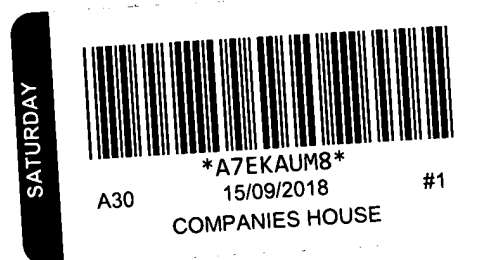


Registered number  
2306320

Zurich Holdings (UK) Limited

Financial Statements

31 December 2017



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## **Company information**

### **Directors**

T J Grant  
H A Pickford  
J B Quin

### **Secretary**

Zurich Corporate Secretary (UK) Limited

### **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

## Strategic report

The directors present the strategic report, their report and audited financial statements for Zurich Holdings (UK) Limited ("the Company") for the year ended 31 December 2017.

### Principal activities

The principal activity of Zurich Holdings (UK) Limited ("the Company") is to act as a holding company. The principal activity of its subsidiary undertakings is the provision of services to other group companies and businesses, to support the group's insurance business.

On 28 April 2017 the Company paid Tennyson Insurance Limited ("TI") £600,000 in deferred consideration agreed as part of the purchase agreement.

On 15 June 2017 the Company's parent company Zurich Insurance Company Ltd ("ZIC") made a capital contribution of £27,500,000 in order for the Company to be able to subscribe for 42,543,601 ordinary shares of £1 each in a subsidiary, Zurich UK General Services Limited. The subsequent impairment of this investment is as a result of Zurich UK General Services Limited having underlying net liabilities as at 31 December 2017.

On 15 December 2017 the Company subscribed for 500,000 ordinary shares of £1 each in a subsidiary, Zurich Building Control Services Limited. This investment has been subsequently impaired down to the carrying value of nil as at 31 December 2017.

On 22 December 2017 the Company approved the purchase of Endsleigh Financial Services Limited and Endsleigh Pension Trustee Limited and the sale of the ordinary and preference shares for Endsleigh Limited to a 3rd party. The sale and purchase agreement was completed during March 2018, further information is shown on page 4.

### Results for the year

The results for the Company show a loss before taxation of £44,336,000 (2016: loss before taxation of £83,270,000) for the year. After taking taxation into account, the amount transferred from reserves was £44,017,000 (2016: £83,443,000 transferred from reserves).

The Company has total shareholders' funds of £5,291,000 (2016: £21,624,000).

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.

### Principal risks and uncertainties

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

#### 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 counterparties.

#### Foreign exchange risk

Foreign exchange risk is the risk that exists when a financial investment is denominated in a currency other than that of the base currency of the company. The Company mitigates foreign exchange risk on the Mount Rosa Bond which is denominated in US dollars by having a short term forward foreign exchange contract in place at the year end.

## Strategic report (continued)

### 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 its holding in a bond issued by an affiliated company (the "Mount Rosa bond"). The Company mitigates market risk in the Mount Rosa bond by reviewing the valuation performed by the Zurich Group Treasury function who identify and document the various components of the bond, the counterparties and the guarantees contained within the structure. The Company believes that there is not a material exposure with the level of market risk inherent in the Mount Rosa bond.

### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company is financed with the appropriate term finance to match its needs. The Company aims to mitigate liquidity risk by managing cash generation from investments.

By order of the Board

Secretary Neil Owen

Name NEIL OWEN  
For and on behalf of Zurich Corporate Secretary (UK) Limited

Date 16 AUGUST 2018

## **Directors' report**

### **Dividends**

No interim dividends in respect of ordinary shares of the Company were declared or paid during the year (2016: nil).

The directors do not propose the payment of a final dividend for the year (2016: £nil).

### **Directors**

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

The following directors resigned during the financial year:

S Diffey (Resigned 30 June 2017)

N A Freshwater (Resigned 2 June 2017)

The following director was appointed during the financial year:

J B Quin (Appointed 15 December 2017)

### **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.

### **Future outlook**

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

### **Going concern**

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.

### **Financial instruments**

The directors consider that there is no material exposure to credit, foreign exchange, market or liquidity risk for the financial instruments held by the Company. The Company does not hold equity instruments; the financial assets and liabilities are mainly Sterling denominated. The Company actively manages its exposure to these risks as explained in Principal risks and uncertainties in the Strategic Report.

### **Post balance sheet events**

On 26 March 2018 the Company received an interim dividend of £21,000,000 from its subsidiary Zurich Management Services Limited.

On 26 March 2018 the Company completed the purchase of Endsleigh Financial Services Limited and Endsleigh Pension Trustee Limited from Endsleigh Insurance Limited for a total consideration of £2. Upon completion of the acquisition, Endsleigh Financial Services Limited was renamed EFS Financial Services Limited.

On 26 March 2018 the Company was allotted 21,000,000 ordinary shares of £1 each in a subsidiary, EFS Financial Services Limited, for a consideration of £21,000,000.

On 29 March 2018 the Company completed the sale of the Endsleigh group (comprising Endsleigh Limited and its subsidiaries) to A Plan Ltd for a consideration of £13,880,103.

On 31 May 2018 the Company received an interim dividend of £2,000,000 from its subsidiary ZPC Capital Limited.

On 31 May 2018 the Company entered into a £5,000,000 loan agreement with ZPC Capital Limited. The loan is due for repayment on 30 November 2018.

On 11 June 2018 the Company received an interim dividend of £9,000,000 from its subsidiary Zurich Management Services Limited.

## **Directors' report (continued)**

### **Post balance sheet events (continued)**

On 14 June 2018 the Company issued share capital of £15,000,000 to ZIC.

On 14 June 2018 the Company received an interim dividend of £6,500,000 from its subsidiary Zurich Specialties London Limited.

On 15 June 2018 the Company was allotted 42,543,601 ordinary shares of £1 each in a subsidiary, Zurich UK General Services Limited.

On 25 June 2018 the Company converted its £10.5m non-cumulative redeemable 5% preference shares to ordinary shares.

On 29 June 2018 the Company purchased Oak Underwriting Plc for a consideration of £12,160,500.

### **Statement of Directors' responsibilities in respect of the financial statements**

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 pages 7, 8 and 9 sets out their responsibilities in relation to the financial statements.

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 prepared the financial statements 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). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

In the case of each director in office at the date the Directors' Report is approved:

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

## Directors' report (continued)

### Independent auditors

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

By order of the Board

Secretary .....



Name .....

NEIL OWEN

For and on behalf of Zurich Corporate Secretary (UK) Limited

Date .....

16 AUGUST 2018



## **Independent auditors' report to the members of Zurich Holdings (UK) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Zurich Holdings (UK) Limited's financial statements :

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss 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 Financial Statements (the "Annual Report"), which comprise: the statement of financial position; 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**

We have nothing to report in respect of the following matters in relation to which 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.

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.

#### **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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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.

## **Independent auditors' report to the members of Zurich Holdings (UK) Limited**

### **Reporting on other information (continued)**

With respect to the Strategic Report and 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.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 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 Strategic Report and 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 in respect of the financial statements set out on page 5 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.

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](http://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.

## Independent auditors' report to the members of Zurich Holdings (UK) Limited

### 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.



Nick Muzzlewhite (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

Date 17/8/2018

**Statement of comprehensive income  
for the year ended 31 December 2017**

<b>£000</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Administrative expenses	6	60	(180)
<b>Operating Profit/(Loss)</b>		<b>60</b>	<b>(180)</b>
Impairment of investments	10	(43,044)	(84,405)
<b>Loss before interest and taxation</b>		<b>(42,984)</b>	<b>(84,585)</b>
Interest receivable and similar income	7	940	3,118
Interest payable and similar expenses	8	(2,292)	(1,803)
<b>Loss before taxation</b>		<b>(44,336)</b>	<b>(83,270)</b>
Tax on loss	9	319	(173)
<b>Loss for the financial year</b>		<b>(44,017)</b>	<b>(83,443)</b>
<b>Other comprehensive income/(expense):</b>			
Revaluation of affiliated bonds	10	221	(229)
Movement in deferred tax relating to affiliated bonds	9	(37)	52
<b>Total comprehensive expense for the financial year</b>		<b>(43,833)</b>	<b>(83,620)</b>

All figures relate to continuing operations.

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

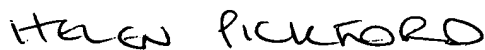
**Statement of financial position  
as at 31 December 2017**

£000	Note	2017	2016
<b>Fixed Assets</b>			
Investments	10	33,517	34,277
<b>Current assets</b>			
Debtors	11	708	499
Other financial investments	12	1,252	1,076
Cash and cash equivalents	13	933	17,000
		2,893	18,575
<b>Creditors: amounts falling due within one year</b>	14	(1,839)	(1,888)
<b>Net current assets</b>		<b>1,054</b>	<b>16,687</b>
<b>Total assets less current liabilities</b>		<b>34,571</b>	<b>50,964</b>
<b>Creditors: amounts falling after more than one year</b>	15	<b>(29,280)</b>	<b>(29,340)</b>
<b>Total assets less liabilities</b>		<b>5,291</b>	<b>21,624</b>
<b>Capital and reserves</b>			
Called up share capital	17	147,800	147,800
Capital reserve		70,044	42,544
Revaluation reserve		1,089	905
Profit and loss account		(213,642)	(169,625)
<b>Total shareholders' funds</b>		<b>5,291</b>	<b>21,624</b>

The financial statements on pages 10 to 23 were approved and authorised for issue by the Board on 16 August 2018 and were signed on its behalf by:



Director



Name

**Statement of changes in equity  
for the year ended 31 December 2017**

<b>£000</b>	<b>Called up share capital</b>	<b>Capital reserve</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
Balance as at 1 January 2016	147,800	-	1,082	(86,182)	62,700
Loss for the financial year	-	-	-	(83,443)	(83,443)
Other comprehensive expense	-	-	(177)	-	(177)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(177)</b>	<b>(83,443)</b>	<b>(83,620)</b>
Capital contributions	-	42,544	-	-	42,544
<b>Balance as at 31 December 2016</b>	<b>147,800</b>	<b>42,544</b>	<b>905</b>	<b>(169,625)</b>	<b>21,624</b>
Loss for the financial year	-	-	-	(44,017)	(44,017)
Other comprehensive income	-	-	184	-	184
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>(44,017)</b>	<b>(43,833)</b>
Capital contributions	-	27,500	-	-	27,500
<b>Balance as at 31 December 2017</b>	<b>147,800</b>	<b>70,044</b>	<b>1,089</b>	<b>(213,642)</b>	<b>5,291</b>

Capital contributions that the Company has received in the current and prior year from the Parent Company are shown above in the capital reserve. The directors consider the capital reserve to be distributable.

## Notes to the financial statements for the year ended 31 December 2017

### 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 are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investments, 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 2017, 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 18.

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. The areas where assumptions and estimates could have an impact on the carrying value of assets and liabilities, are disclosed in notes 2.5 and 2.6.

#### *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 Administrative expenses

Administrative expenses relate to deferred investment consideration for the purchase of a direct subsidiary undertaking and are charged to the profit and loss account on an accruals basis. All adjustments to the deferred investment consideration are credited or charged, as appropriate, to Administrative expenses.

#### 2.3 Interest receivable and similar income

Interest receivable and similar income includes income from investments and net realised and unrealised investment and foreign exchange gains and are recognised in the profit and loss account on an accruals basis.

#### 2.4 Interest payable and similar expenses

Interest payable and similar expenses includes interest payable on loans, related expense charges and net realised and unrealised investment and foreign exchange losses and are recognised in the profit and loss account on an accruals basis.

## Notes to the financial statements for the year ended 31 December 2017

### 2 Accounting policies (continued)

#### 2.5 Investments

Investments in subsidiaries and other group undertakings are valued at cost less any provision that may be required for impairment. Investments in subsidiaries are considered annually for impairment. In determining the recoverable amount the Company may utilise forecasted cashflows and/or profits of the subsidiary. These forecasts contain assumptions in relation to income and expense growth. Affiliated bonds are classified as available-for-sale financial assets, stated at fair value and denominated in a currency other than that of the base currency of the company. Affiliated bonds are valued annually using a reasonable estimation process taking into account their likely reliable value. Changes in the fair value of affiliated bonds classified as available-for-sale are recognised in other comprehensive income.

#### 2.6 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, derivatives 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, bank loans, loans from fellow Group companies 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. Included within other creditors is the deferred consideration relating to the purchase of a subsidiary undertaking. The deferred consideration is recognised in the profit and loss account on an accruals basis. The payment of the deferred consideration is triggered when certain targets are met by the subsidiary as agreed in the amendment to the sale and purchase agreement.

#### 2.7 Foreign Exchange

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 at the dates of the transactions, and at each period end foreign currency monetary items are translated using the closing rate. 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 exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

#### 2.8 Taxation

The taxation expense for the period comprises current and deferred 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 tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.



## Notes to the financial statements for the year ended 31 December 2017

### 2.8 Taxation (continued)

#### *Current tax*

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.

#### *Deferred tax*

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 3 **Auditors Remuneration**

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

£000	2017	2016
Fees payable to the Company's auditors for the audit of the Company's	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

In 2017 and 2016, the audit fees have been borne by another group company, Zurich Insurance plc.

### 4 **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 2017 and 2016 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.

### 5 **Directors' Remuneration**

There was no directors' remuneration paid by the Company (2016: £nil). The services of the directors of the Company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to other group companies.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**6 Administrative expenses**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Administrative expenses	(60)	180
<b>Total</b>	<b>(60)</b>	<b>180</b>

**7 Interest receivable and similar income**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Interest receivable and similar income	940	984
Net gains on foreign exchange	-	2,134
<b>Total</b>	<b>940</b>	<b>3,118</b>

**8 Interest payable and similar expenses**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Interest payable and similar expenses	1,808	1,803
Net losses on foreign exchange	484	-
<b>Total</b>	<b>2,292</b>	<b>1,803</b>

**9 Tax on loss**

Tax in the profit and loss account was as follows:

<b>£000</b>	<b>2017</b>	<b>2016</b>
Current tax:		
UK corporation tax on loss for the year	(304)	185
Adjustments in respect of prior years	19	10
<b>Total Current Tax</b>	<b>(285)</b>	<b>195</b>
Deferred tax:		
Origination and reversal of timing differences	(20)	-
Impact of change in tax rate	2	(22)
Adjustments in respect of prior years	(16)	-
<b>Total Deferred Tax</b>	<b>(34)</b>	<b>(22)</b>
<b>Total tax (income)/expense included in profit and loss</b>	<b>(319)</b>	<b>173</b>

Tax expense/(income) included in other comprehensive income was as follows:

<b>£000</b>	<b>2017</b>	<b>2016</b>
Deferred tax:		
Origination and reversal of timing differences	37	(39)
Impact of change in tax rate	-	(13)
<b>Tax income included in other comprehensive income</b>	<b>37</b>	<b>(52)</b>

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**9 Tax on loss (continued)**

Factors affecting the tax charge for the year:

The tax expense for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

£000	2017	2016
Loss before taxation	(44,336)	(83,270)
Loss at standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(8,535)	(16,654)
Income not chargeable for taxation purposes	(75)	(78)
Expenses not deductible for taxation purposes	8,286	16,917
Remeasurement of deferred tax - change in UK tax rate	2	(22)
Adjustments in respect of prior years	3	10
<b>Tax (credit)/charge for the year</b>	<b>(319)</b>	<b>173</b>

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 20% to 19% with effect from 1 April 2017. Further reductions to the UK corporation tax rates were substantively enacted as part of Finance No.2 Act 2015 on 26 October 2015 and the Finance Act on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and 17% from 1 April 2020.

The deferred tax liability has been updated to reflect the reduction in the rates.

**10 Investments**

£000	2017	2016
Shares in subsidiary undertakings	20,119	20,119
Affiliated Bonds - Available for sale	13,150	14,158
Financial assets through profit and loss - forward foreign exchange contracts	248	-
<b>Total</b>	<b>33,517</b>	<b>34,277</b>

Movements during the year consisted of:

£000	Shares in subsidiary undertakings	Affiliated Bonds	Financial Assets	Total
Net assets value at 1 January 2017	20,119	14,158	-	34,277
Additions	43,044	-	-	43,044
Amounts received on contracts settled in year	-	-	(30,816)	(30,816)
Impairments	(43,044)	-	-	(43,044)
Disposals	-	-	-	-
Amounts paid on contracts settled in year	-	-	30,347	30,347
Gains realised on contracts settled in year	-	-	469	469
Fair value of contracts outstanding at the year end	-	-	248	248
Foreign exchange losses	-	(1,126)	-	(1,126)
Revaluation gain	-	221	-	221
Amortisation	-	(103)	-	(103)
<b>Net assets value at 31 December 2017</b>	<b>20,119</b>	<b>13,150</b>	<b>248</b>	<b>33,517</b>

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**10 Investments (continued)**

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for affiliated bonds held in US Dollars. At 31 December 2017, the outstanding contracts all mature within 2 months of the year end. The company is committed to sell \$13,026,316 and will receive a fixed sterling amount of £9,872,200.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD.

The company has no interest rate derivative financial instruments as at 31 December 2017. The company held no derivative contracts during 2016.

On 15 June 2017 the Company was allotted 42,543,601 ordinary shares of £1 each in a subsidiary, Zurich UK General Services Limited.

On 15 December 2017 the Company was allotted 500,000 ordinary shares of £1 each in a subsidiary, Zurich Building Control Services Limited.

The value of the Company's investments in the following group undertakings was impaired in the year as follows:

	2017	2016
Zurich UK General Services Limited	42,544	42,544
Zurich Building Control Services Limited	500	-
Endsleigh Limited	-	41,861
Impairment of investments in subsidiary undertakings	43,044	84,405

The directors have considered the value of each of the Company's investments in subsidiary undertakings as at 31 December 2017 and are satisfied that the value of each investment is not less than the amount at which it is stated in the statement of financial position.

The following is a list of the Company's direct subsidiary undertakings as at 31 December 2017 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
<b>England and Wales</b>			
Zurich Specialties London Limited*	Ordinary	100	Non-trading company
Zurich Management Services Limited*	Ordinary	100	Strategic risk management and risk services
Zurich UK General Services Limited*	Ordinary	100	Provision of employment services
Zurich Building Control Services Limited*	Ordinary	100	Inspection and risk management services
Zurich Transitional Services Limited**	Ordinary	100	Administration services

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**10 Investments (continued)**

<b>Company and country of incorporation and registration</b>	<b>Class of share capital</b>	<b>Nominal value held %</b>	<b>Nature of business</b>
ZPC Capital Limited*	Ordinary	100	Investment company
Endsleigh Limited***	Ordinary	100	Holding company with subsidiaries engaged in insurance business
Tennyson Insurance Limited*	Ordinary	100	Specialist insurance services
Zurich Global Corporate UK Limited*	Ordinary	100	Provision of employment services
Zurich GSH Limited*	Ordinary	100	Dormant Holding company of Zurich GSG Limited
Zurich International (UK) Limited*	Ordinary	100	Dormant
Zurich Professional Limited*	Ordinary	100	Dormant

The following is a list of the Company's indirect subsidiary undertakings as at 31 December 2017 and particulars of the percentage of nominal value of issued shares then held:

<b>Company and country of incorporation and registration</b>	<b>Class of share capital</b>	<b>Nominal value held %</b>	<b>Nature of business</b>
<b>England and Wales</b>			
ZSL Financing Limited*****	Ordinary	100	Dormant
Eagle Star Direct Services Limited*****	Ordinary	100	Dormant
Zurich UK General Employee Services Limited*	Ordinary	100	Management administration services
Zurich GSG Limited*	Ordinary	100	Dormant
PLE Employment Services Limited (Formerly Endsleigh Employment Services Limited)***	Ordinary	100	Provision of employment services
Endsleigh Insurance Services Limited***	Ordinary	100	Provision of insurance services
Endsleigh Shopfitting Limited***	Ordinary	100	Dormant
Endsleigh Leasing Limited***	Ordinary	100	Dormant
Endsleigh Promotions Limited***	Ordinary	100	Dormant
Endsleigh Trustee Services Limited***	Ordinary	100	Dormant

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**10 Investments (continued)**

<b>Company and country of incorporation and registration</b>	<b>Class of share capital</b>	<b>Nominal value held %</b>	<b>Nature of business</b>
Endsleigh Developments Limited***	Ordinary	100	Dormant
Endsleigh Corporate Secretary Limited (Formerly Endsleigh Communications Limited)***	Ordinary	100	Dormant
Endsleigh Law Limited***	Ordinary	100	Dormant
17-40 Direct Limited***	Ordinary	100	Dormant
Endsleigh Financial Services Limited***	Ordinary	100	Provision of financial services
Women on Wheels Limited***	Ordinary	100	Dormant
TCS Loss Adjusters Limited ***	Ordinary	100	Provision of insurance services
Endsleigh Insurances (Brokers) Limited***	Ordinary	100	Provision of insurance services
Endsleigh Life and Pensions Limited***	Ordinary	100	Dormant
Endsleigh Pension Trustee Limited***	Ordinary	100	Dormant
Woodstock Insurance Brokers Limited***	Ordinary	100	Provision of insurance services
Jewell Insurance Agency Limited***	Ordinary	100	Dormant
<b>Malaysia</b>			
Zurich Risk Services Asia Pacific Sdn. Bhd. ****	Ordinary	100	Provision of risk engineering services

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

The above companies listed are registered at the following address:

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

\*\* The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX

\*\*\* Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE

\*\*\*\* Level 8 Symphony House, Block D13 Pusat Dagangan Dana 1, Jalan Pju 1a/4b, 47301 Petaling Jaya, Selangor, Malaysia

\*\*\*\*\* Critchleys Llp, Beaver House, 23-28 Hythe Bridge Street, Oxford, OX1 2EP

Eagle Star Direct Services Limited and ZSL Financing Limited entered liquidation during December 2017.

Endsleigh Financial Services Limited and Endsleigh Pension Trustee Limited were purchased from Endsleigh Limited on 26 March 2018.

Endsleigh group (comprising Endsleigh Limited and its remaining subsidiaries) were sold on 29 March 2018.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**11 Debtors**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Amounts owed by group undertakings	138	-
Corporation tax receivable	101	-
Prepayments and accrued income	469	499
<b>Total</b>	<b>708</b>	<b>499</b>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

**12 Other financial investments**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Loans to group undertakings	1,252	1,076
<b>Total</b>	<b>1,252</b>	<b>1,076</b>

The loan to group undertakings relates to amounts drawn down on a revolving credit facility provided to a subsidiary, Tennyson Insurance Limited, by the Company. This is unsecured, incurs interest at an arms length rate and is repayable on demand in the event of default.

**13 Cash and cash equivalents**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Units in unit trusts	933	17,000
<b>Total</b>	<b>933</b>	<b>17,000</b>

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

<b>£000</b>	<b>2017</b>	<b>2016</b>
Bank overdrafts	-	3
Amounts owed to group undertakings	1,145	516
Corporation tax payable	-	83
Deferred taxation	556	553
Other creditors	-	600
Accruals and deferred income	138	133
<b>Total</b>	<b>1,839</b>	<b>1,888</b>

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

**15 Creditors: amounts falling due after more than one year**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Loan from a fellow subsidiary	28,920	28,920
Other creditors	360	420
<b>Total</b>	<b>29,280</b>	<b>29,340</b>

On 23 May 2011, the Company entered into a Subordinated Loan Agreement with Zurich Finance (Luxembourg) S.A. The outstanding loan amount of £28,920,000 matures on 30 June 2020 and interest is charged at 6.22%.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**16 Deferred Taxation**

The provisions for deferred taxation comprised:

<b>£000</b>	<b>2017</b>	<b>2016</b>
Unrealised gains on affiliated bonds	(556)	(553)
<b>Provision for deferred tax</b>	<b>(556)</b>	<b>(553)</b>

Movement during the year:

Provision at start of year	(553)	(627)
Deferred tax charge in profit and loss account for the year	34	22
Deferred tax charge in other comprehensive income for the year	(37)	52
<b>Provision for deferred tax</b>	<b>(556)</b>	<b>(553)</b>

**17 Called up share capital**

<b>£000</b>	<b>2017</b>	<b>2016</b>
Allotted, called up and fully paid:		
10,500,000 (2016: 10,500,000) non-cumulative redeemable 5% preference shares of £1 each	10,500	10,500
137,300,000 (2016: 137,300,000) ordinary shares of £1 each	137,300	137,300
<b>Total</b>	<b>147,800</b>	<b>147,800</b>

Authorised:

37,900,000 (2016: 37,900,000) non-cumulative redeemable 5% preference shares of £1 each	37,900	37,900
137,300,000 (2016: 137,300,000) ordinary shares of £1 each	137,300	137,300
<b>Total</b>	<b>175,200</b>	<b>175,200</b>

Non-cumulative redeemable 5% preference shares have priority on winding up. There is no specific date of redemption and redemption is at the option of the Company and with the agreement of the holder at anytime. There is no premium payable on redemption of the shares.

**18 Ultimate parent company**

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

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

The Company's immediate parent company is Zurich Insurance Company Ltd.



## **Notes to the financial statements (continued)**

### **for the year ended 31 December 2017**

#### **19 Related party transactions**

The Company is a wholly owned subsidiary and 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 10, 11, 12, 14 and 15.

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 close families.

#### **20 Post balance sheet events**

On 26 March 2018 the Company received an interim dividend of £21,000,000 from its subsidiary Zurich Management Services Limited.

On 26 March 2018 the Company completed the purchase of Endsleigh Financial Services Limited and Endsleigh Pension Trustee Limited from Endsleigh Insurance Limited for a total consideration of £2. Upon completion of the acquisition, Endsleigh Financial Services Limited was renamed EFS Financial Services Limited.

On 26 March 2018 the Company was allotted 21,000,000 ordinary shares of £1 each in a subsidiary, EFS Financial Services Limited, for a consideration of £21,000,000.

On 29 March 2018 the Company completed the sale of the Endsleigh group (comprising Endsleigh Limited and its subsidiaries) to A Plan Ltd for a consideration of £13,880,103.

On 31 May 2018 the Company received an interim dividend of £2,000,000 from its subsidiary ZPC Capital Limited.

On 31 May 2018 the Company entered into a £5,000,000 loan agreement with ZPC Capital Limited. The loan is due for repayment on 30 November 2018.

On 11 June 2018 the Company received an interim dividend of £9,000,000 from its subsidiary Zurich Management Services Limited.

On 14 June 2018 the Company issued share capital of £15,000,000 to ZIC.

On 14 June 2018 the Company received an interim dividend of £6,500,000 from its subsidiary Zurich Specialties London Limited.

On 15 June 2018 the Company was allotted 42,543,601 ordinary shares of £1 each in a subsidiary, Zurich UK General Services Limited.

On 25 June 2018 the Company converted its £10.5m non-cumulative redeemable 5% preference shares to ordinary shares.

On 29 June 2018 the Company purchased Oak Underwriting Plc for a consideration of £12,160,500.