

Registered number 2741053

ZURICH MANAGEMENT SERVICES LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2006

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Contents	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report to the shareholders of Zurich Management Services Limited	6
Profit and loss account	8
Reconciliation of movements in shareholders' funds	8
Balance sheet	9
Accounting policies	10
Notes to the financial statements	12

Company information

Directors

R Cottell

S P Hancock

G R C Munnoch (appointed 1 January 2007)

M P L Searles (appointed 17 November 2006)

Secretary

M A Porter (appointed 11 September 2006)

Registered office

The Zurich Centre

3000 Parkway

Whiteley

Fareham

Hampshire

PO15 7JZ

Auditors

PricewaterhouseCoopers LLP

Hay's Galleria

1 Hays Lane

London

SE1 2RD

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Business review

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

Principal activities

The Company's principal activity during the year was that of delivering risk management and administration services to both public and private service organisations.

In the year the Company increased its activity of providing fee based services to other Group companies.

Zurich Risk Services Asia Pacific Sdn Bhd, a wholly owned subsidiary, provides Risk Engineering and allied services to the Zurich Financial Services Group (ZFS) companies and their customers worldwide with activities involving the systematic identification, assessment and improvement of risk.

Performance measurement

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business.

Results

The results for the Company show a pre-tax profit of **£2,207,832** (2005 £4,614,598) for the year.

The Company has net assets of **£2,767,979** (2005 £3,252,243).

The overall financial position at the end of the year was satisfactory and the directors expect to maintain the current level of performance in the future.

Dividends

An interim ordinary dividend of **£2,000,000** was paid during the year (2005 £2,500,000). The directors propose the payment of a final dividend of **£1,100,000** (2005 £nil).

Charitable and political donations

During the year, the Company made charitable donations of **£1,291,000** (2005 £nil). No donation was made for political purposes during 2006 (2005 nil).

Directors' report

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

J D Packham (resigned 17 November 2006)

I C R Stuart (resigned 31 December 2006)

The following secretary resigned after the year end

P F Worthington (resigned 28 September 2007)

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 in shares and debentures required to be disclosed under section 324 (1&2) of the United Kingdom Companies Act 1985

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

Directors' indemnity

Qualifying third party indemnity provisions (as defined in Section 308B(1) of the United Kingdom Companies Act 1985) are in force for the benefit of the directors

Creditor payment policy

All external creditors are settled by other group companies

Financial Instruments

The directors consider that there is no material exposure to price, currency, credit, liquidity or interest rate risk for the financial instruments held by the Company. The Company does not hold equity instruments, there are no material assets and liabilities which are not denominated in British pounds and these are mainly represented by financial assets receivable from and payable to fellow group undertakings

Statement of disclosure of information to auditors

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

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2006 of which the auditors are unaware, and
- the directors have taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report

Auditors

The directors have taken advantage of the elective regime, under section 386 of the United Kingdom 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 read 'Margaret Porter', followed by a small dot.

M A Porter
Company Secretary
4 October 2007

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 pages 6 and 7, 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 for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 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 shareholders of Zurich Management Services Limited

We have audited the financial statements of Zurich Management Services Limited for the year ended 31 December 2006 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to the shareholders of Zurich Management Services Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 October 2007

**Profit and loss account
for the year ended 31 December 2006**

£'s	Notes	2006	2005
Turnover	1	41,352,017	40,127,661
Cost of sales		(28,159,451)	(28,429,502)
Gross profit		13,192,566	11,698,159
Administrative expenses		(11,086,665)	(7,083,561)
Profit on ordinary activities before interest and taxation		2,105,901	4,614,598
Interest receivable and similar income		101,931	-
Profit on ordinary activities before taxation		2,207,832	4,614,598
Tax on profit on ordinary activities	5	(692,096)	(1,421,354)
Profit for the financial year		1,515,736	3,193,244
All figures relate to continuing operations			

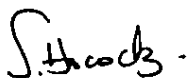
**Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006**

£'s		Share capital	Profit and loss account	2006	2005
Opening shareholders' funds		100	3,252,143	3,252,243	2,558,999
Profit for the financial year		-	1,515,736	1,515,736	3,193,244
Dividends paid in the financial year	Note 6	-	(2,000,000)	(2,000,000)	(2,500,000)
Net increase in shareholders' funds		-	(484,264)	(484,264)	693,244
Closing shareholders' funds		100	2,767,879	2,767,979	3,252,243

Balance sheet
as at 31 December 2006

£'s	Notes	2006	2005
Fixed assets			
Investments			
Investment in group undertakings	7	110,317	72,157
		110,317	72,157
Current assets			
Other financial investments	8	5,400,000	-
Debtors	9	15,965,402	14,960,801
Cash at bank and in hand		167,162	7,134,044
		21,532,564	22,094,845
Creditors: amounts falling due within one year	10	(18,874,902)	(18,914,759)
Net current assets		2,657,662	3,180,086
Total assets less current liabilities		2,767,979	3,252,243
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account		2,767,879	3,252,143
Equity shareholders' funds		2,767,979	3,252,243

The financial statements on pages 8 to 16 were approved by the Board on 4 October 2007 and were signed on its behalf by



S P Hancock
Director

Accounting policies for the year ended 31 December 2006

Basis of preparation

The Company's financial statements have been prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the 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. As a wholly owned subsidiary of another company incorporated in Great Britain, the Company is exempt from preparing group accounts under Section 228 of the Companies Act 1985.

Accounting convention

The accounts are prepared under the historical cost convention.

Investments

Investments in subsidiaries are valued at cost less any provision that may be required for impairment.

Recognition of revenue

Revenue is recognised and earned within the profit and loss account over the duration of the contract.

Commission costs

Commission costs are deferred over the period in which the related fees are earned.

Amounts recoverable on contracts

Amounts recoverable on contracts represent the value of work included in turnover on particular contracts in excess of amounts received and receivable to date.

Deferred tax

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events, that arise in an obligation to pay more in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. 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.

**Accounting policies
for the year ended 31 December 2006**

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 consistent and reasonable basis. Further details are given in the notes to the accounts.

**Notes to the accounts
for the year ended 31 December 2006**

1 Turnover

Turnover is the total amount receivable by the Company for services provided excluding VAT, and arises entirely within the UK

Turnover is attributable to risk management and administration services

2 Auditors' remuneration

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

£'s	2006	2005
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,000	10,052
	12,000	10,052

3 Directors' emoluments

£'s	2006	2005
Aggregate emoluments	269,836	245,573
	269,836	245,573

Retirement benefits are accruing to five directors (2005 six) under the Company's defined benefit pension scheme. Four directors (2005 three) became entitled to receive shares under a long-term incentive scheme.

Highest paid director

£'s	2006	2005
Aggregate emoluments	184,450	184,530
Defined benefit pension scheme accrued pension at end of year	23,975	20,106
	208,425	204,636

During the year the highest paid director became entitled to receive shares under a long-term incentive scheme.

4 Staff costs

Employees in the UK working on behalf of the Company are employed by either Zurich UK General Employee Services Limited or Zurich UK General Services Limited. These employees may also work on behalf of any other Zurich Financial Services' companies.

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

**Notes to the accounts
for the year ended 31 December 2006**

5 Taxation

Taxation in the profit and loss account was as follows

£'s	2006	2005
United Kingdom Taxation		
UK corporation tax at 30% (2005 30%) for the year	687,433	1,421,354
Adjustments in respect of prior years	7,178	31,591
Current tax charge for the year	694,611	1,452,945
Deferred tax		
Origination and reversal of timing differences	(3,709)	(31,591)
Movement in discount	1,194	-
Tax on profit on ordinary activities	692,096	1,421,354

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

£'s	2006	2005
Profit on ordinary activities before tax	2,207,832	4,614,598
Profit on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2005 30%)	662,350	1,384,379
UK taxation on overseas income	25,083	36,975
Adjustments to tax charge in respect of previous periods	7,178	31,591
Current tax charge for the year	694,611	1,452,945

6 Dividends

£'s	2006	2005
Equity shares		
Dividend paid of £20,000 per share	(2,000,000)	(2,500,000)
	(2,000,000)	(2,500,000)

**Notes to the accounts
for the year ended 31 December 2006**

7 Investments in group undertakings

Cost		
£'s	2006	2005
Shares in subsidiary undertakings		
500,000 ordinary shares of 1 Malaysian Ringgit each	110,317	72,157
Cost at 31 December	110,317	72,157

The directors have considered the value of the Company's investments in subsidiary undertakings as at 31 December 2006 and are satisfied that the value of each investment is not less than the amount at which it is stated in the balance sheet

8 Other financial investments

£'s	2006	2005
Deposits with credit institutions	5,400,000	-
	5,400,000	-

9 Debtors

£'s	2006	2005
Trade debtors	13,667,593	10,892,969
Amounts recoverable on contracts	217,181	320,800
Amounts owed by Group undertakings	637,581	14,704
Other debtors	819,119	3,081,194
Deferred taxation (see note 12)	34,106	31,591
Prepayments and accrued income	589,822	619,543
	15,965,402	14,960,801

10 Creditors: amounts falling due within one year

£'s	2006	2005
Trade creditors	1,459,779	519,616
Amounts owed to Group undertakings	1,542,384	496,220
Other creditors including tax and social security	258,189	3,013,938
Accruals and deferred income	15,614,550	14,884,985
	18,874,902	18,914,759

**Notes to the accounts
for the year ended 31 December 2006**

11 Share capital

£'s	2006	2005
Allotted, called up and fully paid 100 ordinary shares of £1 each	100	100
	100	100
Authorised 100 ordinary shares of £1 each	100	100
	100	100

12 Deferred taxation

The deferred taxation balance comprises

£'s	2006	2005
Provisions	35,300	31,591
Discount	(1,194)	-
Deferred taxation asset	34,106	31,591

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.

13 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 consolidated accounts are prepared. Copies of the financial statements for this company can be obtained from The Secretary, Zurich Financial Services, Mythenquai 2, 8002 Zurich, Switzerland.

14 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 notes 9 and 10.

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.

**Notes to the accounts
for the year ended 31 December 2006**

15 Principal subsidiary undertakings

The following details the Company's principal subsidiary undertaking as at 31 December 2006 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 %
Malaysia		
Zurich Risk Services Asia Pacific Sdn Bhd	ordinary	100

The principal country in which the above named subsidiary undertaking operates is its country of registration or incorporation. The Company has taken advantage of Section 231 (5) of the United Kingdom Companies Act 1985 and listed only those subsidiary undertakings which principally affected the figures shown in the accounts