

Company Registration No. 02741053 (England and Wales)

**ZURICH MANAGEMENT SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



**ZURICH MANAGEMENT SERVICES LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	T J Grant J P Hartigan J H Keppel K Surendrakumar
<b>Secretary</b>	Zurich Corporate Secretary (UK) Limited
<b>Company number</b>	02741053
<b>Registered Office</b>	The Zurich Centre 3000 Parkway Whiteley Fareham Hampshire PO15 7JZ
<b>Auditor</b>	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

## **ZURICH MANAGEMENT SERVICES LIMITED**

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## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the strategic report and audited financial statements for the year ended 31 December 2018.

#### **Review of the business**

The principal activity of the Company is the delivery of risk management and administration services to both private and public sector organisations.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

Zurich Risk Services Asia Pacific Sdn. Bhd. ("ZRSAP"), a wholly owned subsidiary, is in the process of being liquidated.

On 26 March 2018 the Company paid an interim dividend of £21,000,000 to its immediate parent company, Zurich Holdings (UK) Limited ("the Parent Company").

On 11 June 2018, the £20,000,000 loan provided to Zurich Insurance Company Ltd. ("ZIC") matured and was immediately replaced with a new loan for £15,000,000, which matures on 11 June 2019. This is unsecured and incurs interest at a fixed rate of 1.0652% p.a. payable on maturity.

On 11 June 2018 the Company paid an interim dividend of £9,000,000 to its immediate parent company.

On 20 August 2018 ZRSAP, approved a capital repayment via a reduction of the ordinary share capital from MYR 500,000.00 (£97,184) to MYR 2.0 (£0.40).

On 29 August 2018, the Company received a dividend of £75,641 (MYR 400,000.00) from ZRSAP, a wholly owned subsidiary.

#### **Key performance indicators**

The profit before taxation amounted to £11,702,685 (2017: £13,662,447). After taking taxation into account, the amount transferred to reserves was £9,493,979 (2017: £11,241,156 transferred to reserves).

Profit has reduced in 2018, mainly due to exceptional expenses in respect of Guaranteed Minimum Pensions ("GMP") equalisation, increased expenses as a result of system improvement projects, business reorganisation costs and a reduction in the dividend from ZRSAP, due to the Company being liquidated.

At 31 December 2018, the Company had net assets of £11,551,841 (2017: net assets of £31,729,678) representing mainly the value of its trade debtors, amounts owed by group undertakings and cash and cash equivalents; net of accruals and bank overdraft.

Given the nature of the business, the Company's directors are of the opinion that no additional key performance indicators are necessary for an understanding of the development, performance and position of the business other than the performance and position shown in the profit and loss account and the balance sheet on pages 9 and 10 respectively.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Future outlook**

The directors expect the current level of activity to continue for the foreseeable future. The directors have been notified of the intention to wind up Zurich Risk Services Asia Pacific Sdn. Bhd. (ZRSAP), a wholly owned subsidiary. In preparation for the liquidation, ZRSAP have completed a share capital reduction; reducing from 500,000 ordinary shares to 2 ordinary shares. The trade of ZRSAP was transferred to Zurich Insurance Ltd. Singapore effective 1 July 2017. The assets of Zurich Risk Services Asia Pacific Sdn. Bhd. were acquired by another group company, Zurich Insurance Ltd., Singapore Branch on 5 October 2017.

The interim dividends proposed and approved in 2018 have been funded by cash flows generated from operating activities and the sale of short-term highly liquid investments. Whilst this has changed the financial risk management position of the company, the company still had net assets and net current assets after these dividends had been distributed.

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**

Following the decision by the UK in June 2016 to leave the European Union there is an underlying level of uncertainty in the UK regarding the financial and economic impacts of that decision. However, the risk to the Company is not considered to be significant. According to UK company law, there is no requirement for the Company to prepare a separate risk report.

The Company's operation is exposed to both operational and financial risk through its activities as well as its financial assets and financial liabilities. The directors do not consider there to be a material exposure as a result of these risks. The specific financial risks are limited to credit risk, liquidity risk and price risk.

The principal risks and uncertainties facing the Company are as follows:

##### **Operational risk**

The Company is exposed to operational risk through the health and safety of its employees, the potential for equipment failure and the potential for claims or litigation to be brought against the Company in respect of Thorough Examination Reports carried out by the Company. Exposure to personal risk is inevitable given the nature of the work carried out by the Company's employees. The major risks include lone working, working in hazardous areas, at height, with moving and/or rotating machinery and in confined spaces. Performing safety checks on equipment, which requires employees to operate (or simulate operation of) equipment to the extremes of its safe operating parameters, could result in the need for specialist intervention to restore equipment to normal use. This exposes the Company to criticism and/or costs for the interventions.

In providing Thorough Examination Reports, the Company exposes itself to potential litigation or claims should personal injury arise. The Company manages and mitigates these risks, so far as is reasonably practicable, by providing robust safe systems of work and risk assessments, working closely with clients to provide a safe place of work and specialist help where necessary, employing only suitably qualified and experienced engineers, through adherence to the SAFed health and safety passport scheme, by providing regular technical bulletins and toolbox talks, by providing technical assistance during working hours by a duty senior engineer, via the provision of a market leading training and induction programme and via the escalation in the classification of defects in a timely manner to clients.

**ZURICH MANAGEMENT SERVICES LIMITED**

**STRATEGIC REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Operational risk (continued)**

At a leadership level we look at risk mitigation measures such as Total Risk Profiling and looking at our risks within boundaries of tolerance and how these can be improved.

**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 and the risk is mitigated by the strong on-going customer relationships.

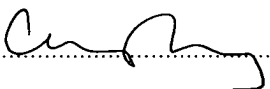
**Liquidity risk**

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 appropriate short-term finance to match the needs of the business. The Company aims to mitigate liquidity risk by managing cash generation from operations.

**Price risk**

The Company is exposed to securities price risk, because of the underlying assets within investments held by the Company and classified on the Balance Sheet as cash and cash equivalents.

By order of the Board

.....  


Zurich Corporate Secretary (UK) Limited  
**Secretary**

Date.....24/9/2019

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their annual report and the financial statements for the year ended 31 December 2018.

#### **Results and dividends**

The results for the year are set out on page 9.

Ordinary dividends totalling £30,000,000 were declared and paid during the year (2017: nil). The directors do not recommend the payment of a final dividend for the year.

#### **Subsequent events**

On 11 June 2019, the £15,000,000 loan provided to ZIC matured and was immediately replaced with a new loan for £15,000,000, which matures on 11 June 2020. This is unsecured and incurs interest at a fixed rate of 1.0614% p.a. payable on maturity.

On 14 June 2019 the Company paid an interim dividend of £6,000,000 to its immediate parent company, Zurich Holdings (UK) Limited.

On 12 September 2019, the Company provided a loan to the Parent Company for £7,000,000, which matures on 16 October 2020. This is unsecured and incurs interest at a fixed rate of 0.9877% p.a. payable on maturity.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

V Cellerini (resigned 12 September 2019)

T J Grant

J P Hartigan

J H Keppel (appointed 12 September 2019)

K Surendrakumar

#### **Qualifying third party indemnity provisions**

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 developments**

The directors have elected to include a description of the nature of the Company's exposure to financial instrument risk and the future outlook, as required by regulations made under section 416(4) of the Companies Act 2006, within the Strategic Report as permitted by section 414C(11) of the Companies Act 2006.

#### **Auditor**

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.

#### **Charitable and political donations**

During the year, the Company made charitable donations of £1,596,672 (2017: £1,545,757). No donation was made for political purposes during 2018 (2017: £nil).

**ZURICH MANAGEMENT SERVICES LIMITED**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Statement of Directors' responsibilities**

The following statement sets out the responsibilities of the directors in relation to the financial statements of the

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 these financial statements, the directors are required to:

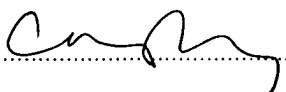
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. 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.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor are aware of that information.

By order of the Board



Zurich Corporate Secretary (UK) Limited  
**Secretary**

Date 24/9/2019



## **ZURICH MANAGEMENT SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED**

##### **Opinion**

In our opinion, Zurich Management Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the 12 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account and the statement of changes in equity for the 12 month period 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**

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

##### **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.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT (continued)**

#### **TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED**

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

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.

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 period ended 31 December 2018 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 set out on page 4 and 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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**INDEPENDENT AUDITORS' REPORT (continued)**

**TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED**

**Responsibilities for the financial statements and the audit (continued)**

*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.

**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

27 September 2019

**ZURICH MANAGEMENT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2018**

	Note	2018 £	2017 £
Turnover	3	81,498,328	76,652,722
Cost of sales		(54,458,358)	(51,519,942)
Gross profit		<u>27,039,970</u>	<u>25,132,780</u>
Administrative expenses		(13,972,083)	(12,686,560)
Exceptional expenses	7	(1,671,600)	-
Operating profit		<u>11,396,287</u>	<u>12,446,220</u>
Interest receivable and similar income	8	247,645	148,991
Interest payable and similar expenses	9	(16,888)	-
Income from subsidiary undertakings	10	75,641	1,067,236
Profit before taxation		<u>11,702,685</u>	<u>13,662,447</u>
Tax on profit	11	(2,208,706)	(2,421,291)
Profit for the financial year		<u>9,493,979</u>	<u>11,241,156</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The Company has no other comprehensive income in either year other than the profit stated above, therefore no Statement of Comprehensive Income has been prepared.

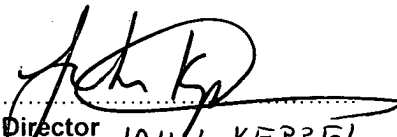
**ZURICH MANAGEMENT SERVICES LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	12	-	110,317
<b>Current assets</b>			
Debtors	14	47,997,192	56,217,390
Cash and cash equivalents	15	7,704,800	21,322,512
		<u>55,701,992</u>	<u>77,539,902</u>
<b>Creditors: amounts falling due within one year</b>	16	(44,147,770)	(45,920,541)
<b>Net current assets</b>		<u>11,554,222</u>	<u>31,619,361</u>
Provisions for liabilities	17	(2,381)	-
<b>Total assets less current liabilities</b>		<u>11,551,841</u>	<u>31,729,678</u>
<b>Capital and reserves</b>			
Called up share capital	18	100	100
Profit and loss account		11,551,741	31,729,578
<b>Total Shareholders' funds</b>		<u>11,551,841</u>	<u>31,729,678</u>

The financial statements were approved by the board of directors and authorised for issue on 24 September 2019 and are signed on its behalf by:

  
Director JOHN KEPPEL

Company Registration No. 02741053

**ZURICH MANAGEMENT SERVICES LIMITED****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2018**

	Share capital £	Profit & loss account £	Total Shareholders' funds £
Opening balance at 1 January 2017	100	20,488,422	20,488,522
Profit for the financial year	-	11,241,156	11,241,156
<b>Balance at 31 December 2017</b>	<b>100</b>	<b>31,729,578</b>	<b>31,729,678</b>
Change in accounting policy (see note 22)	-	405,166	405,166
Deferred tax adjustment	-	(76,982)	(76,982)
Restated balance at beginning of financial year	100	32,057,762	32,057,862
Profit for the financial year	-	9,493,979	9,493,979
Dividends on ordinary shares	-	(30,000,000)	(30,000,000)
<b>Balance at 31 December 2018</b>	<b>100</b>	<b>11,551,741</b>	<b>11,551,841</b>

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1 Accounting Policies**

##### **Company information**

Zurich Management Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

##### **1.1 Accounting convention**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The Company has taken the following exemptions in preparing the financial statements:

- The requirements of International Accounting Standard ("IAS") 1 'Presentation of Financial Statements' paragraph 16 regarding an explicit and unreserved statement of compliance with IFRS accounting, in accordance with FRS 101 paragraph 8(g).
- The requirements of IAS 7 'Statement of Cash Flows' in accordance with FRS 101 paragraphs 8(h) and where relevant 8(g).
- The requirements IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 in respect of new standards, amendments and interpretations issued but not effective for the financial year in accordance with FRS 101 paragraph 8(i).
- The requirements of IAS 24 'Related Party Disclosures' paragraph 17, to disclose related party key management compensation in accordance with FRS 101 paragraph 8(j).
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member in accordance with FRS 101 paragraph 8(k).
- The requirements of IFRS 7 'Financial Instruments: Disclosures' in accordance with FRS 101 8 (d).

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 2018, 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 20.

##### **1.2 Adoption of new and revised standards and changes in accounting policies**

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company and have an effect on the current period or a prior period or may have an effect on future periods.

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. IFRS 15 has resulted in a change to the timing of revenue recognition, however IFRS 9 does not have a material impact on the Company (see note 22). There are no other amendments to accounting standards that are effective for the year ended 31 December 2018.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1 Accounting Policies (continued)**

##### **1.3 Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **1.4 Turnover**

The Company provides risk management and administration services.

For engineering inspection contracts, progress is measured with reference to the time spent on inspection activity (measured in units). Revenue is recognised when control passes to the customer which is measured on the number of units inspected during the financial period.

For all other contracts, revenue is measured as performance obligations are fulfilled.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

##### **1.5 Cost of sales**

Cost of sales represents expenses payable which are necessary for the provision of services, recognised on an accruals basis.

##### **1.6 Expenses**

Administrative expenses and Other expenses are charged to the profit and loss account on an accruals basis.

##### **1.7 Interest receivable and similar income**

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

##### **1.8 Interest payable and similar expenses**

Interest payable and similar expenses includes investment 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.

##### **1.9 Income from subsidiary undertakings**

Dividends receivable on ordinary shares from subsidiary undertakings are recognised when the right to receive payment is established.

##### **1.10 Dividend distribution**

Final dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

##### **1.11 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

###### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1 Accounting Policies (continued)**

##### **1.11 Taxation (continued)**

###### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### **1.12 Investments**

Investments in group undertakings are valued at cost, being deemed cost or, where there has been an impairment in value, at their recoverable amount being the higher of fair value less costs of disposal or value in use. Reversals in previous impairments are limited to the value of deemed cost.

##### **1.13 Amounts recoverable on contracts**

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

##### **1.14 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments less bank overdrafts. In the balance sheet, bank overdrafts are shown within creditors in current liabilities.

##### **1.15 Financial assets**

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1 Accounting Policies (continued)**

##### **1.15 Financial assets (continued)**

###### ***Financial assets at amortised cost***

A financial asset is classified and subsequently measured at amortised cost under IFRS 9 if it meets both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows (known as the 'hold-to-collect' business model test); and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date (the 'SPPI' contractual cash flow characteristics test).

Financial assets, including trade, intra group receivables and loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses an annual expected loss allowance for all cash and cash equivalents, intercompany debtors and intercompany loans.

###### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **1.16 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

###### ***Other financial liabilities***

IFRS 9 requires all financial liabilities to be measured at amortised cost unless either:

- The financial liability is required to be measured at FVTPL because it is held for trading (e.g. derivatives that have not been designated in a hedging relationship); or
- The entity elects to measure the financial liability at FVTPL (using the fair value option).

Financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities, including trade, intra group payables and loans, other payables and bank borrowings that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment.

###### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1 Accounting Policies (continued)**

##### **1.17 Provisions for liabilities**

Provisions represent the best estimates of the future costs to settle the obligations in existence at the balance sheet date. Provisions are not discounted, unless the impact of the time value of money is material, and are periodically reviewed and adjusted to reflect the current best estimates. Provisions are reversed if it is no longer probable that future costs will be incurred.

#### **2 Critical accounting estimates and judgements**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The Company currently does not have any critical judgements or use estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### **3 Turnover**

Turnover represents the provision of risk management services encompassing engineering consultancy, risk engineering and engineering inspection services to both private and public sector organisation. Turnover excludes VAT, and arises entirely within the United Kingdom.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Inspection	72,612,797	68,258,085
Consultancy	5,170,112	4,855,329
Risk Engineering	2,824,020	2,940,208
Claims Handling Fee income	891,399	599,100
	<u>81,498,328</u>	<u>76,652,722</u>

#### **4 Auditors' remuneration**

The fees payable to the Company's auditors for the audit of the Company's financial statements were £26,505 (2017: £5,870). In 2018 and 2017 the audit fee was borne by another group company.

#### **5 Employee information**

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 companies, within the group of companies of which the ultimate parent is Zurich Insurance Group Ltd, a Company incorporated in Switzerland. Accordingly, the Company does not incur direct staff or pension costs. During 2018 and 2017, management charges were made to the Company which included staff costs. The element of these charges relating to these costs cannot be separately ascertained, therefore, no disclosure has been made for staff numbers and costs.

The principal disclosures in respect of these staff, including disclosures in relation to share based payments, appear in the financial statements 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.

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2018****6 Directors' remuneration**

The remuneration of the directors for services to the Company as directors during the year was £nil (2017: £nil).

No advance or credits granted to any director subsisted during the year. Also, no guarantees on behalf of any directors subsisted during the year.

**7 Exceptional expenses**

	2018	2017
	£	£
GMP equalisation	(1,671,600)	-
	<u>(1,671,600)</u>	<u>-</u>

In 2018 the Company paid exceptional expenses of £1,671,600 in respect of a Guaranteed Minimum Pensions ("GMP") equalisation to the Zurich Financial Services UK Pension Scheme following a High Court judgement in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc (and others) that was published on 26 October 2018. This judgement confirmed that formally contracted-out schemes were required to remove inequalities caused by the differences in GMPs between males and females (i.e. GMP equalisation). As a result of a previous judgement (the Barber judgement) on equalisation, the expense included reflects the Company's proportion of the GMP equalisation for the period between 17 May 1990 and 5 April 1997, when GMP stopped accruing. This expense was incurred by a fellow Group undertaking and included in recharged expenses.

**8 Interest receivable and similar income**

	2018	2017
	£	£
Interest receivable and similar income	247,645	148,991
	<u>247,645</u>	<u>148,991</u>

**9 Interest payable and similar expenses**

	2018	2017
	£	£
Interest payable and similar	1,784	-
Net losses on foreign exchange	15,104	-
	<u>16,888</u>	<u>-</u>

**10 Income from subsidiary undertakings**

	2018	2017
	£	£
Dividends		
Zurich Risk Services Asia Pacific Sdn. Bhd.	75,641	1,067,236
	<u>75,641</u>	<u>1,067,236</u>

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2018****11 Tax on Profit**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
UK corporation tax on profits for the year	2,286,120	2,424,578
Adjustments in respect of prior periods	(432)	(3,287)
<b>Total UK Current Tax</b>	<u>2,285,688</u>	<u>2,421,291</u>
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	(76,982)	-
<b>Total tax charge</b>	<u>2,208,706</u>	<u>2,421,291</u>

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 the Finance Act 2016 on 6 September 2016. This reduces the main rate to 17% from 1 April 2020.

The tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Profit before taxation	<u>11,702,685</u>	<u>13,662,447</u>
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	2,223,510	2,630,021
Income not taxable	(14,372)	(205,443)
Adjustment in respect of prior periods	(432)	(3,287)
<b>Taxation charge for the year</b>	<u>2,208,706</u>	<u>2,421,291</u>

**12 Investments**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
2 (2017: 500,000) ordinary shares of 1 Malaysian Ringgit each	-	110,317
<b>Total</b>	<u>-</u>	<u>110,317</u>
<b>Analysed as:</b>		
Zurich Risk Services Asia Pacific Sdn. Bhd.	-	110,317
<b>Total</b>	<u>-</u>	<u>110,317</u>

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 address of the registered office of Zurich Risk Services Asia Pacific Sdn. Bhd. is Level 8, Symphony House, Block D13 Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2018****12 Investments (continued)**

The directors have considered the value of the Company's investment in subsidiary undertakings as at 31 December 2018 and are satisfied that the value of the investment is not less than the amount at which it is stated in the balance sheet.

During the year the Company received a dividend of £75,641 (MYR 400k) (2017: £1,067,236) (MYR 6m) from ZRSAP.

**13 Dividends**

	2018	2017	2018	2017
	£ per share	£ per share	£	£
Amounts recognised as distributions to equity holders:				
Ordinary Shares				
Interim dividends paid	300,000	-	30,000,000	-

**14 Debtors**

	2018	2017
	£	£
Trade debtors	23,685,324	20,211,236
Amounts recoverable on contracts	496,152	1,245,123
Amounts owed by group undertakings	17,745,010	28,533,423
Other debtors	-	5,314
Prepayments and accrued income	6,070,706	6,222,294
Total	47,997,192	56,217,390

Amounts owed by group undertakings include a loan of £15m, which was made to Zurich Insurance Company Ltd., Switzerland in June 2018 with a maturity date of 11 June 2019. This is unsecured and incurs interest at a fixed rate of 1.0652% p.a. which will be paid on maturity.

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

Trade Debtors are shown after a provision for impairment of £606,681 (2017: £557,702).

**15 Cash and cash equivalents**

	2018	2017
	£	£
Units in unit trusts	7,703,981	21,322,512
Cash at bank and in hand	819	-
Total	7,704,800	21,322,512

The cash and cash equivalents represents cash and bank balances and short term highly liquid investment in units in unit trusts, which are converted into cash on a daily basis.

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2018****16 Creditors: amounts falling due within one year**

	2018 £	2017 £
Bank loans and overdrafts	584,744	807,074
Amounts owed to group undertakings	1,921	4,726
Corporation tax payable	4,710,266	5,065,327
Other creditors	4,251,187	5,457,459
Accruals and deferred income	34,599,652	34,585,955
Total	<u>44,147,770</u>	<u>45,920,541</u>

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

**17 Provisions for liabilities**

	2018 £	2017 £
Opening balance	-	-
Increase during the year	650,000	-
Utilised during the year	(647,619)	-
Total	<u>2,381</u>	<u>-</u>

Provisions totalling £650,000 were recognised during the year to cover business reorganisation and business restructuring costs. During the year, £647,619 was utilised relating to provisions recognised above.

These provisions have not been discounted on the basis that payments are due in the short term.

**18 Called up share capital**

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
100 (2017: 100) ordinary shares of £1 each	100	100
Total	<u>100</u>	<u>100</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **19 Deferred taxation**

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	<b>IFRS 15 Adjustment £</b>	<b>Total £</b>
Deferred tax liability at 1 January 2017	-	-
Deferred tax asset at 1 January 2017	-	-
<b>Deferred tax movements in prior year</b>		
Charge/(Credit) to profit or loss	-	-
Deferred tax liability at 31 December 2017	-	-
Deferred tax asset at 31 December 2017	-	-
Adjustment on adoption of IFRS 15	76,982	76,982
Deferred tax liability at 1 January 2018	76,982	76,982
Deferred tax asset at 1 January 2018	-	-
<b>Deferred tax movements in current year</b>		
Charge/(Credit) to equity	(76,982)	(76,982)
Deferred tax liability at 31 December 2018	-	-
Deferred tax asset at 31 December 2018	-	-

#### **20 Controlling party**

The Company's immediate parent company is Zurich Holdings (UK) Limited and its registered office is The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

#### **Ultimate parent company**

The Company's ultimate parent company and ultimate controlling party is Zurich Insurance Group Ltd, which is incorporated in Switzerland. Zurich Insurance Group Ltd is the parent company of the largest group of companies, of which the Company is a wholly owned subsidiary, for which group financial statements are drawn up. Zurich Insurance Company Ltd, which is incorporated in Switzerland, 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 drawn up.

Copies of the consolidated financial statements of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd can be obtained from the Secretary of that Company at the following address:

Mythenquai 2  
8002 Zurich  
Switzerland



## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **21 Contingent liabilities**

The Company has been served with a Notice of Contravention by the Health and Safety Executive ("HSE") in relation to the accidental death of one of its employees. The Company has issued a response but the HSE could still enter into formal enforcement proceedings which may result in prosecution, which the Company would defend. Based on the information available at this stage the Company considers it probable that, if a prosecution was brought, it would be successful in defending the case and therefore no provision has been made in these accounts. The potential impact to the Company should a prosecution be successful is estimated to be anything up to £3-4m.

The Company has been served with a Notice of Contravention by the HSE as a result of an incident with a crane that had its inspections carried out by the Company. The HSE considers that defects identified in relation to the crane on the Thorough Examination Reports carried out by Zurich have been repeated without escalation in the classification of defects and without placing a required time on rectification of the defects. The HSE considers that these failures amount to a breach of the Lifting Operation and Lifting Equipment Regulations 1998 and Health and Safety at Work etc. Act 1974. Based on the information available at this stage, the Company considers it probable that, if a prosecution was brought, it would be successful in defending the case and therefore no provision has been made in these accounts. The potential impact to the Company should a prosecution be successful is estimated to be between £300k and £3m.

#### **22 Changes in accounting policies**

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

##### **Impact on the financial statements**

As a result of the changes in the entity's accounting policies, consideration of any requirement to restate the prior year financial statements has been undertaken. Where applicable, IFRS 9 and IFRS 15 will generally be adopted without restating comparative information. Therefore, any reclassifications and adjustments arising from the new impairment rules will not be reflected in a restated balance sheet as at 31 December 2017, but recognised in the opening balance sheet on 1 January 2018.

##### **IFRS 9 financial instruments**

IFRS 9 replaces the provisions of IAS 39 which relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 has resulted in changes in accounting policies but has not resulted in adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 1.15 and 1.16 above.

There were no adjustments made to line items for the 2017 and 2018 reporting periods relating to IFRS 9 adjustments as the identified impairment loss in relation to the financial assets subject to IFRS 9 was

##### **IFRS 15 revenue from contracts with customers**

IFRS 15 replaces IAS 11 (Construction contracts) and IAS 18 (Revenue) and relates to how and when revenue is recognised. The adoption of IFRS 15 Revenue from Contracts with Customers is relevant to the Company.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **22 Changes in accounting policies (continued)**

##### **IFRS 15 revenue from contracts with customers (continued)**

In previous years the Company has recognised revenue over the term of each contract, on a straight line basis. Under IFRS 15 the revenue should be recognised once the performance obligation has been fulfilled and control has passed to the customer.

The Company has recognised £405,166 of income recognised in 2018, relating to work performed in 2017 as an adjustment to the opening 2018 retained earnings under the cumulative effect method. Income of £1,250,391 has been pulled forward from 2019 to 2018 to recognise the performance obligation that has been fulfilled and control that has passed to the customer during 2018, which is earlier than if the revenue had been recognised on a straight line basis over the term of each contract. Accruals and Deferred income has reduced by £1,250,391 to reflect the required reduction of deferred revenue which has now been recognised in 2018. This has resulted in a £845,225 net increase in revenue recognised during the year.

#### **23 Subsequent events**

On 11 June 2019, the £15,000,000 loan provided to ZIC matured and was immediately replaced with a new loan for £15,000,000, which matures on 11 June 2020. This is unsecured and incurs interest at a fixed rate of 1.0614% p.a. payable on maturity.

On 14 June 2019, the Company paid an interim dividend of £6,000,000 to its immediate parent company, Zurich Holdings (UK) Limited.

On 12 September 2019, the Company provided a loan to the Parent Company for £7,000,000, which matures on 16 October 2020. This is unsecured and incurs interest at a fixed rate of 0.9877% p.a. payable