularly on increasing ethnic minority representation in our organisation and on ensuring that we maintain the upward trajectory of female senior appointments through mentoring, sponsorship and development schemes and through external partnerships.

Employment of staff with disabilities in the United Kingdom
The ZIG group's policy on recruitment and promotion is based on an individual's ability to do the job. Full and fair consideration is given to experience, qualifications and overall competence to perform the job. The ZIG group's training functions are equipped to meet any special needs of individuals with disabilities and favourable consideration is given to the modification of facilities and provision of special aids or equipment. The ZIG group have actively worked with an external advisory party, the ENEI (Employee Network for Equality and Inclusion) to ensure support of candidates with a disability is in line with best practice.

The company actively monitors recruitment, development and promotion to ensure ZIG provides career development opportunities to employees with disabilities and the company remains satisfied that policy and practice meets and in some cases exceeds statutory requirements.

For those employees who develop a disability during the course of their employment, every effort is made to ensure they remain with the ZIG group by finding them suitable alternative employment, whether through making appropriate adjustments, retraining or redeployment, or, where this is not possible, financial provision is made for such employees through the operation of long-term sickness cover, and ill health early retirement provision's.

Zurich in the UK has an employee network for disability – the Accessibility & Inclusion Network (AIN) – which works to promote equal opportunities for all so that employees, customers and other stakeholders, irrespective of disability, find Zurich to be a caring and understanding employer and insurer.

Zurich UK is a Signatory of The Valuable 500 initiative, committing to put disability on the board's agenda. Zurich UK also holds the status of 'leader' in the Government's Disability Confident scheme.

Energy & Carbon Reporting

The section below fulfils the requirements of the UK Streamlined Energy and Carbon Reporting ("SECR") framework, including our operational energy and carbon emissions. Validated Energy and Carbon emissions data is not available until mid-year. As such the UK energy use and associated greenhouse gas ("GHG") emissions are reported based on the latest validated position, using 2020 data with comparatives for the 2019 position.

UK sustainability is managed across all entities with reporting metrics and targets based on UK-wide actions. Extracting this data to an entity level would not provide a clear picture of the emissions or actions. Similar disclosures are included within Zurich Assurance Limited ("ZAL"), a subsidiary of the company.

Following a review of methodology during 2020 the UK figures have been restated for 2019 aligned to the new methodology aligned to science-based targets, in order to provide meaningful comparatives.

UNITED KINGDOM	2020	2019 *RESTATED*
Scope 1 emissions [t CO2e]	2,278	5,415
Scope 2 emissions [t CO2e]	968	1,234
Scope 3 emissions [t CO2e]	2,689	10,051
Total emissions [t CO2e]	**5,935**	**16,700**
Employees (Full Time Equivalent (FTE))	4,239	4,286
Total emissions per FTE [t CO2e / FTE]	**1.40**	**3.90**
Total energy [MWh]	11,671	15,313
Total energy per FTE [MWh / FTE]	2.75	3.57

Notes:
Scope 1: onsite heating and car fleet emissions (direct emissions).
Scope 2: purchased electricity, heat, steam and cooling (indirect emissions).
Scope 3: air, car rental and rail, as well as other fuel and energy related emissions not included in scope 1 or 2. Following the science-based emissions target setting process this also includes strategic data centres, employee commuting, waste and printed paper.

No emissions have been included in these figures in respect of employees working from home.

Methodology

Zurich reports emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards. Our data is assured by an independent third-party auditor. We publicly disclose our Group environmental performance data on www.zurich.com/en/sustainability/environment/our-environmental-kpis. Environmental reporting is supported by our global network of environmental managers, as well as our suppliers. We have a central reporting software to support data collection and reporting. Our global environmental management system is based on ISO14001.

In March 2021, Zurich publicly announced new science-based emissions reduction targets for our Group's operations. As part of the target setting process, we have reset our emissions baseline to include additional sources of emissions, creating new footholds to influence environmental impacts in these areas. In addition to emissions reported from our fleet, facilities and business travel, we have added emissions from employee commuting, outsourced strategic data centers, printed paper, and waste.

Energy & Carbon Reporting (continued)

Actions taken during the year being presented

During 2020 actions taken to support climate goals were significantly impacted by the COVID-19 pandemic, however the company continues to implement initiatives to move towards our environmental goals. A summary of these is provided below.

UK Facilities Emissions
As a result of the pandemic, UK offices were closed from 24 March 2020 onwards, with only very limited staff onsite. Where possible, measures highlighted below were taken to ensure minimum energy use during this time. As a consequence, in 2020, total electricity reduced by 27 percent, and heating energy reduced by 19 percent, resulting in a total 24 percent reduction in facilities energy consumption, all compared to 2019. Given the reduced energy demand, the percent renewable power fell slightly to 57% (compared to 60% in 2019).

Emissions from heating and electricity have reduced by 20% in 2020 compared to 2019, or more than 500 metric tons. To help reduce energy consumption and facilities emissions, the company continues to implement a number of further initiatives, while continuing to work with our Facilities Management provider to explore ways of operating our premises more sustainably, including removing paper processes, improving recycling and reducing waste.

New Swindon Office
Construction of our new purpose-built facility in Swindon began in early 2020. The company is aiming for a BREEAM rating of 'Excellent' for the new site and has recently achieved this accreditation for the design phase.

UK Travel emissions
The pandemic had a dramatic effect on business travel. In 2020, total travel emissions from air, rental cars and rail reduced by 88 percent. Car fleet emissions have reduced by 70%. The reduction was less extreme with fleet, as employees are allowed to use fleet cars for personal travel.

In 2020, Zurich Group joined the EV100 commitment, setting the goal to electrify our global car fleet by 2029. Electric vehicle charging points are installed at our office sites in Fareham, Farnborough and Wolverhampton to encourage hybrid/electric vehicle use, with plans in place to provide these at a further 3 sites. A change to our fleet arrangement in 2020 has provided improved hybrid/electric vehicle options, resulting in an increase in uptake, including 70 new electric cars.

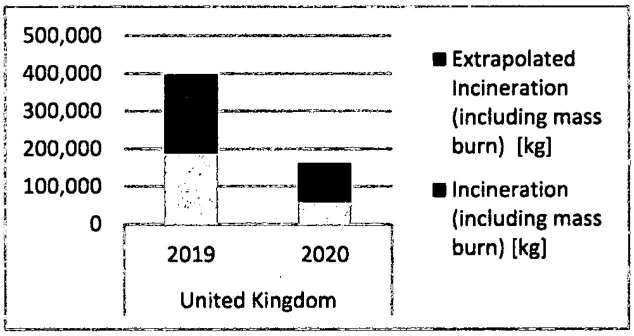
UK Waste Minimisation
Given significant reductions in office space, enabled through Hybrid Working and FlexWork, waste figures have significantly reduced in the UK. However, we acknowledge by shifting more work to home office environments, we are no longer able to have a comparable measure to historic years. Another contributor to waste reduction was the move to eliminate single-use plastics from all operations. In 2019, the UK eliminated 93% of single-use plastics from operations.

As mentioned above, emissions from waste were introduced with our 2019 baseline. Also, a new extrapolation methodology was introduced to help cover the gap where actual waste data is not available, considering all sites with over 250 headcounts. Waste emissions have reduced by 60 percent, or more than 235,000 kilograms.

Energy & Carbon Reporting (continued)

Actions taken during the year being presented (continued)

Recycling Progress
Zurich's UK locations continue to implement their local environmental action plans, with environmental champions along with continued education developing a more proactive support for environmental initiatives. Our waste contractor has also maintained an integrated approach to managing our various waste streams as well as the provision of reliable information.



UK Paper Reduction
We're working hard to continue to reduce the amount of paper we use across the business and look for opportunities to digitise our communications where we can and have processes in place to ensure we minimise print volumes. Emissions from printed paper were introduced with our 2019 baseline. With our continued focus on paper reductions, in 2020, we reduced paper emissions by 48%, eliminating over 26 million pages from being printed.

We continue to review customer journeys, looking for ways to provide information in different formats dependant on customer needs and regulatory requirements. Communications that are created for postal use are now also created in email format to be used as the default with information where possible rather than enclosing inserts. Where pre-printed items are still required, we closely monitor usage and remove from warehouse storage once low enough. These items are then made available for digital print so only required volumes are printed on demand. This means less wastage and costs savings for storage and shipping.

Investment in new digital capability means we can reduce our reliance on print by making communications available online and by encouraging customers to sign up to online portals and digital communications. For example, in the Life In Force business, the My Plans portal means customers can be directed online for valuations rather than being sent valuation statements.

In response to the lockdowns, we introduced a digital mail platform to deliver all incoming correspondence digitally to the relevant team. We have also introduced scan on demand for all files, which has reduced the need to transport these between our offices and provides us with a digital archive, rather than physical. Our future plans are to continue this throughout the UK and create a digital archive for all our files for the future.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors 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 auditors is aware of that information.

On behalf of the Board

H. Pickford

....

Name: Helen Pickford

Director

Date: 21 September 2022

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
We have audited the financial statements of Zurich Financial Services (UKISA) (UK for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statemement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework"-(United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard FRS 101 – Reduced Disclosure framework, the Companies Act 2006 and the relevant direct tax compliance regulation in the United Kingdom. In addition, the company is required to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption and General Data Protection Regulation ('GDPR').

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

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

- We understood how the company is complying with those frameworks by making enquiries of management, those charged with governance, internal audit and those responsible for legal and compliance matters. We corroborated our enquiries through review of meeting minutes of the Board.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and management and as a result of our enquiries, management is not aware of any non-compliance with laws and regulations affecting the financial statements. Based upon our enquiries, we are not aware of any instances of non-compliance with laws and regulations.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We considered management's incentives and opportunities for fraudulent manipulation of the financial statements, including management override of controls, and determined that the principal risks were related to posting of manual topside journals to inflate reported results. We tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual manual transactions. We verified that the journals selected are supported , where appropriate, by appropriate source documentation.

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

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

R I Page

Richard Page (Senior statutory auditor)

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

Bristol

Date: 23 September 2022

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		£m	£m
Income from shares in group undertakings	4	106.5	86.0
Administrative income	8	3.2	3.1
Operating profit		109.7	89.1
Amounts (written off)/back to fixed asset investments	12	(371.5)	98.8
Loss on disposal of fixed asset investments		(1.8)	(0.5)
(Loss)/profit before interest and taxation		(263.6)	187.4
Other interest receivable and similar income	9	0.1	-
Interest payable and similar charges	10	(0.8)	(0.9)
(Loss)/profit before taxation		(264.3)	186.5
Tax on (loss)/profit	11	6.0	(1.7)
(Loss)/profit for the financial year		(258.3)	184.8

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

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
(Loss)/profit for the financial year		(258.3)	184.8
Items that will not be reclassified to profit or loss:			
Distributions paid on subordinated loans designated as equity	20	(33.2)	(33.2)
Movement in deferred tax relating to the Zurich pension scheme	17	0.7	0.2
Total comprehensive (expense)/income for the financial year		(290.8)	151.8

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments:			
Investments in group undertakings	12	1,843.5	2,152.0
Current assets			
Debtors	14	42.6	1.7
Cash at bank and in hand		17.2	91.8
		59.8	93.5
Creditors: amounts falling due within one year			
Creditors	15	(14.0)	(20.2)
Net current assets		45.8	73.3
Total assets less current liabilities		1,889.3	2,225.3
Creditors: amounts falling due after more than one year			
Creditors	15	-	(42.0)
Net assets before provisions		1,889.3	2183.3
Provisions for liabilities	16	(25.9)	(29.8)
Net assets		1,863.4	2,153.5
Capital and reserves			
Called up share capital	18	1,410.8	1,410.8
Profit and loss account		3.2	294.0
Total equity		1,414.0	1,704.8
Subordinated loans designated as equity	19	449.4	448.7
Capital and reserves attributable to equity holders of the company		1,863.4	2,153.5

The financial statements on pages 17 to 42 were approved by the board of directors and authorised for issue on 21 September 2022 and are signed on its behalf by:

H. Pickford

....

Name: Helen Pickford
Director

Company Registration No. 01860680

ZURICH FINANCIAL SERVICES (UKISA) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called Up Share Capital £m	Profit & Loss Account £m	Total Shareholder's Funds £m
Balance at 1 January 2020	1,340.8	142.2	1,483.0
Year ended 31 December 2020:			
Profit for the financial year	-	184.8	184.8
Other comprehensive expense			
Distributions paid on subordinated loans designated as equity	-	(33.2)	(33.2)
Movement in Deferred Tax Relating to the Pension Scheme	-	0.2	0.2
Total comprehensive income for the year	**-**	**151.8**	**151.8**
Issue of share capital	70.0	-	70.0
Balance at 31 December 2020	1,410.8	294.0	1,704.8
Year ended 31 December 2021:			
(Loss) for the financial year	-	(258.3)	(258.3)
Other comprehensive expense			
Distributions paid on subordinated loans designated as equity	-	(33.2)	(33.2)
Movement in Deferred Tax Relating to the Pension Scheme	-	0.7	0.7
Total comprehensive expense for the year	**-**	**(290.8)**	**(290.8)**
Balance at 31 December 2021	**1,410.8**	**3.2**	**1,414.0**

1 Accounting policy information

Company information
Zurich Financial Services (UKISA) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

1.1 Accounting convention

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

The financial statements have been prepared 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 2021, since it is a wholly-owned subsidiary undertaking of a parent company that is not established under the law of an EEA state, which prepares consolidated financial statements in which the company and its subsidiaries are included.

The 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 are satisfied that the company has adequate resources to continue in operational existence for the 12 months from the date of approval of these financial statements, this includes consideration of the impact of the aggression of the Russian government on Ukraine and the resulting war along with the sanctions subsequently imposed on Russia on the projected cash flows and profit and loss of the company. As at 31 December 2021, the company reported net current assets of £45.8m (2020: £73.3m).

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, legal costs and audit fees and are charged to the profit and loss account on an accruals basis. It also includes movements related to the provision for pension guarantee. Where administrative expenses from prior years are refunded or reversed these are recognised as credits to expenses.

1 Accounting policy information (continued)

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. Where subsequent impairment reviews show a recoverable amount higher than the impaired cost, previous impairments are reversed.

1.6 Other Interest receivable and similar income

Other 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 Pension costs

The company acts as the principal employer for the Zurich Financial Services UK Pension Scheme ("Zurich Scheme"). The Zurich 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 (the "Main 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 Zurich 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 of the Zurich Scheme (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 Zurich 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 Zurich 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 Accounting policy information (continued)

1.9 Taxation

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

Current tax

Current tax is based on taxable loss for the year. Taxable loss can differ from net loss 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.

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.

1.10 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. Consideration was given to the recoverable amounts and any resulting impairments.

1.11 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.

1.12 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.

1.13 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 Accounting policy information (continued)

1.14 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, 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 fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at each reporting end date.

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

Derecognition of financial assets

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

1 Accounting policy information (continued)

1.15 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, 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 £48m senior debt from ZIC in 2020 had no issue costs and was therefore held at the value of consideration received.

Derecognition of financial liabilities

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

1.16 Provisions for liabilities

Provisions represent the best estimates of the future costs to settle the obligations in existence at the statement of financial position date. 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. Provisions are reversed and credited to the profit and loss account if it is no longer probable that future costs will be incurred.

2. Adoption of revised standards and changes in accounting policies

The company elected to adopt the following amendments early:

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

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

3. Critical accounting estimates and 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.

Estimate

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 and the discounted new business value ("NBV"). In taking into account these factors, the following estimates and assumptions are made:

For the MCEV calculation:
- 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.

For the NBV calculation:
- 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 6.36% representing the UK Weighted Average Cost of Capital ("WACC").

Judgements

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.

Provisions for liabilities - post-employment benefits
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management, with actuarial guidance, estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the ES Executives' section of the Zurich Scheme.

4. Income from shares in group undertakings

	2021 £m	2020 £m
Dividends:		
Eagle Star Holdings Limited	100.0	86.0
Zurich Intermediary Group Limited	6.5	-
	106.5	86.0

5. Auditors' remuneration

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

	2021 £000	2020 £000
Audit Services:		
Auditors' remuneration in respect of audit services	10.0	14.0
	10.0	14.0
Other Services:		
Audit of the company's subsidiaries	1,192.0	967.0
Audit related assurance services	318.0	880.0
	1,510.0	1,847.0

Audit related assurance services represent audit services provided for ZAL Group reporting and Solvency II.

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

7. Directors' remuneration

	2021 £m	2020 £m
Remuneration for qualifying services	0.6	0.7

2 directors (2020: 3 directors) did not receive remuneration in respect of their services to the company or any of its subsidiary undertakings. The remuneration of the remaining 3 directors (2020: 2 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 (2020: 2 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 (2020: 2).

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

The number of directors who are members of the long term incentive schemes during the year was 2 (2020: 2).

7. Directors' remuneration (continued)

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

	2021 £m	2020 £m
Remuneration for qualifying services	0.6	0.7
	0.6	0.7

The highest paid director did not accrue benefits under a defined benefit scheme (2020: did not accrue benefits). The highest paid director did accrue benefits under a defined contribution scheme (2020: did accrue benefits). The highest paid director did not exercise options over shares in ZIG in the year (2020: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2020: was a member). The highest paid director has not changed during the course of the year.

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

8. Administrative expenses

	2021 £m	2020 £m
Movement in pension guarantee provision (see note 16)	(4.4)	(4.4)
Other costs	1.2	1.3
	(3.2)	(3.1)

Following payment of the 2021 agreed mitigation payment, £4.4m of the provision has released in 2021.

9. Other interest receivable and similar income

	2021 £m	2020 £m
Interest on loans to fellow group companies	0.1	-
Interest receivable on cash at bank	-	-
	0.1	-

10. Interest payable and similar charges

	2021 £m	2020 £m
Interest on loans from fellow group companies	0.7	0.8
Other finance charges	0.1	0.1
	0.8	0.9

11. Tax on (loss)/profit

	2021 £m	2020 £m
Current tax		
- UK corporation tax on (loss)/profit for the year	(6.6)	-
- Adjustments in respect of prior periods	(0.1)	1.5
Total UK current tax (credit)/charge	(6.7)	1.5
Deferred tax		
- Impact of change of tax rate	0.7	0.2
Total UK deferred tax	0.7	0.2
Total tax (credit)/charge	(6.0)	1.7

It was announced in the budget on 3 March 2021 that the corporation tax rate would increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and deferred taxes at the balance sheet date have been measured taking this tax rate change into account and this resulted in a deferred tax charge of £0.7m.

The (credit)/charge for the year can be reconciled to the standard tax rate as follows:

	2021 £m	2020 £m
(Loss)/profit before taxation	(264.3)	186.6
Expected tax (credit)/charge based on a corporation tax rate of 19%	(50.2)	35.4
Income not taxable	(0.8)	(19.6)
Dividend income not taxable	(20.2)	(16.3)
Interest payments deductible for tax purposes	(6.3)	(6.3)
Expenses not deductible for tax purposes	70.5	-
Loss on disposal not subject to tax	0.3	0.1
Re-measurement of deferred tax - change in tax rate	0.7	0.2
Tax losses not recognised	-	6.7
Adjustment in respect of prior periods	-	1.5
Taxation (credit)/charge for the year	(6.0)	1.7

12. Investments in group undertakings

	2021 £m	2020 £m
Shares in group undertakings	1,843.5	2,152.0
Cost	2,748.5	2,685.4

The subsidiary undertakings of the company as at 31 December 2021 are set out in note 21.

The original cost of the investments in subsidiary undertakings were £2,748.5m (2020: £2,685.4m) and the cumulative impairment at the year-end was £905.0m (2020: £533.4m).

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

The movement in the year comprises:

	2021 £m
Opening balance at 1 January	2,152.0
Additions	63.1
Impairments	(371.6)
Closing balance at 31 December	1,843.5

Additions

On 22 January 2021, the company subscribed for 500,000,000 ordinary shares of £0.01 each in ZES for a consideration of £5.0m.

On 10 June 2021, the company subscribed for 2,836,240,000 ordinary shares of £0.01 each in ZES for a consideration of £28.4m.

On 26 June 2021, the company subscribed for 2,971,700,000 ordinary shares of £0.01 each in ZES for a consideration of £29.7m.

Impairments

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

	2021 £m	2020 £m
Eagle Star Holdings Limited	(302.4)	(131.4)
Zurich Employment Services Limited	(63.0)	33.4
Zurich Intermediary Group Limited	(6.2)	(0.8)
	(371.6)	(98.8)

The impairment review of Eagle Star Holdings Limited performed in Q1 2022 would result in an impairment charge of £76.6m, primarily as a result of increased future corporation tax rates and market movements. In the Directors' judgment, these are non-adjusting post balance sheet events, and have not been accounted for in the impairment review performed as at the year end.

13. 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.

The LIBOR reform has been considered and it poses no risks for fixed interest rate loans as the interest is fixed at the time when the loan is agreed and is documented as such. In addition, the standard loan template includes a paragraph regarding the LIBOR decommissioning such that the rate can be amended to a replacement rate by reference to market convention.

Until 4 June 2021, the company had access to $1.36bn as part of $3.4bn committed and uncommitted bilateral credit facilities provided to the ZIG group. On 4 June 2021, the company entered into an additional new revolving credit facility with access to a $80m of committed bilateral credit facilities as part of $200m committed bilateral credit facilities provided to the ZIG group.

At 31 December 2021, the company had the following financial liabilities:

	2021 £m	2021 Fixed Interest Rate	2021 Maturity Date	2020 £m	2020 Fixed Interest Rate	2020 Maturity Date
Amounts owed to group undertakings:						
Senior loans	-	-	-	6.0	-	1 Feb 21
Senior loans	-	-	-	42.0	-	28 Sep 22
	-			48.0		

At 31 December 2021, the company owed £5.8m (2020: £5.8m) to subsidiary undertakings and £8.2m (2020: £14.3m) to 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.

14. Debtors

	2021 £m	2020 £m
Corporation tax recoverable	2.6	1.3
Amounts owed by group undertakings	40.0	0.3
Other debtors	-	0.1
	42.6	1.7

All amounts in relation to other debtors are current.

At 31 December 2021 the company had unused tax losses of £55.8m (2020: £55.8m) for which no deferred tax asset has been recognised.

15. Creditors

	Due within one year 2021 £m	Due within one year 2020 £m	Due after one year 2021 £m	Due after one year 2020 £m
Amounts owed to subsidiary undertakings	5.8	5.8	-	-
Amounts owed to group undertakings	8.2	14.3	-	42.0
Other creditors	-	0.1	-	-
	14.0	20.2	-	42.0

16. Provisions for liabilities

	Pension guarantee £m	Transaction costs £m	Total £m
At 31 December 2020	28.4	1.4	29.8
Additions to income statement	-	0.5	0.5
Amounts released	(4.4)	-	(4.4)
At 31 December 2021	24.0	1.9	25.9

Pension guarantee
ZES entered into a flexible apportionment arrangement ("FAA") with Openwork Services Limited ("OSL") and assumed responsibility for Openwork's obligations under Section 75 of the Pensions Act 1995. This is permitted under pensions regulations and has been notified to the Pensions Regulator: there are no outstanding issues in relation to the arrangement. At the same time, ZES agreed to a funding agreement that sits outside of the schedule of contributions that will pay staged instalments, which at the time would have been equal to a total present value of £40m. This is broadly equal to the contribution that OSL would have been required to pay under Section 75 when it exited. Subsequent valuations and revisions to the schedule of contributions will not affect this agreement. ZES's parent company (UKISA) agreed to put sufficient funds in ZES to enable the contributions to be paid

The provision is in respect of the 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 £28.4m, payable annually for a period of 6 years, discounted to present value using a discount rate of 0.82% at 31 December 2021 (2020: -0.053%). £5.0m (2020: £5.0m) of other provisions are current and £19m (2020: £23.4m) are non-current.

Transaction costs
The provision is in respect of the transaction cost will be utilised in 2022 to finalise the sale of the UK Retail Wealth business.

17. Post-employment benefits

The company acts as the principal employer for the Zurich Financial Services UK Pension Scheme ("Zurich 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 Zurich Scheme: the ZPen section and the ES Executives' section. The ZPen section includes the members that existed in the previous Main Scheme as of 28 April 2009. The ES Executives' section consists of the former Executives' Scheme, which was transferred into a new ring fenced section of the Zurich 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.

17. Post-employment 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 2019, although the values for the scheme's assets and liabilities are based on updated information provided at 31 December 2021. 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:

	2021	2020
Rate of increase for pensions in payment	3.7%	3.5%
Discount rate	1.8%	1.2%
Rate of inflation – RPI	3.6%	3.0%
Rate of inflation – CPI	2.6%	2.0%

Mortality rates are based on the standard tables S3PMA_L for males and S3PFA for females. Mortality improvements are allowed through the use of the CMI core projection model issued in 2019, 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

	2021 £m	2020 £m
Opening balance at 1 January	(170.2)	(178.2)
Interest cost	(1.5)	(2.8)
Benefits paid	8.3	13.2
Actuarial experience (losses)/gains	(1.7)	3.3
Actuarial gains arising from changes in demographic assumptions	0.2	7.1
Actuarial gains/(losses) arising from changes in financial assumptions	6.6	(12.8)
Closing balance at 31 December	(158.3)	(170.2)

Sensitivity analysis of Scheme liabilities

	% Change in assumption	Impact on scheme liabilities
Discount	1% decrease	£0.3m increase
Inflation	1% decrease	£0.3m decrease
Life expectancy	10% increase	£31.8m increase

To illustrate the sensitivity analysis above, a 1% decrease in the discount rate leads to a revised rate of 1.7721%, a reduction of 1.79 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.

17. Post-employment benefits (continued)

Reconciliation of fair value of scheme assets

	2021 £m	2020 £m
Opening balance at 1 January	212.5	201.5
Expected return on scheme assets	1.9	3.1
Benefits paid	(8.3)	(13.2)
Actuarial (losses)/gains	(0.1)	21.1
Closing balance at 31 December	206.0	212.5

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 £1.8m (2020: £24.2m).

The fair values of the scheme's assets were:

	2021				2020			
	Quoted in active markets[1] £m	Other[2] £m	Total £m	% of Total	Quoted in active markets[1] £m	Other[2] £m	Total £m	% of Total
Equity securities	10.9	-	10.9	5.3	5.2	31.5	36.7	17.3
Debt securities	-	193.7	193.7	94.0	-	167.3	167.3	78.7
Real estate	-	-	-	-	-	7.2	7.2	3.4
Cash and cash equivalents	1.4	-	1.4	0.7	1.3	-	1.3	0.6
Total market value of assets	12.3	193.7	206.0		6.5	206.0	212.5	

[1]Level 1 assets
[2]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 include 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.

17. Post-employment benefits (continued)

The assets of the scheme reported in the company were:

	2021 £m	2020 £m
Defined benefit obligation	(158.3)	(170.2)
Plan assets	206.0	212.5
Surplus	47.7	42.3
Recognition of asset ceiling	(47.7)	(42.3)
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.

Change in irrecoverable surplus

	2021 £m	2020 £m
Irrecoverable surplus at 1 January	(42.3)	(23.3)
Interest cost on irrecoverable surplus	(0.4)	(0.3)
Change in irrecoverable surplus in excess of interest cost	(5.0)	(18.7)
Irrecoverable surplus at 31 December	(47.7)	(42.3)

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

	2021 £m	2020 £m
Interest cost	1.5	2.8
Interest cost on irrecoverable surplus	0.4	0.3
Expected return on plan assets	(1.9)	(3.1)
Reported in profit and loss account	-	-

Actuarial gains and losses

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

	2021 £m	2020 £m
Actuarial losses	(11.2)	(11.2)
Deferred tax on actuarial losses	2.8	2.1
	(8.4)	(9.1)

17. Post-employment benefits (continued)

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 Zurich 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 Zurich scheme Trustees in June 2017, valuing the total scheme surplus at £1.6m. In light of the results of this valuation, the Zurich 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.

The results of the latest triennial valuation at 30 June 2019 were agreed by the Scheme Trustees on 17 September 2020. This latest valuation showed a surplus of £63m in the ZPen section and a surplus of £1.6m in the ES Executives' section.

Total amount recognised in the statement of comprehensive income – movements

	2021 £m	2020 £m
Experience adjustment on plan assets	(0.1)	21.1
Experience adjustment on plan liabilities	(1.7)	3.3
Actuarial gains arising from changes in demographic assumptions	6.6	7.1
Actuarial losses arising from changes in financial assumptions	0.2	(12.8)
Movement in recognition of asset ceiling	(5.0)	(18.7)
Amount recognised in the statement of comprehensive income	-	-
Related deferred tax recognised in the statement of comprehensive income	0.7	0.2
	0.7	0.2

The Budget Statement on 3 March 2021 announced that the corporation tax rate would increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and deferred taxes at the balance sheet date have been measured taking this tax rate change into account and this resulted in a deferred tax credit to the statement of comprehensive income of £0.7m.

18. Called up share capital

	2021 £m	2020 £m
Allotted, issued, and fully paid:		
1,410,800,000 (2020: 1,410,800,000) ordinary shares of £1 (2020: £1) each	1,410.8	1,410.8

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.

19. Subordinated loans designated as equity

	2021 £m	2020 £m
Subordinated loans designated as equity	449.4	448.7

On 2 October 2003 a former subsidiary company, Zurich Finance (UK) Plc ("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.

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% (2020: 7.56%) was used for the calculation of the amortisation on the loan.

At 31 December 2021, the fair value of the undated subordinated loan was £471.5m (2020: £504.4m). This has been calculated as the present value of future cash flows using a discount rate of 1.41% (2020: 1.41%).

20. Distribution for interest payable on subordinated loans designated as equity

	2021 £m	2020 £m
Distribution on £450.0m subordinated loan at an effective interest rate of 7.38% (2020: 7.38%)	33.2	33.2

21. Subsidiaries

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

Name of undertaking	Country of Incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Allied Dunbar Assurance plc	United Kingdom	100	100	Holding company/ previously life insurance company
Concourse Skelmersdale Limited	United Kingdom	100	100	Real estate management
Eagle Star Holdings Limited	United Kingdom	100	100	Holding company
Zurich Employment Services Limited	United Kingdom	100	100	Employing company
Zurich Financial Services (UKISA) Nominees Limited	United Kingdom	100	100	Dormant
Zurich Financial Services UK Pension Trustee Limited	United Kingdom	100	99	Dormant
Zurich Intermediary Group Limited	United Kingdom	100	100	Financial intermediation
Eagle Star Group Services Limited	United Kingdom	100	100	Dormant
Grovewood Property Holdings Limited	United Kingdom	100	100	Ex gratia services
Eagle Star Holdings Limited	United Kingdom	100	100	Life insurance

21. Subsidiaries (continued)

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

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Access Franchise Management Limited	United Kingdom	100	100	Franchise management company
Eagle Star (Leasing) Limited	United Kingdom	100	100	Property company
Eagle Star Holding Company of Ireland Unlimited Company	Ireland	100	100	Dormant
ES Plympton Nominee 1 Limited	United Kingdom	100	100	Property management company
ES Plympton Nominee 2 Limited	United Kingdom	100	100	Property management company
Graphene Capital Partners Limited	United Kingdom	100	100	Dormant
Hawkcentral Limited	United Kingdom	100	100	Dormant
Kennet Road 1 UK Limited	United Kingdom	100	100	Property management company
Kennet Road 2 UK Limited	United Kingdom	100	100	Property management company

21. Subsidiaries (continued)

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Nearheath Limited	United Kingdom	100	100	Dormant
Plot 8B Buckingway Management Limited	United Kingdom	100	100	Property management company
Zurich Pension Trustees Limited	United Kingdom	100	100	Trustee company
Cambridge Research Park Management Co Limited	United Kingdom	23	23	Real estate management
Plot 6 Buckingway Management Limited	United Kingdom	25	25	Property management
Rabone Park Management Company Limited	United Kingdom	42.76	42.76	Property management
The Parklands (Birmingham) Management Company Limited	United Kingdom	30.56	30.56	Property management
Allied Dunbar Financial Services Limited	United Kingdom	100	100	Dormant
Allied Dunbar Provident plc	United Kingdom	100	100	Dormant
Zurich Assurance Ltd	United Kingdom	100	100	Life insurance

21. Subsidiaries (continued)

Name of undertaking	Country of Incorporation	Ownership interest held by subsidiary undertaking (%)	Voting power held by subsidiary undertaking(%)	Nature of business
Zurich Advice Network Limited	United Kingdom	100	100	Former advised sales
Zurich Pensions Management Limited	United Kingdom	100	100	Trustee duties - dormant
Employee Services Limited	United Kingdom	100	100	Employing entity

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

22. 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.

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.

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

Mythenquai 2
8002 Zurich
Switzerland

23. 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.

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.

24. Subsequent events

On 18 January 2022, the company subscribed for 500,000,000 ordinary shares of £0.01 each in ZES for a consideration of £5m.

On 6 June 2022, the company received the repayment of £40,000,000 on the loan to ZIC with a maturity date of 6 June 2022.

On 14 June 2022, the company subscribed for 2,836,240,000 ordinary shares of £0.01 each in ZES for a consideration of £28,362,400.

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

On 22 July 2022, it was resolved to replace the existing Subordinated Debt of £450m through repayment of the ZFUK loan with a new Subordinated Debt from ZIC. All necessary approvals and documentation are in progress to support these transactions. The new Subordinated Debt from ZIC will be a dated loan agreement and will be classified as a financial liability.

25. 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 £41.4m, payable in equal instalments annually for a period of 6 years.