

Registered number 2306067

**ZPC (CONSTRUCTION) COMPANY LIMITED**

**REPORT AND ACCOUNTS**

**31 DECEMBER 2002**



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## **Company information**

### **Directors**

M J Chandler (appointed 3 October 2002)

M C Chessher (appointed 11 April 2002)

J S Nicholas (appointed 3 October 2002)

### **Secretary**

M J Chandler

### **Registered office**

The Zurich Centre

3000 Parkway

Whiteley

Fareham

Hampshire

PO15 7JZ

### **Auditors**

PricewaterhouseCoopers LLP

Southwark Towers

32 London Bridge Street

London

SE1 9SY

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2002.

### **Principal activities and review of the business**

The Company's principal activity during the year continued to be that of property management and leasing.

### **Results**

The results for the year are shown in the profit and loss account on page 6.

### **Dividends**

The directors do not propose the payment of a dividend for the year (2001: £nil).

### **Directors**

The names of the directors at the date on which the accounts were approved are shown on page 1.

The following directors resigned during the year:

M G Culmer (resigned 11 April 2002)

P H O'Sullivan (resigned 2 December 2002)

### **Directors' interests**

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

None of the directors exercised options in Zurich Financial Services during the year ended 31 December 2002.

None of the directors had a material interest in a contract of significance with the Company or any subsidiary company of Zurich Financial Services during the year ended 31 December 2002.

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

### **Creditor payment policy**

All external creditors are settled by other group companies.

## Directors' report

### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The directors have taken advantage of the elective regime, under Section 386 of the United Kingdom Companies Act 1985 and passed a resolution, dated 17 April 1990, 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



M J Chandler  
Secretary

28 March 2003

## **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 5, sets out their responsibilities in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year that 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.

Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates. Applicable accounting and financial reporting standards also have to be followed, subject to any material departures being disclosed and explained in the financial statements. A going concern basis should be used unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of ZPC (Construction) Company Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and 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 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 in to 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 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 as at 31 December 2002 and of its loss 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  
31 March 2003

**Profit and loss account  
for the year ended 31 December 2002**

<b>£000's</b>	<b>Notes</b>	<b>2002</b>	<b>Restated 2001</b>
<b>Turnover</b>	<b>1</b>	<b>4,197</b>	<b>3,723</b>
Other operating expenses		(13,060)	(4,246)
<b>Operating loss</b>	<b>2</b>	<b>(8,863)</b>	<b>(523)</b>
Income from investments		1,650	1,650
Interest receivable		233	136
		1,883	1,786
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(6,980)</b>	<b>1,263</b>
Tax on (loss)/profit on ordinary activities	<b>5</b>	<b>(502)</b>	<b>(427)</b>
<b>(Loss)/profit retained for the financial year</b>		<b>(7,482)</b>	<b>836</b>

All of the figures relate to continuing operations.



**Statement of total recognised gains and losses  
for the year ended 31 December 2002**

<b>£000's</b>	<b>2002</b>	<b>Restated 2001</b>
(Loss)/profit for the financial year	(7,482)	836
Total recognised (losses)/gains relating to the year	(7,482)	836
Prior year adjustment (as explained in Note 10)	4,993	-
Total gains and losses recognised since last annual report	(2,489)	836

**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2002**

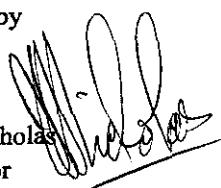
<b>£000's</b>	<b>Share capital</b>	<b>Profit and loss account</b>	<b>2002</b>
Opening shareholders' funds as previously stated	54,020	10,514	64,534
Prior year adjustment (as explained in Note 10)	-	4,993	4,993
Opening shareholders' funds as restated	54,020	15,507	69,527
Loss for the financial year	-	(7,482)	(7,482)
Net reduction to shareholders' funds	-	(7,482)	(7,482)
Closing shareholders' funds	54,020	8,025	62,045

**Balance sheet**  
**as at 31 December 2002**

£000's	Notes	2002	Restated 2001
<b>Fixed assets</b>			
Tangible assets	6	31,850	43,225
Investments	7	22,000	22,000
		53,850	65,225
<b>Current assets</b>			
Debtors	8	6,511	3,125
Cash at bank and in hand		2,186	2,026
		8,697	5,151
<b>Creditors: amounts falling due within one year</b>	9	(502)	(849)
<b>Net current assets</b>		<b>8,195</b>	<b>4,302</b>
<b>Total assets less current liabilities</b>		<b>62,045</b>	<b>69,527</b>
<b>Capital and reserves</b>			
Called up share capital	11	54,020	54,020
Profit and loss account		8,025	15,507
<b>Equity shareholders' funds</b>		<b>62,045</b>	<b>69,527</b>

The financial statements on pages 6 to 15 were approved by the Board on 28 March 2003 and were signed on its behalf by

J S Nicholas  
Director



## **Accounting policies for the year ended 31 December 2002**

### **Basis of preparation**

The Company's financial statements have been prepared in accordance with the provisions of Section 226 and Schedule 4 of the United Kingdom Companies Act 1985. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

The Company has also taken advantage of the exemption in FRS1 (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.

### **Changes in Accounting Policy**

The provisions of FRS 19 'Deferred Tax' have been adopted for the first time in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences. Prior year figures have been restated accordingly and the effect of this change in accounting policy is disclosed in note 10.

### **Accounting convention**

The accounts are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets.

### **Revenue recognition**

Revenue from property management and leasing is recognised in the profit and loss account on an accruals basis.

### **Investment income**

Preference share dividends and interest income are recognised in the profit and loss account on an accruals basis.

### **Deferred tax**

Deferred tax is recognised in respect of all timing differences, including revaluation gains and losses on investments taken through 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 period, 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.

## **Accounting policies for the year ended 31 December 2002**

### **Tangible fixed assets**

Tangible fixed assets, other than freehold properties, are depreciated on a straight line basis over three years.

Freehold properties are held at market value. Gains on revaluation are taken to the revaluation reserve. Losses on revaluation are taken to the revaluation reserve to the extent that carrying value exceeds historical cost. When carrying value falls below historical cost, losses on revaluation are taken to the profit and loss account.

In accordance with FRS 15, no depreciation charge is provided in respect of freehold properties, as any such charge would be immaterial, having regard to the estimated residual value of the property and the carrying amount. The property is therefore reviewed for impairment at the end of each reporting period in accordance with FRS 11.

### **Investments**

Preference share capital is valued in the financial statements at cost.

**Notes to the accounts  
for the year ended 31 December 2002**

**1 Turnover**

Turnover is attributable to one continuing activity of property management and leasing.

**2 Operating loss**

This is stated after charging:

<b>£000's</b>	<b>2002</b>	<b>2001</b>
Revaluation of property	(11,375)	(3,125)
Depreciation of fixed assets	-	(66)
Auditors' remuneration	-	(5)
Other operating expenses	(1,685)	(1,050)
	<b>(13,060)</b>	<b>(4,246)</b>

In 2002 the auditors' remuneration expenses have been borne by a fellow subsidiary.

**3 Staff costs**

Employees do not have contracts of service with the Company, but are employed by fellow subsidiaries. No management fee is recharged to the Company for the services provided by the employees that work for it.

**4 Directors emoluments**

No remuneration was payable to the directors during the period in relation to their service as directors of the Company (2001: £nil).

**Notes to the accounts  
for the year ended 31 December 2002**

**5 Taxation**

<b>£000's</b>	<b>2002</b>	<b>Restated 2001</b>
United Kingdom taxation:		
UK corporation tax at 30% (2001: 30%) for the year	<b>446</b>	<b>426</b>
Adjustments in respect of prior periods	<b>56</b>	<b>1</b>
<b>Tax on (loss)/profit on ordinary activities</b>	<b>502</b>	<b>427</b>

Factors affecting the tax charge for the period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

<b>£000's</b>	<b>2002</b>	<b>Restated 2001</b>
(Loss)/profit on ordinary activities before tax	<b>(6,980)</b>	<b>1,263</b>
(Loss)/profit on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2001: 30%)	<b>(2,094)</b>	<b>379</b>
Income not chargeable for tax purposes	<b>(495)</b>	<b>(495)</b>
Expenses not deductible for tax purposes	<b>3,356</b>	<b>967</b>
Movement in timing differences	<b>(321)</b>	<b>(425)</b>
Adjustments to tax charge in respect of previous periods	<b>56</b>	<b>1</b>
<b>Current tax charge for the period</b>	<b>502</b>	<b>427</b>

**Notes to the accounts  
for the year ended 31 December 2002**

**6 Tangible assets**

<b>£000's</b>	<b>Freehold land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures, fittings and office equipment</b>	<b>Total</b>
<b>Book cost/valuation</b>				
At 1 January 2002	43,225	2,602	818	46,645
Deficit on revaluation	(11,375)	-	-	(11,375)
Disposals	-	(2,602)	(818)	(3,420)
<b>At 31 December 2002</b>	<b>31,850</b>	<b>-</b>	<b>-</b>	<b>31,850</b>
<b>Depreciation</b>				
At 1 January 2002	-	2,602	818	3,420
Eliminations in respect of disposals	-	(2,602)	(818)	(3,420)
<b>At 31 December 2002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>				
<b>At 31 December 2002</b>	<b>31,850</b>	<b>-</b>	<b>-</b>	<b>31,850</b>
At 31 December 2001	43,225	-	-	43,225

The historical purchase price of freehold land and buildings is £52,077,000 (2001: £52,077,000).

Land and buildings were revalued in accordance with the Royal Institution of Chartered Surveyors and Valuation Manual, assuming vacant possession, at 31 December 2002 by an independent valuer Mellersh & Harding. The open market value was determined to be £31,850,000 (2001: £43,224,000).

**7 Investments**

Investments at cost comprise 22,000,000 (2001: 22,000,000) 7.5% preference shares in Zurich Financial Services (UKISA) Limited.

**Notes to the accounts  
for the year ended 31 December 2002**

**8 Debtors**

£000's	2002	2001
Amounts owed by Group undertakings	6,511	3,125
	6,511	3,125

**9 Creditors: amounts falling due within one year**

£000's	2002	2001
Trade creditors	-	406
Current taxation payable	502	443
	502	849

**10 Deferred taxation**

In accordance with the provisions of FRS 19 'Deferred Tax', 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. The effect of this change in accounting policy was to reduce the provision by £5,314,000 (2001: £4,993,000). This has increased profit for the financial year by £321,000 (2001: £307,000).

**11 Share capital**

£000's	2002	2001
Allotted, called up and fully paid:		
54,020,000 ordinary shares of £1 each	54,020	54,020
	54,020	54,020
Authorised:		
55,000,000 ordinary shares of £1 each	55,000	55,000
	55,000	55,000



**Notes to the accounts  
for the year ended 31 December 2002**

**12 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 The Secretary, Zurich Financial Services, Mythenquai 2, 8002, Zurich, Switzerland.

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

**13 Related party transactions**

The Company has taken advantage of an exemption from FRS8 not to disclose transactions with Zurich Financial Services' group undertakings. Balances with Zurich Financial Services' group undertakings are shown in note 8.

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 Financial Services Group's undertakings. The terms 'director' and 'key management' include members of their households.