

Registered number  
2388706

Zurich Specialties London Limited

Financial Statements

31 December 2014

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## **Company information**

### **Directors**

S Diffey  
S R Barnes

### **Company Secretary**

P J Lampshire

### **Registered office**

The Zurich Centre  
3000 Parkway  
Whiteley  
Fareham  
Hampshire  
PO15 7JZ

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

## Strategic Report

The directors present their strategic report for the year ended 31 December 2014.

### Business review

This review is designed to help explain the financial statements and the financial performance of the Company. Set out below is a brief explanation of the methods used to measure and monitor the performance of the Company as well as commentary on the financial results for the year.

### Principal activities

Following court approvals in November 2012 in England and Jersey, all of the insurance business of the Company was transferred to Swiss Re International SE on 1 January 2013, pursuant to a portfolio transfer under Part VII of the Financial Services and Markets Act 2000.

On 19 April 2013 the FSA (now known as the PRA) approved the deauthorisation of the Company from effecting and carrying out contracts of insurance, as a result of the Part VII transfer.

On 18 June 2013 the Company paid a dividend of £70,000,000 to the Company's parent Zurich Holdings (UK) Limited.

On 28 June 2013 the ordinary share capital of the Company was reduced from £150,000,000 to £2 by cancelling and extinguishing 149,999,998 ordinary shares of £1 each. The share premium was also cancelled and repaid to its parent. As a result of this capital reduction £156,999,998 was repaid.

### Going concern

It is deemed appropriate to prepare financial statements on a basis consistent with the going concern presumption in FRS 18.

### Performance measurement

Due to the Company's size and relative lack of complexity, the directors are of the opinion that using key performance indicators (KPIs) is not necessary for an understanding of the development, performance or position of the Company.

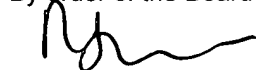
### Results and key performance measures for the year

The results for the Company show a pre-tax profit of **£68,000** (2013: Profit of £5,094,000) for the year.

The Company has total shareholders' funds of **£5,767,000** (2013: £5,626,000).

The overall financial position at the end of the year was satisfactory.

By order of the Board



P J Lampshire  
Company Secretary  
17 September 2015

## **Directors' report**

The directors present their annual report and audited financial statements for the year ended 31 December 2014.

### **Dividends**

The directors do not propose the payment of a dividend for the year (2013: £70,000,000).

### **Director**

The names of the directors who were in office at the date of signing the financial statements are shown on page 1.

The following director was appointed after the end of the year:

S R Barnes (appointed 21 May 2015)

The following director resigned after the end of the year:

P J Lindley (resigned 19th February 2015)

### **Financial instruments and risk management**

#### **i) Financial risk management objectives**

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

The Company's asset liability management (ALM) is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities. The Company does not use hedge accounting.

#### **ii) Interest rate risk**

Interest rate risk arises primarily from investments in fixed interest securities.

The Company monitors interest rate risk by calculating the mean duration of the investment portfolio. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates.

Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

#### **iii) Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The Company closely manages its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments.

#### **iv) Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

## Directors' report

### Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2014 of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office and will be deemed to be reappointed under section 487 of the Companies Act 2006.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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;
- 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.

By order of the Board



P J Lampshire  
Company Secretary  
17 September 2015

## **Independent auditors' report to the members of Zurich Specialties London Limited**

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

#### **Our opinion**

In our opinion, Zurich Specialties London Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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.

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

Zurich Specialties London Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

In our opinion, 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.

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

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

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### **Director's remuneration**

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

## **Independent auditors' report to the members of Zurich Specialties London Limited**

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

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

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

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

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

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

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

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

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

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

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



David Roper (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

18 September 2015

**Profit and loss account**  
**Technical account - general business**  
**for the year ended 31 December 2014**

£'000	Notes	2014	2013
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1	-	(257)
Outward reinsurance premiums		-	182
Net premiums written		-	(75)
Change in the gross provision for unearned premiums		-	264
Change in the provision for unearned premiums, reinsurers' share		-	(189)
		-	75
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount	1	-	(406,243)
Reinsurers' share		-	404,158
		-	(2,085)
Change in the provision for claims			
Gross amount	1	-	406,243
Reinsurers' share		-	(404,158)
		-	2,085
Net operating expenses	2	-	1,448
<b>Total technical charges</b>		-	1,448
<b>Balance on the technical account for general business</b>		-	1,448

All figures relate to discontinued operations.

**Profit and loss account  
Non-technical account  
for the year ended 31 December 2014**

<b>£'000</b>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
Balance on the general business technical account		-	1,448
Investment income	6	29	4,030
Investment expenses and charges	6	35	(57)
Unrealised losses on investments	6	(2)	(327)
Investment return		62	3,646
Other charges, including value adjustments	7	6	-
<b>Profit on ordinary activities before taxation</b>		<b>68</b>	<b>5,094</b>
Tax on profit on ordinary activities	8	73	(1,096)
<b>Profit for the financial year</b>		<b>141</b>	<b>3,998</b>

All figures relate to discontinued operations.

There is no material difference between the profit on ordinary activities as reported and on an historical cost basis.

**Statement of total recognised gains and losses  
for the year ended 31 December 2014**

£'000	Note	2014	2013
Profit for the financial year		141	3,998
Revaluation of other investments		-	(3,503)
Tax on revaluation of other investments	8	-	745
<b>Total gains and losses recognised since the last financial statements</b>		<b>141</b>	<b>1,240</b>

**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2014**

£'000	Notes	Profit and loss account	2014	2013
Opening shareholders' funds		5,626	5,626	231,386
Profit for the financial year		141	141	3,998
Dividends	9	-	-	(70,000)
Reduction in share capital	13	-	-	(150,000)
Reduction in share premium		-	-	(7,000)
Revaluation of other investments		-	-	(3,503)
Tax on revaluation of other investments		-	-	745
<b>Net deficit to shareholder's funds</b>		<b>141</b>	<b>141</b>	<b>(225,760)</b>
Capital distributions		-	-	-
<b>Closing shareholders' funds</b>		<b>5,767</b>	<b>5,767</b>	<b>5,626</b>

**Balance sheet  
as at 31 December 2014**

£'000	Notes	2014	2013
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	10	6,515	6,923
<b>Debtors</b>			
Debtors arising out of direct insurance operations:			
- intermediaries		2	-
Other debtors	12	1,129	828
		1,131	828
<b>Other assets</b>			
Cash at bank and in hand		1	1
<b>Prepayments and accrued income</b>			
Accrued interest and rent		-	2
Other prepayments and accrued income		34	70
		34	72
<b>Total assets</b>		<b>7,681</b>	<b>7,824</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account		5,767	5,626
<b>Total shareholders' funds</b>		<b>5,767</b>	<b>5,626</b>
<b>Creditors</b>			
Amounts owed to credit institutions		-	77
Other creditors including taxation	14	909	766
		909	843
<b>Accruals and deferred income</b>		<b>1,005</b>	<b>1,355</b>
<b>Total liabilities</b>		<b>7,681</b>	<b>7,824</b>

The financial statements on pages 7 to 22 were approved and authorised for issue by the Board on 17 September 2015 and were signed on its behalf by:

  
S Diffey  
Director

## **Accounting policies for the year ended 31 December 2014**

### **Basis of preparation**

The Company's financial statements have been prepared on the going concern basis and in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies and in accordance with applicable accounting standards under UK Generally Accepted Accounting Practice.

The financial statements have been prepared in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006), with the exception of paragraph 219 in relation to the presentation of foreign currency exchange gains and losses. It is the directors' view that presentation of such gains and losses in the technical account does not render the financial statements any less relevant or reliable and the cost of re-presentation would not be of benefit to the user. The Company's accounting policy on the treatment of foreign currency gains and losses is detailed below.

The Company has taken advantage of the exemption in FRS 1 (revised 1996) and has not prepared a cash flow statement as the Company is a wholly owned subsidiary of a parent company that prepares a cash flow statement.

The Company is a wholly owned subsidiary of an ultimate parent company incorporated outside of the European Economic Area which prepares consolidated financial statements; in accordance with section 401 of the Companies Act 2006 the Company is therefore exempt from preparing group financial statements.

### **Investment return**

Investment return comprises all investment income (which includes the amortisation charge in respect of any investments carried at amortised cost), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Dividends are recorded on the date on which shares are quoted ex-dividend. Interest, rents and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value through profit and loss or available for sale are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Unrealised gains and losses on group undertakings have been reflected in the statement of recognised gains and losses to the extent that current value has not fallen below historical cost, and thereafter are reflected in the profit and loss account. Unrealised gains are recognised in the statement of total gains and losses and only in the profit and loss account to the extent that they may reverse revaluation losses on the same asset that were previously recognised in the profit and loss account.

## **Accounting policies for the year ended 31 December 2014**

### **Other financial investments**

The Company classifies its financial assets into the following categories: shares and other variable-yield securities, units in unit trusts, debt securities and other fixed income securities – as available for sale; derivatives and units in unit trusts (purchased after 23 October 2009 and designated on recognition at fair value through profit and loss) – at fair value through profit and loss; deposits with credit institutions - as loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

The Company's investment strategy is to invest in units and unit trusts (designated as at fair value through profit and loss) and fixed interest rate debt securities, (designated as available for sale). Derivatives are held in the form of foreign exchange hedges and are designated on initial recognition at fair value through profit or loss.

Financial instruments held at fair value are categorised into three levels based on a measurement hierarchy:

- Level 1. Fair value determined based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2. Fair value determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3. Fair value determined using inputs for the asset or liability that are not based on observable market data.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss and from assets classified as available for sale are presented in the profit and loss account and the statement of total recognised gains and losses respectively, in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term. All loans and receivables are short term in nature and are therefore stated at cost.

## **Accounting policies for the year ended 31 December 2014**

### **Financial liabilities**

Creditors are financial liabilities and are recognised initially at fair value which is equivalent to cost. Creditors are of short duration and are therefore not required to be stated subsequently at amortised cost, using the effective interest method. Derivatives are designated as held for trading and measured at fair value with gains and losses recognised through profit and loss.

### **Pension costs**

Pension costs are charged to the profit and loss account in line with the contributions made to the Group Pension Schemes as referred to in note 16.

### **Deferred tax**

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and the pattern of the expected realisation of investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. Deferred tax is recognised in the profit and loss account for the year, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses.

**Notes to the financial statements  
for the year ended 31 December 2014**

**1 Segmental analysis**

The geographical analysis has been prepared using the location of the insured or reinsured as the basis. All business is supplied from the United Kingdom and all net assets are held within the United Kingdom.

£'000	2014	2013
<b>Analysis of gross written premium</b>		
<b>By geographical segment:</b>		
Europe	-	(65)
Africa	-	(42)
Australia and Oceania	-	(3)
Far East	-	(49)
Latin America	-	(18)
Near and Middle East	-	(72)
North America	-	(8)
<b>Total</b>	-	<b>(257)</b>

Based on the global network that supported the writing of multinational business within this Company, the determination of profit before tax by geographical segment was not practicable.

In 2014 the balance of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance by class of business were nil. The comparative balances were as follows:

£'000	2013	2013	2013	2013	2013
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance
<b>Direct insurance</b>					
Marine, aviation and transport	(2)	-	-	1,657	-
Fire and other damage to property	(3)	-	-	-	-
Third party liability	(1)	-	-	-	-
	(6)	-	-	1,657	-
<b>Reinsurance acceptances</b>					
Marine, aviation and transport	(83)	2	-	(60)	(2)
Fire and other damage to property	(83)	3	-	(89)	(3)
Third party liability	(85)	2	-	(60)	(2)
	(251)	7	-	(209)	(7)
<b>Total</b>	<b>(257)</b>	<b>7</b>	<b>-</b>	<b>1,448</b>	<b>(7)</b>

**Notes to the financial statements  
for the year ended 31 December 2014**

**2 Net operating expenses**

£'000	2014	2013
Acquisition costs	-	(35)
Change in gross deferred acquisition costs	-	36
Administrative expenses	-	(1,448)
Reinsurance commissions and profit participation	-	(1)
<b>Total</b>	<b>-</b>	<b>(1,448)</b>

Total commissions for direct and assumed insurance accounted for by the Company during the year amounted to **£nil** (2013: £1,000). Total commission on reinsurance contracts was **£nil** (2013: £(1,000)).

**3 Auditors' remuneration**

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

£'000	2014	2013
Fees payable to the Company's auditor for the audit of the Company's financial statements	<b>1</b>	<b>7</b>
Fees payable to the Company's auditor and its associates for other services:		
Other services	-	34
<b>Total</b>	<b>1</b>	<b>41</b>

**4 Staff costs**

Employees in the UK working on behalf of the Company are employed by either Zurich UK General Employee Services Limited, Zurich Employment Services Limited, Zurich UK General Services Limited or Zurich Global Corporate UK Limited. These employees may also work on behalf of any other companies, within the group of companies of which the ultimate parent is Zurich Insurance Group Ltd, a company incorporated in Switzerland.

The principal disclosures in respect of these staff, including disclosures in relation to share based payments, appear in the accounts of Zurich UK General Employee Services Limited, Zurich Employment Services Limited, Zurich UK General Services Limited and Zurich Global Corporate UK Limited, copies of which can be obtained from The Secretary, The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

**Notes to the financial statements  
for the year ended 31 December 2014**

**5 Director's remuneration**

The aggregate remuneration of the directors in respect of their services to the Company was **£4,000** (2013: £199,352).

**6 Investment income, interest and charges**

<b>£'000</b>	<b>2014</b>	<b>2013</b>
Income from group undertakings	-	1,006
Income from other financial investments	29	482
Net gains on the realisation of investments	-	2,542
<b>Investment income</b>	<b>29</b>	<b>4,030</b>
Investment management expenses	35	(57)
<b>Investment expenses and charges</b>	<b>35</b>	<b>(57)</b>
Unrealised losses on investments	(2)	(327)
<b>Unrealised losses</b>	<b>(2)</b>	<b>(327)</b>

Investment income from units and unit trusts designated at fair value through profit and loss amounted to **£29,000** (2013: £60,000). All investment income from other financial instruments relates to financial assets not held at fair value through profit and loss.

**7 Other charges, including value adjustments**

The amounts shown as other charges comprise of recharges not included in the investment return or technical account.

**Notes to the financial statements  
for the year ended 31 December 2014**

**8 Tax on profit on ordinary activities**

Taxation in the profit and loss account and statement of total recognised gains and losses was as follows:

£'000	2014	2014	2013	2013
	STRGL	Profit and Loss	STRGL	Profit and Loss
Current taxation:				
UK corporation tax at 21.5% (2013: 23.25%) for the year	-	15	21	(197)
Adjustments in respect of prior years	-	(88)	13	148
<b>Current tax (credit)/charge for the year</b>	-	<b>(73)</b>	34	(49)
Deferred taxation:				
Origination and reversal of timing differences	-	-	(839)	1,158
Movement in discount	-	-	60	(12)
<b>Total deferred tax</b>	-	-	<b>(779)</b>	1,146
<b>Tax on profit on ordinary activities</b>	-	<b>(73)</b>	<b>(745)</b>	1,096

Factors affecting the tax charge for the year:

The tax for the year differs (2013: differs) from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

£'000	2014	2014	2013	2013
	STRGL	Profit and Loss	STRGL	Profit and Loss
Profit/(loss) on ordinary activities before taxation	-	68	(3,504)	5,093
Profit on ordinary activities at standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	-	15	(815)	1,184
Movement in timing differences	-	-	836	(1,381)
Adjustments in respect of prior years	-	(88)	13	148
<b>Current tax charge for the year</b>	-	<b>(73)</b>	34	(49)

The UK corporation tax rate reduced from 24% to 23% with effect from 1 April 2013.

Further reductions to the UK corporation tax rate to 21% with effect from 1 April 2014 and then to 20% with effect from 1 April 2015 were substantively enacted on 2 July 2013.

**9 Dividends**

£'000	2014	2013
Equity shares		
No dividend paid (2013: £0.47 per share)	-	70,000
	-	70,000

**Notes to the financial statements  
for the year ended 31 December 2014**

**10 Other financial investments**

£'000	2014 at cost	2014 at fair value	2013 at cost	2013 at fair value
Units and unit trusts	6,515	6,515	7,001	6,923
<b>Total</b>	<b>6,515</b>	<b>6,515</b>	<b>7,001</b>	<b>6,923</b>

Included in the carrying values above are amounts in respect of listed investments as follows:

£'000	2014	2013
Shares and other variable-yield securities and units in unit trusts	6,515	6,923
<b>Total</b>	<b>6,515</b>	<b>6,923</b>

**11 Financial risk**

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and policyholder liabilities. Details of the management of these risks is included within the Director's report.

The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

£'000	2014	2013
Units and unit trusts: at fair value through profit and loss	6,515	6,923
Other assets	1,166	901
<b>Total assets</b>	<b>7,681</b>	<b>7,824</b>
Other liabilities	1,914	2,198
	<b>1,914</b>	<b>2,198</b>
<b>Total liabilities</b>	<b>1,914</b>	<b>2,198</b>

**Notes to the financial statements  
for the year ended 31 December 2014**

**11 Financial risk (continued)**

Depending on the valuation techniques used and whether the underlying assumptions are based on observable data, financial instruments are classified within three levels. For details of the criteria for allocating instruments within levels please refer to the accounting policy for other financial investments on page 13.

The following tables present the Company's financial instruments that are measured at fair value as at 31 December 2014 and 31 December 2013:

£'000	Level 1	Level 2	Level 3	2014 Total
Units and unit trusts: at fair value through profit and loss	6,515	-	-	6,515
<b>Total</b>	<b>6,515</b>	<b>-</b>	<b>-</b>	<b>6,515</b>
£'000	Level 1	Level 2	Level 3	2013 Total
Units and unit trusts: at fair value through profit and loss	6,923	-	-	6,923
<b>Total</b>	<b>6,923</b>	<b>-</b>	<b>-</b>	<b>6,923</b>

Level one comprises of UK and US Government bonds and other listed debt and fixed income securities which are valued using pricing from an active market.

**(i) Credit risk**

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

£'000	2014	2013
Unit trusts	6,515	6,923
Cash at bank and in hand	1	1
<b>Total assets bearing credit risk</b>	<b>6,516</b>	<b>6,924</b>
AAA	6,515	6,923
AA	1	1
A	-	-
BBB	-	-
Below BBB or not rated	-	-
<b>Total assets bearing credit risk</b>	<b>6,516</b>	<b>6,924</b>

No credit limits were exceeded during the year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

**Notes to the financial statements  
for the year ended 31 December 2014**

**11 Financial risk (continued)**

**(ii) Liquidity risk**

The table below provides a contractual maturity analysis of the Company's financial liabilities, based on management reporting of debt positions:

£'000	< 3 mnths or on demand	Between 3 mnths and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	> 5 years	Total carrying value
At 31 December 2014						
Other Creditors	909	-	-	-	-	909
<b>Financial liabilities</b>	<b>909</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>909</b>
At 31 December 2013						
Other Creditors	766	-	-	-	-	766
Financial liabilities	766	-	-	-	-	766

**12 Other debtors**

£'000	2014	2013
Amounts due from group undertakings	600	652
Current taxation recoverable	529	176
<b>Total</b>	<b>1,129</b>	<b>828</b>

**13 Share capital**

£	2014	2013
Allotted, called up and fully paid: 2 ordinary shares of £1 each	2	2

**Notes to the financial statements  
for the year ended 31 December 2014**

**14 Other creditors including taxation**

£'000	Notes	2014	2013
Amounts due to group undertakings		629	605
Current tax payable		280	161
<b>Total</b>		<b>909</b>	<b>766</b>

All creditors fall due within one year.

**15 Deferred taxation**

The deferred taxation balance comprises:

£'000	2014	2013
Unrealised gains on connected company	-	-
Accelerated capital allowances	-	-
Provisions	-	-
Discount	-	-
<b>Discounted provision for deferred taxation</b>	<b>-</b>	<b>-</b>

Movement during the prior year:

£'000	2014	2013
Provision at start of year	-	(198)
Deferred tax charge in the profit and loss account for the year	-	(1,145)
Deferred tax charged to the Statement of Total Recognised Gains and Losses	-	779
Transfer of investment to connected company	-	564
<b>Provision at end of year</b>	<b>-</b>	<b>-</b>

In accordance with the provisions of FRS 19 'Deferred Taxation', full provision has been made for deferred tax on assets and liabilities arising on timing differences. As permitted by FRS 19, deferred tax balances have been discounted to reflect the time value of money.

**16 Pension and post-retirement benefits**

The Company participates in a defined benefit scheme. The date of the last full actuarial valuation for the scheme was 30 June 2013. The valuation of the scheme is carried out by independent actuaries. The defined benefit scheme is affected by a deficit.

The majority of active members of the Scheme are employees of Zurich UK General Services Limited (ZUKGS). The Company itself is not an employer.

**Notes to the financial statements  
for the year ended 31 December 2014**

**17 Ultimate parent company**

The Company's ultimate parent company and ultimate controlling party is Zurich Insurance Group Ltd, which is incorporated in Switzerland. Copies of the consolidated financial statements of Zurich Insurance Group Ltd can be obtained from The Secretary, Zurich Insurance Group Ltd, Mythenquai 2, 8002 Zurich, Switzerland.

Zurich Insurance Company Ltd is the parent company of the smallest group of companies of which the Company is a wholly owned subsidiary for which group financial statements are prepared. Copies of the financial statements of this company can be obtained from The Secretary, Zurich Insurance Company Ltd, Mythenquai 2, 8002 Zurich, Switzerland.

**18 Related party transactions**

The Company has taken advantage of an exemption from within FRS 8 not to disclose transactions with undertakings which are part of the group of companies of which the ultimate parent is Zurich Insurance Group Ltd ("the Zurich Insurance Group undertakings"). Balances with Zurich Insurance Group undertakings are shown in notes 9, 12, 13 and 14.

There were no material transactions with any other related party.

The directors of the Company and its key management had no material transactions with the Company or any of the Zurich Insurance Group undertakings. The terms 'director' and 'key management' includes members of their families.