

Company Registration No. 00082051 (England and Wales)

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR 31 DECEMBER 2018



ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

COMPANY INFORMATION

Directors	S R Barnes S S Huxtable
Secretary	Zurich Corporate Secretary (UK) Limited
Company Number	00082051
Registered office	The Zurich Centre 3000 Parkway Whiteley Fareham Hampshire PO15 7JZ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

CONTENTS

	Page(s)
Directors' report	1 - 4
Independent auditors' report	5 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 23

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for Zurich Legacy Solutions Services (UK) Limited ("the Company") for the year ended 31 December 2018.

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The company has not prepared a strategic report as it has taken advantage of the exemption in this respect available for small companies (as defined in Section 414B of the Companies Act 2006).

Review of the business

From 1 January 2017, the principal activity of the Company is to act as a service company for Zurich Legacy Solutions. Expenses incurred by the Company in relation to this activity are recharged based on agreed charging principles. The Company also continues to act in part as a holding company for three subsidiaries in the Zurich group.

The Company is a private company limited by shares and is domiciled and incorporated in England and Wales. The registered office is The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

On 20 April 2018, the Company sold 1,672,707 Rothschild preference shares for a total consideration of £3,211,597, creating a gain on sale of £619,532.

On 28 June 2018, the Company received a partial repayment of shareholder funding originally paid to LUC Holdings Limited to cover the shortfall in the budget for the London Underwriting Centre ("LUC") including anticipated dilapidation costs. Following finalisation of the agreement for dilapidation costs which was substantially lower than originally anticipated, a partial repayment of previously received shareholder funding of £250,000 (representing the Company's 5% shareholding) was agreed.

Key performance indicators

The results for the Company show a profit before taxation of £1,182,000 (2017: £460,000) for the year. After taking taxation into account, the amount transferred to reserves was £1,053,000 (2017: £203,000 transferred from reserves).

The Company has total shareholders' funds of £11,987,000 (2017: £11,295,000).

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 Statement of comprehensive income and Statement of financial position on pages 8 and 9.

Future developments

The directors expect the current level of activity to continue for the foreseeable future.

Principal risks and uncertainties

The Company's operations expose it to interest rate, currency, market, credit and liquidity risk. The directors do not consider there to be a material exposure as a result of these risks.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties (continued)

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.

Currency risk

The Company is exposed to currency risk in respect of management and administrative costs charged to the Company in currencies other than sterling. The Company seeks to mitigate this risk by calculating the invoices for services it provides to Zurich Group entities in sterling at the same exchange rate it incurred the costs at.

Market risk

Market risk is the risk that the investor will experience losses due to factors that affect the overall performance of the financial markets, this is relevant to the Company in respect of the Rothschild Preference Shares, which are valued utilising a model which uses various inputs such as future interest rates and equity market risk, thus mitigating the market risk the Company is exposed to.

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.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company 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. The Company aims to mitigate liquidity risk by managing cash generation from investments.

Going concern

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

Results and dividends

The results for the year are set out on page 8.

No interim dividends in respect of ordinary shares of the Company were declared or paid during the year (2017: nil).

The directors do not propose the payment of final dividend for the year (2017: £nil).

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Post balance sheet events

On 15 January 2019, the Company received a distribution of £45,309 in relation to the liquidation of the LUC, representing the Company's 5% shareholding.

On 29 March 2019, the Company sold its entire remaining holding of 5.25% Cumulative Preference Shares held with Rothschilds for a consideration of £61,263 creating a gain on sale of £28,331.

On 29 March 2019, the Company sold its entire remaining holding of 9.715% Cumulative Preference Shares held with Rothschilds for a consideration of £467,299 creating a gain on sale of £78,138.

Directors

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

S R Barnes
O M Carrillo (resigned 17 August 2018)
N Freshwater (resigned 7 January 2019)
S S Huxtable (appointed 17 August 2018)

Directors' indemnity

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.

Independent auditors

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

Statement of directors' responsibilities

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

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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume

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. The directors 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.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board



Name: DANIELA HANIŠKOVÁ
Zurich Corporate Secretary (UK) Limited
Secretary

Date: 12 / 9 / 2019

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, Zurich Legacy Solutions Services (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

Reporting on other information (continued)

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

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

Responsibilities for the financial statements and the audit (continued)

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



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

Date

12/09/19

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Turnover	4	3,297	2,648
Cost of sales	5	(3,182)	(2,545)
Gross Profit		<u>115</u>	<u>103</u>
Investment income	9	804	215
Unrealised gains on investments	9	15	3
Administrative expenses	10	(57)	(101)
Profit before interest and taxation		<u>877</u>	<u>220</u>
Interest receivable and similar income	11	305	240
Profit before taxation		<u>1,182</u>	<u>460</u>
Tax on profit	12	(129)	(663)
Profit / (loss) for the financial year		<u>1,053</u>	<u>(203)</u>
Other comprehensive expense:			
Revaluation of other investments		(369)	(169)
Tax on revaluation of other investments	12	8	33
Total comprehensive income / (expense) for the year		<u>692</u>	<u>(339)</u>

All figures relate to continuing operations.

There are no other differences between the profit before taxation or the profit / (loss) for the financial year stated above and their historical cost equivalents.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Fixed Assets			
Investments	13	5,211	5,211
Other financial investments	14	595	3,536
		<u>5,806</u>	<u>8,747</u>
Current Assets			
Debtors	15	1,799	393
Cash and cash equivalents	16	10,516	9,112
		<u>12,315</u>	<u>9,505</u>
Creditors: amounts falling due within one year			
Creditors	18	5,665	5,877
Taxation and social security		469	1,080
		<u>6,181</u>	<u>2,548</u>
Net current assets		<u>6,181</u>	<u>2,548</u>
Total assets less current liabilities		<u>11,987</u>	<u>11,295</u>
Capital and reserves			
Called up share capital	19	5,600	5,600
Revaluation reserve		1,330	1,330
Available for sale reserve		131	492
Profit and loss account		4,926	3,873
		<u>11,987</u>	<u>11,295</u>
Total shareholders' funds		<u>11,987</u>	<u>11,295</u>

The financial statements on pages 8 to 22 were approved and authorised for issue by the Board on 12 September 2019 and were signed on its behalf by:



Name STEPHAN HUXTABLE
Director

Company Registration No. 00082051

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called Up Share capital £'000	Revaluation reserve £'000	Available for sale reserve £'000	Profit and loss account £'000	Total Shareholders funds £'000
At 1 January 2017	5,600	1,330	628	4,076	11,634
Loss for the financial year	-	-	-	(203)	(203)
Revaluation of other investments	-	-	(169)	-	(169)
Tax on revaluation of other investments	-	-	33	-	33
Total comprehensive expense for the year	-	-	(136)	(203)	(339)
Balance as at 31 December 2017	5,600	1,330	492	3,873	11,295
Profit for the financial year	-	-	-	1,053	1,053
Revaluation of other investments	-	-	(369)	-	(369)
Tax on revaluation of other investments	-	-	8	-	8
Total comprehensive income for the year	-	-	(361)	1,053	692
Balance as at 31 December 2018	5,600	1,330	131	4,926	11,987

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006.

2 Accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investments and certain financial assets and liabilities measured at fair value, and in accordance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006.

The Company has taken advantage of the exemptions contained within section 401 of the Act and has not produced consolidated financial statements for the year ended 31 December 2018, since it is a wholly-owned subsidiary undertaking of a parent company that is not established under the law of an EEA state, which prepares consolidated financial statements in which the Company and its subsidiaries are included. The parent company information has been disclosed in note 20.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) a reconciliation of the number of shares outstanding at the beginning and end of the period, FRS 102.4.12(a)(iv).
- (b) the requirement to prepare a statement of cash flows, Section 7 of FRS102 and FRS 102.3.17(d).
- (c) the non-disclosure of key management personnel compensation in total, FRS 102.33.7.
- (d) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated, FRS 102.11.39-48A and FRS 102.12.26-29.

2.2 Going Concern

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

2.3 Turnover

Turnover represents amounts receivable from other group companies for services provided and is recognised on an accruals basis in line with associated expenses.

Turnover is the total amount receivable by the Company for services provided to other group companies. This amount excludes VAT, and arises entirely within the United Kingdom.

Turnover is attributable to one continuing activity of management and administration services.

2.4 Administrative expenses

Administrative expenses are charged to the profit and loss account on an accruals basis. Administrative expenses comprises of management and administrative charges from other group companies.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies (continued)

2.5 Investment income

Investment income comprises interest income on units and unit trusts, amortisation charges 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 and charges on an accruals basis.

Dividends are recorded on the date on which shares are quoted ex-dividend.

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 other comprehensive income 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 other comprehensive income 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.

2.6 Interest receivable and similar income

Interest receivables and similar income includes income from other loans and is recognised in the profit and loss account on an accrual basis.

2.7 Taxation

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

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.8 Investments in group undertakings

Investments in group undertakings are valued at cost, being deemed cost 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. Reversals in previous impairments are limited to the value of deemed cost.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies (continued)

2.9 Other financial investments

The Company classifies its financial assets into the following categories: shares and other variable-yield securities, and designated as available for sale. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

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 classified as available for sale are presented in the statement of other comprehensive income, in the period in which they arise.

2.10 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Financial assets, including trade, intra group and other receivables, cash and bank balances, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months (units in unit trusts) and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities, including trade, intra group and other payables, bank overdrafts and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Financial liabilities of short duration are not required to be stated subsequently at amortised cost, using the effective interest method.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies (continued)

2.11 Foreign currencies

The company's functional and presentation currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates, or at a materially equivalent rate, at the dates of the transactions. At each period end, foreign currency monetary items are translated using the exchange rates prevailing at the relevant period end. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign currency exchange gains and losses arising from monetary assets and liabilities and transactions are reflected in the profit and loss account for the period. Translation differences on non-monetary items, such as equities held as available for sale, are reported as part of the fair value gain or loss.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

The company currently does not have any critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Other financial investments

The company makes an estimate of the fair value of its Rothschild Preference Shares by using an appropriate valuation technique with regard to its likely realisable value. The key assumptions used are as follows:

- The nature of the instrument is taken into account in the rating of the instrument;
- A GBP swap curve is used as the benchmark risk-free rate curve. Then a spread of the BBB yield curve is added, which corresponds to the rating of the instrument;
- A 5 year maturity assumption was used to reflect the fact that these securities, even if perpetual in nature, would not be held forever in the portfolio;
- Instead of taking an illiquidity premium, a market adjustment factor, being the product of the raw beta (from the regression between F3FINs Index and FTSE 100 Index) times the performance FTSE 100 Index, was used to adjust the final redemption cashflow.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Turnover

Turnover is the total amount receivable by the Company for services provided to other group companies. This amount excludes VAT, and arises entirely within the United Kingdom.

5 Cost of Sales

Cost of sales includes amounts recharged by Zurich UK General Services Limited ("ZUKGS") and Centre Group Holdings (US) Limited ("CGHUS") on a quarterly basis. This charge includes costs in relation to deal management, legal and regulatory and operational services in addition to other staff related costs necessary for the provision of services to the Company by individuals employed by ZUKGS and CGHUS.

6 Auditors' remuneration

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

	2018 £'000	2017 £'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	11	5
Total	11	5

In 2018 and 2017, the audit fee has been borne by another group company, Zurich Insurance plc.

7 Employee information

Staff are not employed directly by the Company and accordingly the Company does not incur direct staff or pension costs. The costs of staff working for the Company in 2018 and 2017 have been borne by another group undertaking.

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

8 Directors' remuneration

The remuneration of the directors for services to the Company as directors during the year was £nil (2017: £nil).

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Investment income

	2018 £'000	2017 £'000
<u>Recognised in the profit and loss account:</u>		
Income from other financial investments	179	237
Net gains/(losses) on the realisation of investments	626	(6)
Investment income (excluding expenses)	805	231
Investment management expenses	(1)	(16)
Investment income (net of expenses)	804	215
Unrealised gains on investments	15	3
Unrealised gains on investments	15	3

All investment income from other financial instruments relates to financial assets held as available for sale.

10 Administrative expenses

	2018 £'000	2017 £'000
Other	57	101
Total	57	101

11 Interest Receivable and Similar Income

	2018 £'000	2017 £'000
Interest income	55	19
Income from other loans	-	221
Repayment of shareholder funding payments - LUC	250	-
Total	305	240

Interest income represents amounts receivable from units and unit trusts designated as cash and cash equivalents and amounted to £55,000 (2017: £19,000).

Income from other loans represents amounts received in relation to a Market Building Loan.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Tax on Profit

Taxation charged/(credited) in the statement of comprehensive income was as follows:

	2018 Other comprehensive Income £'000	2018 Income Statement £'000	2017 Other comprehensive Income £'000	2017 Income Statement £'000
Current tax:				
UK Corporation tax on profits for the year	(59)	180	(33)	43
Adjustments in respect of prior years	51	(51)	-	620
Total Current tax	(8)	129	(33)	663
Tax on profit	(8)	129	(33)	663

The tax expense for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 Other comprehensive Income £'000	2018 Income Statement £'000	2017 Other comprehensive Income £'000	2017 Income Statement £'000
(Expense) / profit before taxation	(369)	1,182	(169)	460
(Expense) / profit before taxation multiplied by standard rate of corporate tax in the UK of 19% (2017: 19.25%)	(70)	225	33	89
Income not chargeable for taxation purposes	-	(34)	-	(46)
Remeasurement of deferred tax - change in tax rate	11	(11)	-	-
Adjustments in respect of prior years	51	(51)	-	620
Total tax (credit) / charge for the year	(8)	129	33	663

13 Investments

	2018 £'000	2017 £'000
Shares in subsidiary undertakings	5,211	5,211
Total	5,211	5,211

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2018 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet.

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Other financial investments

	2018 at cost £'000	2018 at fair value £'000	2017 at cost £'000	2017 at fair value £'000
Financial assets at fair value through reserves, available for sale				
Shares and other variable yield securities	432	595	3,024	3,536
Total	432	595	3,024	3,536

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

	2018 £'000	2017 £'000
Shares and other variable-yield securities	595	3,536
Total	595	3,536

15 Debtors

	2018 £'000	2017 £'000
Amounts owed by group undertakings	1,793	272
Other debtors	-	119
Prepayments and accrued income	6	2
Total	1,799	393

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

16 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	-	-
Units in unit trusts	10,516	9,112
Total	10,516	9,112

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Financial risk

The Company is exposed to a range of financial risks through its financial assets and financial liabilities (investment contracts and borrowings).

Details of the management of the financial risks are included within the Directors' report.

The Company has not changed the processes used to manage its risks from prior years. The notes below explain how financial risks are managed using the categories utilised in the Company's Asset-Liability Matching (ALM) framework.

	2018 £'000	2017 £'000
Shares in subsidiary undertakings	5,211	5,211
Shares and other variable-yield securities: - available for sale	595	3,536
Other assets - current	12,315	9,505
Total assets	18,121	18,252
Other liabilities	6,134	6,957
Total liabilities	6,134	6,957

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.

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable-yield securities - available for sale:	-	10	585	595
Total	-	10	585	595
2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable-yield securities - available for sale:	-	10	3,526	3,536
Total	-	10	3,526	3,536

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Financial risk (continued)

Level 1 comprises of units in unit trusts designated as financial instruments.

Level 2 comprises of UK Government bonds and investments in common stock, which are not valued purely using pricing from an active market.

The assets shown in Level 3 are various Rothschild Preference shares. These assets are valued by utilising a model which uses various inputs such as future interest rates and equity market risk. The table below shows the market value sensitivity to changes in these variables.

	Change in interest rates	Change in equity risk premium	Valuation £'000
Rothschild Preference Shares			
Current valuation			584,800
Scenario 1	+100bp	+100bp	562,683
Scenario 2	-100bp	-100bp	608,091

A reconciliation of assets measured at fair value based on valuation techniques for which any significant input is not based on observable market data (Level 3) is shown below:

Available for sale financial assets

	£'000
Opening balance - 1 January 2018	3,526
Sale proceeds	(3,212)
Realised gain on sale	620
Unrealised losses through reserves	(339)
Closing balance - 31 December 2018	595

(i) Interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 100 basis points in interest rates would result in a fall of market value of securities of £22,117 (2017: £122,894); a decrease of 100 basis points would lead to a rise of market value of £23,291 (2017: £122,899).

(ii) Currency risk

The Company's policy is to fully hedge foreign currency positions and therefore the risk of material gains or losses arising from movements on foreign currency exchange (FX) rates is low. There were, however, no foreign currency positions to hedge against in 2018 (2017: no foreign currency positions).

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Financial risk (continued)

(iii) Credit risk

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

	2018 £'000	2017 £'000
Debt securities	-	-
Shares and other variable-yield securities	595	3,536
Total assets bearing credit risk	595	3,536
BBB	595	3,536
Total assets bearing credit risk	595	3,536

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. The Company maintains strict control limits on open derivative positions, by both amount and term. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

(iv) Liquidity risk

The table below provides a contractual maturity analysis of the Company's financial liabilities:

	2018 £'000	2017 £'000
Less than one year	5,665	6,957

18 Creditors

	2018 £'000	2017 £'000
Amounts owed to group undertakings	414	612
Amounts owed to subsidiary undertakings	5,005	5,005
Amounts owed to credit institutions	206	200
Accruals and deferred income	40	60
Total	5,665	6,957

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

19 Called up share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid: 5,600,000 ordinary shares of £1 each (2017: 5,600,000)	5,600	5,600

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

20 Subsidiary undertakings

The following is a list of the Company's subsidiary undertakings as at 31 December 2018 and particulars of the percentage of nominal value of issued shares then held:

Company and country of incorporation and registration	Class of share capital	Nominal value held %	Nature of business
England and Wales			
ZGEE14 Limited*	Ordinary	100	Dormant
The Liverpool Reversionary Company Limited*	Ordinary	100	Investment company
Bahamas			
Sceptre Trust Limited**	Ordinary	100	Dormant

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

The above companies are registered at the following address:

* The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ

** Scotia House, 404 East Bay Street, Nassau, Bahamas

ZGEE15 Limited and ESI Financing Limited were formally dissolved on 3 October 2018.

21 Ultimate parent company

The company's ultimate parent company and ultimate controlling party is Zurich Insurance Group Ltd, which is incorporated in Switzerland. Zurich Insurance Group Ltd is the parent company of the largest group of companies, of which the company is a wholly owned subsidiary, for which group financial statements are drawn up. Zurich Insurance Company Ltd, which is incorporated in Switzerland, is the parent company of the smallest group of companies, of which the company is a wholly owned subsidiary, for which group financial statements are drawn up.

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

Mythenquai 2
8002 Zurich
Switzerland

ZURICH LEGACY SOLUTIONS SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

22 Related party transactions

The Company has taken advantage of an exemption from within FRS 102.33.1A 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 13, 15 and 18.

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.

23 Subsequent Events

On 15 January 2019, the Company received a distribution of £45,309 in relation to the liquidation of the LUC, representing the Company's 5% shareholding.

On 29 March 2019, the Company sold its 5.25% Cumulative Preference Shares held with Rothschilds for a consideration of £61,263 creating a gain on sale of £28,331.

On 29 March 2019, the Company sold its 9.715% Cumulative Preference Shares held with Rothschilds for a consideration of £467,299 creating a gain on sale of £78,138.