
Zurich GSG Limited

Annual Report and Accounts 2003

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Company registered in England No. 378093



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Board of Directors

Geoffrey M. Riddell, F.C.A.

Chairman

Mark C. Chessher, F.C.A.

Timothy L. Mitchell

Robert G. Smith, M.I.P.D.

Richard J. White, M.A.

Managing Director

Alternate Director to Mark Chessher – John K. Bradshaw, F.C.A.

Secretary

John V. Newsham, F.C.A.

Management

Richard J. White, M.A.

Managing Director

John V. Newsham, F.C.A.

Chief Financial Officer

Bankers

The Royal Bank of Scotland plc

St Ann Street, Manchester, M60 2SS

Auditors

PricewaterhouseCoopers LLP

Southwark Towers, 32 London Bridge Street, London, SE1 9SY

A Member of the Association of British Insurers

A Member of the International Credit Insurance & Surety Association

Report of the Board of Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2003.

Activities and Review of Business

The Company is an insurance company within the meaning of the Financial Services and Markets Act 2000 and the Companies Act 1985, underwriting suretyship business. The Company specialises in the issue of Performance Bonds and other forms of Guarantee Bonds and is a member of the Association of British Insurers and the International Credit Insurance & Surety Association.

Gross written premiums amounted to £4,832,048 in 2003 and there was a technical account surplus of £1,667,221. Claims development during the year was satisfactory and the Company continues to place great emphasis on the importance of a prudent approach to underwriting.

Results and Dividends

The profit for the year after tax was £1,922,608 (2002: £1,503,252).

The Directors recommend that a final ordinary dividend of £250,000 be paid (2002: £825,000).

Directors

The names of the Directors of the Company who currently hold office are shown on page 1.

Mr Timothy Mitchell was appointed as a Director on 1 October 2003.

Mr Ian Owen resigned as a Director on 19 January 2004.

Director's Interests

The Company is a wholly owned subsidiary of Zurich Financial Services, a company incorporated in Switzerland. As such, no director had any interests in shares and debentures required to be disclosed under the Companies Act 1985.

No directors exercised share options in Zurich Financial Services during the year.

No directors had material interests in contracts of significance with the Company or any subsidiary company of Zurich Financial Services during the year.

Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Company. The report of the auditors, shown on page 4, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period. In preparing those financial statements, the Directors are required to:

- a) select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed; and
- d) prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985.

They are also responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

Auditors

The Directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for the dispensation from the annual appointment of auditors. The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

By Order of the Board

A handwritten signature in black ink, appearing to be 'J V Newsham', written in a cursive style.

J V NEWSHAM, Secretary

19 March 2004

Independent Auditors' Report to the members of Zurich GSG Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date: 25 March 2004

Profit and Loss account: technical account

for the year ended 31 December 2003

	Note	2003		2002	
		£	£	£	£
Earned premiums, net of reinsurance					
Gross premiums written	2	4,832,048		3,541,870	
Outward reinsurance premiums	3	<u>(4,075,260)</u>		<u>(2,855,452)</u>	
			756,788		686,418
Change in the gross provision for unearned premiums	20	(365,438)		1,224,890	
Change in the provision for unearned premiums, reinsurers' share	20	<u>278,931</u>		<u>(1,292,910)</u>	
			<u>(86,507)</u>		<u>(68,020)</u>
			670,281		618,398
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(111,766)		27,249	
Reinsurers' share		<u>(1,604)</u>		<u>(14,774)</u>	
		<u>(113,370)</u>		<u>12,475</u>	
Change in the provision for claims	20				
Gross amount		351,737		59,409	
Reinsurers' share		<u>(231,170)</u>		<u>(125,239)</u>	
		<u>120,567</u>		<u>(65,830)</u>	
			7,197		(53,355)
Other operating income	5		2,097,227		2,172,119
Other operating expenses	5		<u>(1,107,484)</u>		<u>(1,127,349)</u>
Balance on the technical account for general business			<u>1,667,221</u>		<u>1,609,813</u>

Profit and Loss account: non-technical account

for the year ended 31 December 2003

	Note	2003		2002	
		£	£	£	£
Balance on general business technical account			1,667,221		1,609,813
Investment income	6	593,954		572,338	
Unrealised gains on investments		330,000		-	
Investment expenses and charges	7	(17,199)		(10,881)	
		<u>906,755</u>		<u>561,457</u>	
Other charges, including value adjustments		456		(22,859)	
			<u>907,211</u>		<u>538,598</u>
Profit on ordinary activities before tax	8		2,574,432		2,148,411
Tax on profit on ordinary activities	11		(651,824)		(645,159)
			<u>1,922,608</u>		<u>1,503,252</u>
Profit for the financial year after tax			1,922,608		1,503,252
Dividends	12		(250,000)		(825,000)
Retained profit for the financial year	19		<u>1,672,608</u>		<u>678,252</u>

All figures relate to continuing operations.

The Company has no recognised gains or losses other than the profit for the above financial years.

Reconciliation of movements in shareholder funds

	Note	2003		2002	
		£	£	£	£
Profit for the financial year		1,922,608		1,503,252	
Dividends	12	(250,000)		(825,000)	
		<u>1,672,608</u>		<u>678,252</u>	
Retained profit for the financial year and net movement in shareholder funds					
			<u>4,305,480</u>		<u>3,627,228</u>
Shareholder funds at 31 December 2002					
			<u>5,978,088</u>		<u>4,305,480</u>
Shareholder funds at 31 December 2003					

Balance sheet

At 31 December 2003

	Note	2003		2002	
		£	£	£	£
Assets					
Investments					
Land and buildings	13	1,155,000		825,000	
Investments in group undertakings		2		6	
Other financial investments	14	10,049,244		9,094,194	
			11,204,246		9,919,200
Reinsurers' share of technical provisions					
Provision for unearned premiums	20	4,402,389		4,123,458	
Claims outstanding		(381,789)		(120,965)	
			4,020,600		4,002,493
Debtors					
Debtors arising out of direct insurance operations	15	535,195		279,481	
Debtors arising out of reinsurance operations		51,175		99,814	
Other debtors	16	105,332		106,939	
			691,702		486,234
Other assets					
Tangible assets	17	19,221		40,799	
Cash at bank and in hand		1,315,607		624,842	
			1,334,828		665,641
Prepayments and accrued income					
Accrued interest		105,791		95,659	
Deferred acquisition costs		387,071		298,726	
Other prepayments and accrued income		11,815		14,174	
			504,677		408,559
Total assets			<u>17,756,053</u>		<u>15,482,127</u>

Balance sheet (continued)

	Note	2003		2002	
		£	£	£	£
Liabilities					
Capital and reserves					
Called up share capital	18	1,500,000		1,500,000	
Profit and loss account	19	4,478,088		2,805,480	
Equity shareholder funds			5,978,088		4,305,480
Technical provisions - gross					
Provisions for unearned premiums	20	5,274,758		4,909,320	
Claims outstanding		1,583,643		1,812,865	
			6,858,401		6,722,185
Deposits received from reinsurers			222,949		228,465
Creditors					
Creditors arising out of direct insurance operations	22	210,849		221,660	
Creditors arising out of reinsurance operations	23	986,778		622,256	
Other creditors including taxation and social security	24	1,628,388		1,615,263	
			2,826,015		2,459,179
Accruals and deferred income					
Deferred reinsurance commissions		1,679,334		1,591,661	
Other accruals and deferred income		191,266		175,157	
			1,870,600		1,766,818
Total liabilities			<u>17,756,053</u>		<u>15,482,127</u>

The financial statements on pages 5 to 17 were approved by the Board of Directors on 19 March 2004 and signed on its behalf by:

Richard J. White

Richard J. White

[Signature]

Notes to the Accounts

1 Accounting Policies

(a) Basis of Preparation

The Accounts have been prepared in accordance with applicable Accounting Standards and the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998 (the "ABI SORP") have been adopted.

All accounting policies have been reviewed for appropriateness in accordance with FRS18 'Accounting Policies'.

(b) Direct Business Unearned Premiums

Direct business is accounted for in accordance with the annual basis of accounting. Unearned premiums, after reinsurance, are carried forward and represent that part of premiums written which is estimated to be earned in the following or subsequent financial years taking into account the risk profile of the business.

(c) Direct Business Commissions

Commissions payable and reinsurance commission income (including reinsurance profit commission income) is recognised in the profit and loss account as earned on a basis consistent with the premium income recognition taking into account the risk profile of the business.

Deferred acquisition costs in the balance sheet represent the proportion of acquisition costs incurred which are carried forward on a basis consistent with unearned premiums.

Deferred reinsurance commission income in the balance sheet represents the proportion of income which is carried forward on a basis consistent with unearned premiums.

(d) Direct Business Claims

Provision is made on the basis of available information for the estimated ultimate cost of claims notified but not settled at the balance sheet date and for claims incurred but not notified at that date; the provision reflects claims' settlement expenses and anticipated reinsurance and other recoveries.

The level of the provision has been set on the basis of the information which is currently available on a case by case basis, including potential outstanding loss advices, experience of the development of similar claims and case law and the expected impact of current business conditions.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(e) Treaty Reinsurance Business

In 1993 the Company substantially withdrew from treaty reinsurance business and arranged a stop loss reinsurance agreement to ensure that the technical provision is adequate to meet the outstanding liabilities.

The technical provision represents the best estimate of the ultimate cost of settling these liabilities.

(f) Currency Translations

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the appropriate rate of exchange ruling at the balance sheet date. Exchange gains or losses arising are shown in the non technical account as other charges including value adjustments.

(g) Investment Income, Expenses and Charges

Investment income is accounted for on a receivable basis. Interest is accrued up to the balance sheet date.

Investment return, comprising investment income (including amortisation of redeemable debt securities), unrealised and realised gains and losses, and investment expenses are included within the non technical account.

Realised gains or losses arising on sales of investments represent the difference between net sales proceeds and the latest carrying value for the investments which are carried at amortised cost.

Notes (continued)

(h) Investments

Freehold land and buildings are included in the balance sheet at open market value. They are revalued on a triennial basis. The most recent valuation was performed as at 31 December 2003, by an independent member of the Royal Institute of Chartered Surveyors (Dunlop Heywood). The valuation was in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and guidance notes.

The Company recognises unrealised gains and losses on the revaluation of freehold land and buildings in the profit and loss account : non technical account.

Redeemable debt securities are included in the balance sheet at amortised cost. The amortisation charge is taken to the non technical account.

Deposits with credit institutions are included in the balance sheet at cost.

(i) Depreciation

Depreciation on assets is provided on a straight line basis based on the following annual rates:

Fixtures, fittings and equipment	- 33%
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No depreciation is provided on freehold land and buildings as the charge would be immaterial, due to the high residual value of the property. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is, in the opinion of the Directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards, as properties are included in the financial statements at their open market value.

(j) Deferred Taxation

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences. Deferred tax is calculated at the rate at which it is expected that the tax will arise. Deferred tax balances are not discounted.

(k) Pension Costs

The Company participates in two multi-employer defined benefit schemes operated by an intermediate holding company. The schemes are valued on a triennial basis by independent qualified actuaries and contributions are made based on their recommendations.

Pension costs for the principal scheme, which are included in expenses where appropriate, are accounted for as if the Scheme were a defined contribution scheme using the exemptions set out in paragraph 9(b) of FRS 17, as the contributions to the scheme are affected by a surplus and the company is unable to identify its share of the underlying assets and liabilities in the Scheme on a constant and reasonable basis. Further details are given in the notes to the accounts.

2 Segmental Information

The only business of the Company is credit and suretyship which is written in the United Kingdom.

The Company also conducts the run-off of treaty reinsurance business (refer to note 1(e)). The majority of technical provisions and claims incurred relates to business in run-off.

3 Reinsurance Premiums Payable

Reinsurance premiums payable included an amount of £Nil (2002: £Nil) representing premiums payable to another group company, Zurich Insurance Company, under a catastrophe reinsurance cover which protects the Company's net account in respect of direct business claims incurred.

The cover is rolling and will subsist unless and until it is determined by not less than five years notice served by the Company or the reinsurer terminating the cover on 31 December 2009 or any anniversary of that date. On expiry the cover requires a final profit calculation to be carried out and the Company may, depending upon favourable claims experience, receive a profit share of 85% of this amount. At 31 December 2003, the amount potentially recoverable based on experience to date, but subject to future favourable claims experience, was £1,721,491 (2002: £1,662,360) and no accrual has been made in the accounts for this amount.

Notes (continued)

4 Movements in prior years' claims provisions

Over provisions for net claims at the beginning of the year, after accounting for payments made during the year and provisions held at the end of the year in respect of prior years' claims, are £9,670 (2002: £72,992).

5 Other operating income and expenses

	2003 £	2002 £
Reinsurance commissions and profit commissions	1,892,488	1,728,151
Change in deferred reinsurance commissions	103,465	409,930
Other income	101,274	34,038
Other operating income	<u>2,097,227</u>	<u>2,172,119</u>
Commissions payable	(376,988)	(223,494)
Change in deferred acquisition costs	88,345	(147,736)
Administrative expenses	(818,841)	(756,119)
Other operating expenses	<u>(1,107,484)</u>	<u>(1,127,349)</u>

6 Investment income

	2003 £	2002 £
Income from other investments		
Land and buildings	48,046	47,221
Other	545,908	525,117
	<u>593,954</u>	<u>572,338</u>

7 Investment expenses and charges

	2003 £	2002 £
Interest payable	17,199	10,881
	<u>17,199</u>	<u>10,881</u>

8 Profit on ordinary activities before tax

	2003 £	2002 £
Profit on ordinary activities before tax is stated after charging		
Depreciation	30,362	28,953
Auditor's remuneration:		
Audit	<u>23,441</u>	<u>21,691</u>

Notes (continued)

9	Remuneration of directors	2003 £	2002 £
	Aggregate Emoluments	<u>183,154</u>	<u>174,907</u>

Retirement benefits are accruing to one director under the Company's defined benefit pension scheme.

10 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	2003	2002
Underwriting	11	11
Administration and finance	2	2
	<u>13</u>	<u>13</u>

The aggregate payroll costs in respect of these persons were as follows :

	2003 £	2002 £
Wages and salaries	467,038	399,267
Social security costs	45,021	48,028
	<u>512,059</u>	<u>447,295</u>

11 Taxation

	2003 £	2002 £
UK corporation tax at 30% (2002: 30%) for the year	676,051	681,809
Adjustments in respect of previous periods	(25,834)	18,720
Current tax charge for the year	<u>650,217</u>	<u>700,529</u>
Deferred tax (refer to note 21)	1,607	(55,370)
Tax on profit on ordinary activities	<u>651,824</u>	<u>645,159</u>

The tax assessed for the year compared to the standard rate of corporation tax in the UK (30%) is analysed below:

Profit on ordinary activities before tax	2,574,432	2,148,411
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	772,330	644,523
Income not taxable for tax purposes	0	(1,207)
Expenses not deductible for tax purposes	428	516
Capital allowances for period in excess of depreciation	2,293	477
Other short term timing differences	0	37,500
Adjustments to tax charge in respect of previous periods	(25,834)	18,720
Unrealised gain on investments	(99,000)	0
Current tax charge for the period	<u>650,217</u>	<u>700,529</u>

Notes (continued)

12 Dividends

The amount recommended for distribution by way of dividend is £250,000 (2002: £825,000).

13 Land and buildings

Freehold Property

Valuation:

At beginning of year	825,000
Revaluation	330,000
At end of year	<u>1,155,000</u>

Net book value:

At end of year	1,155,000
At beginning of year	825,000

The historical cost of freehold land and buildings is £355,672.

£785,000 of the net book value represents freehold property occupied by the Company for its own activities.

Freehold land and buildings are included in the balance sheet at open market value. They are revalued on a triennial basis. The most recent valuation was performed as at 31 December 2003, by an independent member of the Royal Institute of Chartered Surveyors (Dunlop Heywood). The valuation was in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and guidance notes.

14 Other financial investments

	Current Value		Historical Cost	
	2003 £	2002 £	2003 £	2002 £
Debt securities and other fixed income securities - listed investments at amortised cost	8,060,817	8,164,647	8,266,262	8,266,262
Deposits with credit institutions	1,988,427	929,547	1,988,427	929,547
	<u>10,049,244</u>	<u>9,094,194</u>	<u>10,254,689</u>	<u>9,195,809</u>

The debt securities and other fixed income securities, which are shown at amortised cost, are analysed below

Cost	8,266,262	8,266,262
Cumulative amortisation	(205,445)	(101,615)
Amortised cost	<u>8,060,817</u>	<u>8,164,647</u>
Market value	<u>8,259,300</u>	<u>8,531,525</u>

The redemption value of investments held at the year end was £310,817 less than the amortised cost (2002: £414,647 less).

Notes (continued)

15 Debtors arising out of direct insurance operations

	2003 £	2002 £
Amounts owed by direct clients	416,481	140,516
Amounts owed by intermediaries	118,714	138,965
	<u>535,195</u>	<u>279,481</u>

16 Other debtors

	2003 £	2002 £
Deferred taxation (refer to Note 21)	105,332	106,939
	<u>105,332</u>	<u>106,939</u>

17 Tangible assets

	Fixtures fittings and equipment £
Cost	
At beginning of year	374,782
Additions	8,784
Disposals	(7,318)
At end of year	<u>376,248</u>
Depreciation	
At beginning of year	333,983
Charged in year	30,362
On disposals	(7,318)
At end of year	<u>357,027</u>
Net book value	
At end of year	<u>19,221</u>
At beginning of year	<u>40,799</u>

Notes (continued)

18 Share Capital at 31 December 2002 and 2003

	Number of shares	£
Authorised - £1 ordinary shares	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid	1,000,000	1,000,000
Issued - 50p paid	1,000,000	500,000
	<u>2,000,000</u>	<u>1,500,000</u>

19 Reserves

	Profit and loss account £
At beginning of year	2,805,480
Retained profit for the year	1,672,608
At end of year	<u>4,478,088</u>

The profit and loss account reserve includes £906,378 which is not distributable.

20 Technical provisions

	Provision for unearned premiums £	Claims outstanding £	Total £
Gross amount			
At beginning of year	4,909,320	1,812,865	6,722,185
Movement in the provision - profit and loss account	365,438	(351,737)	13,701
Other movement in provision	-	122,515	122,515
At end of year	<u>5,274,758</u>	<u>1,583,643</u>	<u>6,858,401</u>
Reinsurance amount			
At beginning of year	4,123,458	(120,965)	4,002,493
Movement in the provision - profit and loss account	278,931	(231,170)	47,761
Other movement in provision	-	(29,654)	(29,654)
At end of year	<u>4,402,389</u>	<u>(381,789)</u>	<u>4,020,600</u>
Net technical provisions			
At end of year	<u>872,369</u>	<u>1,965,432</u>	<u>2,837,801</u>

Notes (continued)

21 Provisions for other risks and charges - deferred taxation

	£
At beginning of year	(106,939)
Charge for the year in the profit and loss account	1,607
At end of year - (asset per Note 16)	<u>(105,332)</u>

The provisions for deferred taxation comprised:

	2003 £	2002 £
Accelerated capital allowances	(14,680)	(12,387)
Other short-term timing differences	<u>(90,652)</u>	<u>(94,552)</u>
	<u>(105,332)</u>	<u>(106,939)</u>

In accordance with the provisions of FRS19 'Deferred Tax', full provision has been made for deferred tax on assets and liabilities arising on timing differences.

22 Creditors arising out of direct insurance operations

	2003 £	2002 £
Amounts owed to direct clients	2,103	1,850
Amounts owed to intermediaries	96,676	101,105
Collateral deposits	112,070	118,705
	<u>210,849</u>	<u>221,660</u>

The collateral amounts have been deposited by third parties as collateral against Performance and Guarantee Bonds issued by the Company. In addition, collateral deposits of £3,076,287 (2002: £5,210,691) have been deposited by third parties in bank accounts which are subject to trust arrangements. These deposits represent collateral against Performance and Guarantee Bonds issued by the Company and are not included in the assets of the Company.

23 Creditors arising out of reinsurance operations

	2003 £	2002 £
Amounts owed to group undertakings	227,027	118,662
Amounts owed to other reinsurers	759,751	503,594
	<u>986,778</u>	<u>622,256</u>

24 Other creditors including taxation and social security

	2003 £	2002 £
Amounts owed to group undertakings	46,362	74,854
Corporation tax payable	1,332,026	715,409
Proposed dividend	250,000	825,000
	<u>1,628,388</u>	<u>1,615,263</u>

All creditors fall due within five years.

Notes (continued)

25 Pension Scheme

Employees of the Company are members of two funded defined benefit schemes operated by a fellow subsidiary company, Zurich Financial Services (UKISA) Limited. The principal scheme is the Zurich Financial Services UK Pension Scheme. The last actuarial valuation of the principal Scheme, at 30 June 2001 and which was carried out by qualified independent actuaries, identified a surplus of £642m, which is being eliminated by reduced company contributions. It is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reasonable basis, and so the Company has accounted for the scheme as a defined contribution scheme. Contributions by the group to the principal scheme in the period were £92m (2002: £Nil).

Details of the Scheme and the disclosures required by FRS 17 appear in the accounts of Zurich Financial Services (UKISA) Limited.

26 Cashflow

The Company has taken advantage of the exemption in FRS 1 (Revised) 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.

27 Related Party Transactions

The Company has taken advantage of an exemption within FRS8 not to disclose transactions with Zurich Financial Services' group undertakings. Balances with Zurich Financial Services' group undertakings are shown in notes 23 and 24.

There were no material transactions with any other related party.

The Directors of the Company and its key management had no material transactions with any related parties of the Zurich Financial Services Group. The terms 'Director' and 'key management' include members of their families.

28 Ultimate Parent Company

The Company's ultimate parent company is Zurich Financial Services which is incorporated in Switzerland.

Copies of the consolidated financial statements of Zurich Financial Services can be obtained from Zurich Financial Services, Mythenquai 2, 8002 Zurich, Switzerland.

Zurich Holdings (UK) Limited is the parent company of the smallest group of companies, of which the Company is a wholly owned subsidiary, for which group accounts are drawn up. Copies of the consolidated financial statements can be obtained from the Company Secretary, Zurich Holdings (UK) Limited, The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire PO15 7JZ.