

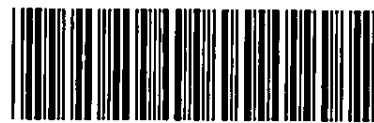
Registered number
2741053

Zurich Management Services Limited

Financial Statements

31 December 2007

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Company information

Directors

S Egan (appointed 10 December 2007)
S P Hancock
D Hawkins (appointed 1 February 2008)
G R C Munnoch (appointed 1 January 2007)
M N Quinton (appointed 20 March 2008)

Secretary

M A Porter

Registered office

The Zunch 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 audited financial statements for the year ended 31 December 2007

Business Review

The review is designed to help explain the financial statements 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 on the financial results for the year.

Principal activity

The principal activity of the Company is the delivery of risk management and administration services to public, private service organisations and other Group entities.

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 for the year

The results for the Company show a pre-tax profit of **£3,313,175** (2006 profit of £2,207,832) for the year.

The Company has net assets of **£3,953,282** (2006 £2,767,979).

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

Dividends

No interim ordinary dividend was paid during the year (2006 £2,000,000). The directors have not proposed a final dividend (2006 £1,100,000). The 2006 final dividend was paid during 2007.

Charitable and political donations

During the year, the Company made charitable donations of **£1,298,000** (2006 £1,291,000). No donation was made for political purposes during 2007 (2006 £nil).

Directors' report

Directors

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

The following director resigned during the year
R Cottell (resigned 31 December 2007)

The following director resigned after the end of the year
M P L Searles (resigned 2 May 2008)

The following company secretary resigned during the year
P Worthington (resigned 28 September 2007)

Directors' interests

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 309B(1) of the Companies Act 1985) are in force for the benefit of the directors

Financial instruments

The directors consider that there is no material exposure to credit or liquidity risk for the financial instruments held by the Company. The Company does not hold equity instruments, the financial assets and liabilities are British pound denominated.

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 2007 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 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 'M A Porter', with a stylized flourish at the end.

M A Porter
Company Secretary
21 October 2008

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, 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

- 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 2007 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 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 judgments 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 2007 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
Chartered Accountants and Registered Auditors
London

21 October 2008

**Profit and loss account
for the year ended 31 December 2007**

£	Notes	2007	2006
Turnover	1	43,828,186	41,352,017
Cost of sales		(32,367,216)	(30,659,451)
Gross profit		11,460,970	10,692,566
Administrative expenses		(8,535,459)	(8,586,665)
Operating profit		2,925,511	2,105,901
Interest receivable	5	403,168	101,931
Interest payable and similar charges	5	(15,504)	-
Profit on ordinary activities before taxation		3,313,175	2,207,832
Tax on profit on ordinary activities	6	(1,027,872)	(692,096)
Profit for the financial year		2,285,303	1,515,736

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 shareholders' funds
for the year ended 31 December 2007**

£	Notes	Share capital	Profit and loss account	2007	2006
Opening shareholders' funds		100	2,767,879	2,767,979	3,252,243
Profit for the financial year		-	2,285,303	2,285,303	1,515,736
Dividends paid	7	-	(1,100,000)	(1,100,000)	(2,000,000)
Closing shareholders' funds		100	3,953,182	3,953,282	2,767,979

**Balance sheet
as at 31 December 2007**

£	Notes	2007	2006
Fixed Assets			
Investments in subsidiary undertakings	8	110,317	110,317
		110,317	110,317
Current assets			
Other financial investments	9	6,235,000	5,400,000
Debtors	10	18,309,328	15,965,402
Cash at bank and in hand		107,635	167,162
		24,651,963	21,532,564
Creditors amounts falling due within one year	12	(20,808,998)	(18,874,902)
Net current assets		3,842,965	2,657,662
Total assets less current liabilities		3,953,282	2,767,979
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		3,953,182	2,767,879
Total shareholders' funds		3,953,282	2,767,979

The financial statements on pages 8 to 15 were approved and authorised for issue by the Board on 21 October 2008 and were signed on its behalf by



G R C Munnoch
Director

Accounting policies for the year ended 31 December 2007

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 taken advantage of the exemption in FRS 1 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 financial statements are prepared under the historical cost convention.

Turnover

Revenue is recognised and earned within the profit and loss account on an accruals basis.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Investment income is accounted for on a receivable basis.

Other operating income

Other operating income represents settlements in excess of the cost of assigned debts held by the Company. Such income, including related foreign exchange movements, is recognised in the profit and loss account on a straight line basis as assigned debts are collected, in proportion to the total expected amount that will be received in respect of the debt. Any actual or anticipated losses which arise are recognised immediately.

Expenses

Interest, rents and expenses are accounted for on an accruals basis.

Accounting policies for the year ended 31 December 2007

Dividends

Interim dividends are recognised when paid, and final dividends are booked as a liability when they are approved by resolution of the member

Investments

Investments in group undertakings are valued at cost less any provision that may be required for impairment

Foreign Currencies

Assets and liabilities in foreign currencies are translated at rates of exchange ruling at the year end. Foreign currency translations are translated at the spot rate at the date of translation where practicable, or at an average monthly rate. Foreign exchange differences are reflected in the profit and loss account.

Deferred tax

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in 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.

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.

Accruals and prepayments.

When purchasing an inspection contract, customers commit to buying an annual policy.

Where this annual commitment is contractually invoiced in instalments, the initial debtor is classified within prepayments and income accruals (note 10).

Where the customer is invoiced annually in advance, the unearned income is classified as accruals and deferred income (note 11).

**Notes to the financial statements
for the year ended 31 December 2007**

1 Turnover

Turnover is the total amount receivable by the company for the risk management and administration services provided. This amount excludes VAT and arises entirely within the United Kingdom.

2 Auditors' remuneration

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

£	2007	2006
Fees payable to the Company's auditor for the audit of the Company's financial statements	14,100	12,000
Total	14,100	12,000

3 Staff costs

Employees in the UK working on behalf of the Company are employed by either Zurich UK General Employee Services Limited, Zurich UK General Services Limited or Zurich Global Corporate UK 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, Zurich UK General Services Limited and Zurich Global Corporate UK Limited, copies of which can be obtained from The Secretary, The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

4 Directors' emoluments

The aggregate emoluments of directors in respect of their services to the Company were **£277,556** (2006: £269,836).

The aggregate disclosable emoluments shown above include **£179,942** (2006: £184,450) in respect of the highest paid director, who accrued benefits under a defined pension scheme and had an accrued pension at the year end of **£27,959** (2006: £23,975).

5 Investment income, interest and charges

£	2007	2006
Income from other investments	403,168	101,073
Foreign currency gains	-	858
	403,168	101,931
Losses on realisation of investments	(15,504)	-
Interest payable and similar charges	(15,504)	-

**Notes to the financial statements
for the year ended 31 December 2007**

6 Taxation

Taxation in the profit and loss account was as follows

£	2007	2006
United Kingdom taxation		
UK corporation tax at 30% (2006 30%) for the year	917,653	687,433
Adjustments in respect of prior years	76,113	7,178
	993,766	694,611
Current tax charge for the year	993,766	694,611
Deferred tax		
Reversal/(origination) of timing differences	35,300	(3,709)
(Increase)/decrease in discount	(1,194)	1,194
Tax on profit on ordinary activities	1,027,872	692,096

Factors affecting the tax charge for the period

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

£	2007	2006
Profit on ordinary activities before tax	3,313,175	2,207,832
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2006 30%)	993,953	662,350
UK corporation tax on profits of overseas controlled company	20,000	25,083
Movement in timing differences	(96,300)	-
Adjustments to tax charge in respect of previous periods	76,113	7,178
Current tax charge for the year	993,766	694,611

7 Dividends

£	2007	2006
Equity shares		
Dividend paid of £11,000 per share (2006 £20,000)	1,100,000	2,000,000
	1,100,000	2,000,000

**Notes to the financial statements
for the year ended 31 December 2007**

8 Investments in subsidiary undertakings

£	2007	2006
500,000 ordinary shares of 1 Malaysian Ringgit each	110,317	110,317
	110,317	110,317

The Company holds 100% of the nominal value of the allotted ordinary shares of a subsidiary company, Zurich Risk Services Asia Pacific SDN BHD, a company undertaking risk engineering and incorporated in Malaysia

The directors have considered the value of the Company's investment in the subsidiary undertaking as at 31 December 2007 and are satisfied that the value of the investment is not less than the amount at which it is stated in the balance sheet

9 Other financial investments

£	2007	2006
Deposits with credit institutions	6,235,000	5,400,000
	6,235,000	5,400,000

10 Debtors

£	2007	2006
Trade debtors	13,625,856	13,667,593
Amounts recoverable on Contracts	271,738	217,181
Amounts due from group undertakings	-	637,581
Deferred tax	-	34,106
Corporation tax recoverable	361,519	-
Other debtors	2,105,760	819,119
Prepayments and accrued income	1,944,455	589,822
	18,309,328	15,965,402

11 Deferred taxation

The deferred taxation balance comprises

£	2007	2006
Provisions	-	35,300
	-	35,300
Discount	-	(1,194)
Discounted provision for deferred tax	-	34,106

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

**Notes to the financial statements
for the year ended 31 December 2007**

12 Creditors: amounts falling due within one year

£	2007	2006
Amounts due to group undertakings	3,227,674	1,542,384
Current tax payable	542,991	258,189
Other creditors	1,775,907	1,459,779
Accruals and deferred income	15,262,426	15,614,550
	20,808,998	18,874,902

All creditors fall due within one year

13 Share capital

£	2007	2006
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

14 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 financial statements of this company can be obtained from The Secretary, Zurich Insurance Company, Mythenquai 2, 8002 Zurich, Switzerland.

15 Related party transactions

The Company has taken advantage of an exemption from within FRS 8 not to disclose transactions with Zurich Financial Services' group undertakings. Balances with Zurich Financial Services' group undertakings are shown in notes 10 and 12.

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' includes members of their families.