

Company Registration No. 02741053 (England and Wales)

ZURICH MANAGEMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



ZURICH MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors

T J Grant
J P Hartigan
J H Keppel
K Surendrakumar

Secretary

Zurich Corporate Secretary (UK) Limited

Company number

02741053

Registered office

The Zurich Centre
3000 Parkway
Whiteley
Fareham
Hampshire
PO15 7JZ

Independent auditors

Ernst & Young LLP
Statutory Auditor
The Paragon
Counterslip
Bristol
BS1 6BX

ZURICH MANAGEMENT SERVICES LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 7
Directors' report	8 - 12
Independent auditor's report	13 - 15
Profit and loss Account	16
Balance sheet	17
Statement of Changes in Equity	18
Notes to the financial statements	19 - 28

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report and audited financial statements for Zurich Management Services Limited (the "Company") for the year ended 31 December 2021.

Review of the business

The principal activity of the Company is the delivery of risk management and administration services, encompassing engineering inspection ("Engineering Inspection"), engineering consultancy ("Engineering Consultancy") and risk engineering ("Risk Engineering") 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.

During 2020 a review of the Risk Engineering Risk Management ("RM") funds process was undertaken as a result of impacts being felt by customers from COVID-19. Risk Engineering fees for the provision of RM services are charged up front to the customer and deferred to the balance sheet until the work is performed (see notes 4 and 15). It was identified that our customers were unable to engage with the RM fund process and the delivery of RM services was severely impacted. In response to this the Company agreed to extend the period over which customers can spend the RM fund during 2020 and extensions continued to be in place during 2021.

On 11 June 2021 the two loans for £15,000,000 that were provided to Zurich Insurance Company Ltd ("ZIC") matured and were immediately replaced with a new loan for £30,000,000, which matured on 11 October 2021.

On 11 October 2021 a new loan for £27,000,000 was provided to ZIC which is due to mature on 11 October 2022.

Key performance indicators

The profit before taxation amounted to £13,745,756 (2020: £15,026,756). After taking taxation into account, the amount transferred to reserves was £11,134,063 (2020: £12,171,674 transferred to reserves).

Profit has decreased in 2021, mainly driven by higher provisions for bad debt and litigation.

2021 saw a steady rise in revenue across all revenue streams with the exception of Risk Engineering which experienced a significant increase. The increase in Risk Engineering revenue is mainly attributed to the launch of Zurich Resilience Solutions ("ZRS") on 1 January 2021 – a global business unit launched to service Zurich Insurance Group Ltd ("ZIG") customers and brokers. Historically Risk Engineering have provided some services to another group company (services sold as part of an insurance policy). The revenue and expenses relating to these services were recognised by another group company. As a result of the new operating model of ZRS, the Company's revenue has increased by c. £13.4m, expenses by c. £(13.0)m as the activity relating to these services (and all costs associated) is now recognised within the Company's results from 1 January 2021. Recognition of larger expired funds in 2021 compared to prior year also gave further rise to Risk Engineering revenue.

At 31 December 2021, the Company had net assets of £14,162,850 (2020: net assets of £17,028,787) representing mainly the value of its trade debtors and other financial investments, net of accruals and deferred income, corporation tax payable shown within other taxation and social security, and provisions for liabilities.

The reduction to net assets compared to the prior year is due to the interim dividend of £14,000,000 being paid on 20 December 2021, partially offset by the profit for the year.

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 16 and 17 respectively.

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Future outlook

The directors do not expect any material changes in the principal activity or the underlying performance of the business in the foreseeable future.

Principal risks and uncertainties

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 specific financial risks are limited to credit risk, liquidity and cash flow risk and price risk. The directors do not consider there to be a material exposure as a result of these risks.

Business risk

The UK economy is forecast to grow by 3.3% in 2022 following a 7.4% expansion last year. The UK economy is now expected to enter a recession from Q4 2022, with output forecast to fall each quarter until Q4 2023, as the impact of rising energy and food prices and rising interest rates reduces growth expectations. Growth thereafter is forecast to be very weak.

In August, the Bank of England raised its interest rate to 1.75%. In total, since December 2021, interest rates have increased from 0.1% to 1.75%. Further rises are forecast throughout 2022 and 2023 as the Bank of England seeks to tackle rising inflation.

The rate of consumer price inflation on the CPI measure rose to 10.1% in July 2022, up from 5.4% in December 2021. This is the highest annual increase in more than four decades and is being driven by the rising cost of energy and food, with the price of gas doubling since May. The latest average of independent CPI forecasts from the Treasury now suggests CPI will be 10.6% for 2022.

Whilst there is uncertainty in the economic and business environment, the Company has a strong risk management and governance framework in place and benefits from the financial security provided from being a member of the ZIG. The risks arising from the expected increases in inflation and interest rates continue to be closely monitored and the Company is well positioned to identify and implement a range of mitigants in response to any potential future developments.

The above information is accurate at the time of writing but as a result of ongoing developments, may not reflect the situation at the time of reading. In particular the full impact of the current crisis in Ukraine remains unknown.

Operational risk

The Company is exposed to operational risk through the health and safety of the 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 personnel 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.

There are two ongoing litigation cases with the Company which have been reported as a Contingent Liability (see note 19 for further information), the defence costs in respect of these cases have been recorded as a provision (see note 16).

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

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (continued)

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. The loans are deemed to be low credit risk due to the borrower having a strong capacity to meet its contractual obligations in the near term.

Liquidity and cash flow 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. The Company supplies services to a diversified customer base, across both the private and public sectors. This reduces the overall credit and liquidity risk as the Public Sector were Government backed and the Private Sector were receiving additional government support (i.e. furlough support which was extended until 30 September 2021) which has enabled these companies to continue to trade and pay their debts. A significant amount of the business is paid by direct debits which reduces the liquidity risk for the customer reducing the Company's credit risk. A company paying by Direct Debit, if they were to become insolvent, is likely not to be a bad debt equalling 100% turnover due to instalments paid. The Company has not experienced a change in payments being received, nor an increase in Direct Debit defaults.

Price risk

A high proportion of the revenue generating customers' contracts include a clause on price increases during the term of the contracts in relation to inflation. For some of these the clause would be price increases in line with inflation or a set minimum and maximum price increase. Therefore, where these clauses exist, the Company has the ability to pass on the increased costs due to inflation (per agreed terms) to the customers for the duration of the contract, which can last between 12 months and 5 years.

The company is continuously monitoring the ongoing situation on inflation, and employing strategies within new contracts to counter the impact of rising costs on the profitability of the business. These steps minimise the exposure to price risk.

Duty to promote the success of the Company in accordance with s172(1) Companies Act 2006

Section 172 of the Companies Act 2006 requires the Board of Directors (the Board) to promote the success of the Company for the benefit of its members as a whole and, in doing so to have regard to the interests of stakeholders including shareholders, customers, employees, suppliers, regulators and the wider society in which the Company operates.

The Company is a wholly owned subsidiary entity of ZIG and is subject to policies and governance arrangements set by the ZIG as well as UK local statutory and regulatory requirements. The Board derives its collective authority by direct delegation from its shareholder. Its key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholder and relevant stakeholders.

The Board's principal aim is to enhance the Company's long-term value to its shareholder through the sustainable delivery of financial performance targets within a framework of prudent and effective controls.

When making decisions to further the Company's strategic purpose, the Board has a duty to promote the success of the Company under s.172 of the Companies Act 2006. During the financial year, the Board has considered this duty when making decisions, including the:

- Likely consequences of any decision in the long term;
- Interests of employees;
- Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and the environment; and
- maintaining the Company's reputation for high standards of business conduct.

As a wholly owned subsidiary of the ZIG the Company only has one member and therefore the directors do not need to consider the fairness between members.

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Duty to promote the success of the Company in accordance with s172(1) Companies Act 2006 (continued)

Long term decisions

The Board continually assesses the long-term strategy of the Company and its long-term value to its shareholder. It ensures that the engineering inspection services, and risk engineering consultancy services generated sufficient fee income and good customer outcomes. These considerations form the basis of its decision making in respect of the Company.

The Board receives quarterly reports on risk engineering and engineering inspection matters to consider and oversee the operational and financial aspects of the business performance. This allows the Board to assess the appropriateness of its strategy and make alterations should it need to. The Board reviews risks each quarter, ensuring that all relevant and applicable risks that could impact the Company's strategy and business are captured, monitored, and mitigated in the most appropriate way.

Interests of employees

As the Company does not have any direct employees, a management charge is made to the Company from multiple employing entities (Zurich UK General Employee Services Limited, Zurich UK General Services Limited, Zurich Employment Services Limited and Zurich Global Corporate UK Limited) in respect of employees who work on behalf of the Company and have a responsibility for the Company. The principal disclosures in respect of these staff, including the approach to employee engagement and particularly support provided since the commencement of the COVID-19 pandemic, appear in the financial statements of Zurich UK General Employee Services Limited, Zurich UK General Services Limited, and Zurich Global Corporate UK Limited.

However, the following summarises how Zurich UK considers employees in its deliberations:

- The Company's employee engagement mechanisms include receiving regular updates on the results of employee surveys to keep fully apprised of employee engagement levels and the quality of leadership across the workforce, as well as a broad range of subjects including collaboration, working conditions, wellbeing, reputation, benefits and rewards, diversity and inclusion and responsible business.
- The Company recognised the challenges faced by employees throughout the COVID-19 pandemic and was committed to supporting employees through its Flex Work scheme and Emergency Leave policy and regularly sought feedback and updates from senior management on morale and wellbeing.
- The Wellbeing hub provides a range of resources and tools to help employees keep active, healthy, and safe.
- For those unable to work from home (largely engineers and surveyors), the Company put a number of COVID-safe measures in place: regular supply of PPE equipment throughout the pandemic; introduction of working and training in bubbles or introduction of a walkaway policy for cases when surveyors might feel that their workplace was unsafe.

Stakeholder Relationships and Engagement

Business relationships with customers

The principal activity of the Company is the delivery of fee-based engineering inspection services and risk engineering consultancy services to both private and public sector organisations.

The Zurich Engineering Inspection business helps customers to identify, manage and control engineering risks through its national team of approximately 500 highly trained and experienced engineer surveyors that help customers comply with a wide range of legislation through independent in-service examinations of plant and machinery. The vast majority of the inspection contracts with our customers are intermediated so as well as the engineers visiting the customers our underwriters will have interaction with the broker concerned.

The Zurich Engineering Inspection business interacts with its customers and brokers, through relationships that are established at multiple touch points throughout the engagement process. Customers and brokers are supported by:

- Underwriters who are in contact with brokers to renew or win new business predominantly via phone or electronic based transactions;
- Engineering relationship executives who visit brokers face to face to discuss either renewing or acquiring new inspection contracts;
- Engineers who interact with every customer throughout the inspection visits that we make; and
- For some of our customers we have another layer of relationships via our Technical Account Manager ("TAM") role (qualified engineers who also have a large propensity / skill for developing customer relationships).

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Duty to promote the success of the Company in accordance with s172(1) Companies Act 2006 (continued)

Stakeholder Relationships and Engagement (continued)

Business relationships with customers (continued)

Our high level of service translates to high retention rates for inspection income >95% by volume.

The Risk Engineering business interacts with its customers through relationships that are established through the sale of insurance products (Underwriters, Relationship Leaders, Insurance Consultants etc). Following appointment by the customer for the provision of service, the assigned engineer will continue to manage the customer relationship whilst providing the service and any reports required. In many cases, the Risk Engineering service is a critical part of the entire risk transfer proposition, and so Risk Engineers will support the tendering and inception process as well. As a result of a high level of engagement with the customer prior to, during, and following the service provision customer feedback is good with positive anecdotal feedback.

Business relationships with suppliers

ZIG operates in a global sourcing environment, endeavouring to work with third parties and suppliers who operate responsibly, share Zurich values and adhere to the spirit of the Zurich Code of Conduct. We expect all our business partners to embrace high standards of ethical and business conduct.

ZIG's commitment to respect human rights is part of our ZIG's Code of Conduct, which all Zurich employees are committed to following. Our recruitment process has inbuilt robust checks completed throughout the on-boarding journey, to ensure we do not employ individuals that are facing or involved in, enforced servitude. Our annual Code of Conduct training is completed by all Zurich staff and includes content around fair and compliant conduct, including the protection of human rights. Staff who are directly involved with onboarding and management of our suppliers receive additional UK Supplier Management training and are made aware of how to report any concerns.

Oversight of suppliers is the responsibility of the UK Chief Operating Officer. A governance framework is in place to support the supply management lifecycle to ensure effective and efficient management of our suppliers. The framework ensures that a rigorous diligent process is followed during the procurement process, whereby the third party's structure, operations, culture, human resources, supplier and customer relationships and outlook are assessed. Annually, the Board reviews the risk of modern slavery within the first tier of the Company's supply chain. As part of the assurance process, the Board reviews evidence for compliance and oversight of sub-contractors, following which it approves the Modern Slavery Statement.

Business relationship with community

The Company believes in contributing positively to society to have a positive impact on the communities in which it operates.

- The UK Public Affairs Team is in place which aims to make Zurich an influential and prominent voice in all aspects of the public policy process. Its primary focus is the identification and monitoring of key regulatory and legislative developments, and the communication of these to the wider business to determine whether to lead, drive, or support, on any external engagement activity.
- The UK Public Affairs Team provides a weekly internal update on stakeholder engagement across the UK together with details of government consultations and inquiries of relevance to the company.
- There are a wide range of initiatives and activities that we have been involved with engaging with society. A complete description of these activities can be found on the following website:
www.zurich.co.uk/en/about-us/corporate-responsibility/workplace/diversity-and-inclusion

ZURICH MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Duty to promote the success of the Company in accordance with s172(1) Companies Act 2006 (continued)

Stakeholder Relationships and Engagement (continued)

Business relationship with charities

The UK business has got a long record of supporting charitable activities of Zurich Community Trust ("ZCT"). The funding to ZCT is provided on a three-yearly basis. The latest funding was approved in September 2020; the Company donated 60% (£1,589,163) and another Group subsidiary donated 40% (£1,059,442). The donations cover for example things such as running costs of ZCT, expenses associated with the employee volunteering programme (the programme engages around 40% of Zurich employees each year), matching funds raised by employee fundraising and support grants to encourage volunteering. The Company also donated £53,088 to Unicef for the COVAX initiative. COVAX aimed to accelerate the development and manufacturing of COVID-19 vaccines, and guarantee fair and equitable access for every country.

During the period Zurich's Youth First programme was announced, which aims to support children in secondary education build and develop core skills and knowledge that will help them make the transition from full time education to the working world. A donation is planned, of £1m, to the education charity Teach First over the next five years to fund the new programme and provide support in the following ways:

- Direct funding to help schools navigate the challenges of COVID-19;
- Zurich employees to volunteer as part of Teach First's Coaching Programme;
- Supporting the professional development of teachers, in the classroom and in leadership positions; and
- Running workshops with students in Year 9, 10 and 11 in schools throughout England, to help go through CVs, get interview advice, and receive a vocational introduction to insurance.

Impact of operations on sustainability

The Head of Public Affairs also holds responsibility for Sustainability, which is at the centre of the Company, as part of the ZIG's ambition to be known as one of the most responsible and impactful businesses in the world. The Group aims to be a responsible and sustainable business supporting customers and communities and managing its own environmental, social and governance risks.

The ZIG has designed a sustainability strategy and the UK has developed its own strategy which is structured on the three themes used by the Group which comprise our internal definition of Sustainability – our 1.5 degree future (supporting the transition to a low carbon economy and managing climate risks); work sustainability (preparing for new ways of working and the skills and solutions needed); and confidence in a digital society (inciting customer resilience against cyber-attacks by enabling confidence in our use of their data).

Sustainability is growing in importance for many of Zurich's stakeholders and the organisations we do business with. The passing of the Social Value Act in 2012 has increased this demand and a number of Zurich's customers now require us to provide information about our corporate responsibility and sustainability activity and targets.

In October 2021, Zurich hosted its second Youth Against Carbon Conference (YAC Con). The event was specifically designed to give young people a voice in the climate crisis debate, and this year focused on ethical consumption. This is just one example of the work done to promote sustainability within business and the wider community. A full recording of the discussion can be found on Youth Against Carbon Conference 2021 - Zurich UK #yaccon21 - YouTube.

We measure our sustainability commitments thoroughly to ensure confidence in what we say we do, and these approaches are embedded throughout the organisation. There are a wide range of initiatives and activities that we have been involved with engaging with environmental issues. A complete description of these activities can be found on www.zurich.co.uk/news-and-insight/sustainability.

ZURICH MANAGEMENT SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Duty to promote the success of the Company in accordance with s172(1) Companies Act 2006 (continued)

Business conduct

The Heads of the Engineering Inspection business and the Risk Engineering business report on a quarterly basis to the Board on matters concerning the health and safety of the Company's engineers and consultants, risks, business performance and other issues affecting the Company.

The Company manages and mitigates health and safety risks by providing robust safe systems of work, risk assessments and escalation in the classification of defects to customers in a timely manner. It works closely with customers to provide a safe place of work for the engineers and specialist help where necessary. The Company employs only suitably qualified and experienced engineers and adheres to the SAFed health and safety passport scheme. All engineering inspection staff have access to a market leading training and induction programme and to regular technical bulletins and toolbox talks, which provide technical assistance during working hours by a duty senior engineer.

Going concern

As at 31 December 2021, the Company reported net assets of £14,162,850, evidencing a strong capital position. Liquidity monitoring and management processes continue to indicate that liquid funds will be available to meet liabilities as they fall due for payment.

Forecast performance has been prepared for the next 2 years and supports the ongoing profitability of the Company. All scenarios result in an increase in forecast profitability for 2022 and 2023.

Taking into account all available information related to the future on the operations of the Company, the directors are satisfied that the Company has access to adequate resources to enable it to continue in operational existence for a period of 12 months from date of signing these financial statements. Accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements (see note 1.2).

At the time of signing of these financial statements, the aggression of the Russian government on Ukraine and the resulting war along with the sanctions subsequently imposed on Russia is having no significant impact on the company and its operations and it is not envisaged that this will do so in the 12 months from the date of approval of these financial statements.

On behalf of the Board



Name : Tim Grant
Director

Date : 26/09/2022

ZURICH MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Results and dividends

The results for the year are set out on page 16.

Interim dividends on the ordinary share capital of the Company totalling £14,000,000 were declared and paid during the year (2020: £14,000,000). The directors do not recommend the payment of a final dividend for the year (2020: £nil).

Directors

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

T J Grant
J P Hartigan
J H Keppel
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 (see section Future outlook on pages 1 and 2) as permitted by section 414C(11) of the Companies Act 2006.

Independent auditor

Ernst & Young LLP ("EY") was appointed as external auditor for the company on 3 March 2022 with effect from 1 January 2021 and has expressed its willingness to accept reappointment.

Charitable and political donations

During the year, the Company made charitable donations of £1,642,251 (2020: £1,589,163). No donation was made for political purposes during 2021 (2020: £nil).

Energy & Carbon Reporting

The section below fulfils the requirements of the UK Streamlined Energy and Carbon Reporting ("SECR") framework, including our operational energy and carbon emissions. The UK energy use and associated greenhouse gas ("GHG") emissions are reported based on the latest validated position, using 2020 data with comparatives for the 2019 position. The external validation for the 2021 data is not yet available.

UK sustainability is managed across all entities with reporting metrics and targets based on UK-wide actions. Extracting this data to an entity level would not provide a clear picture of the emissions or actions. Similar disclosures are included within Zurich Assurance Limited ("ZAL") and Zurich Financial Services (UKISA) Limited ("UKISA").

Following a review of methodology during 2020 the UK figures have been restated for 2019 aligned to the new methodology aligned to science-based targets, in order to provide meaningful comparatives.

ZURICH MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Energy & Carbon Reporting (continued)

UNITED KINGDOM		
	2020	2019 <i>RESTATED</i>
Scope 1 emissions [t CO ₂ e]	2,278	5,415
Scope 2 emissions [t CO ₂ e]	968	1,234
Scope 3 emissions [t CO ₂ e]	2,689	10,051
Total emissions [t CO₂e]	5,935	16,700
Employees (Full Time Equivalent (FTE))	4,239	4,286
Total emissions per FTE [t CO₂e / FTE]	1.4	3.9
Total energy [MWh]	11,671	15,313
Total energy per FTE [MWh / FTE]	2.75	3.57

Notes:

Scope 1: onsite heating and car fleet emissions (direct emissions).

Scope 2: purchased electricity, heat, steam and cooling (indirect emissions).

Scope 3: air, car rental and rail, as well as other fuel and energy related emissions not included in scope 1 or 2. Following the science-based emissions target setting process this also includes strategic data centres, employee commuting, waste and printed paper.

No emissions have been included in these figures in respect of employees working from home.

Methodology

Zurich reports emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards. Our data is assured by an independent third-party auditor. We publicly disclose our Group environmental performance data on www.zurich.com/en/sustainability/environment/our-environmental-kpis. Environmental reporting is supported by our global network of environmental managers, as well as our suppliers. We have a central reporting software to support data collection and reporting. Our global environmental management system is based on ISO14001.

In March 2021, Zurich publicly announced new science-based emissions reduction targets for our Group's operations. As part of the target setting process, we have reset our emissions baseline to include additional sources of emissions, creating new footholds to influence environmental impacts in these areas. In addition to emissions reported from our fleet, facilities and business travel, we have added emissions from employee commuting, outsourced strategic data centers, printed paper, and waste.

Actions taken during the year being presented

During 2020 actions taken to support climate goals were significantly impacted by the COVID-19 pandemic, however the company continues to implement initiatives to move towards our environmental goals. A summary of these is provided below.

UK Facilities Emissions

As a result of the pandemic, UK offices were closed from 24 March 2020 onwards, with only very limited staff onsite. Where possible, measures highlighted below were taken to ensure minimum energy use during this time. As a consequence, in 2020, total electricity reduced by 27 percent, and heating energy reduced by 19 percent, resulting in a total 24 percent reduction in facilities energy consumption, all compared to 2019. Given the reduced energy demand, the percent renewable power fell slightly to 57% (compared to 60% in 2019).

ZURICH MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Energy & Carbon Reporting (continued)

Actions taken during the year being presented (continued)

UK Facilities Emissions (continued)

Emissions from heating and electricity have reduced by 20% in 2020 compared to 2019, or more than 500 metric tons. To help reduce energy consumption and facilities emissions, the company continues to implement a number of further initiatives, while continuing to work with our Facilities Management provider to explore ways of operating our premises more sustainably, including removing paper processes, improving recycling and reducing waste.

New Swindon Office

Construction of our new purpose-built facility in Swindon began in early 2020. The company is aiming for a BREEAM rating of 'Excellent' for the new site and has recently achieved this accreditation for the design phase.

UK Travel emissions

The pandemic had a dramatic effect on business travel. In 2020, total travel emissions from air, rental cars and rail reduced by 88 percent. Car fleet emissions have reduced by 70%. The reduction was less extreme with fleet, as employees are allowed to use fleet cars for personal travel.

In 2020, Zurich Group joined the EV100 commitment, setting the goal to electrify our global car fleet by 2029. Electric vehicle charging points are installed at our office sites in Fareham, Farnborough and Wolverhampton to encourage hybrid/electric vehicle use, with plans in place to provide these at a further 3 sites. A change to our fleet arrangement in 2020 has provided improved hybrid/electric vehicle options, resulting in an increase in uptake, including 70 new electric cars.

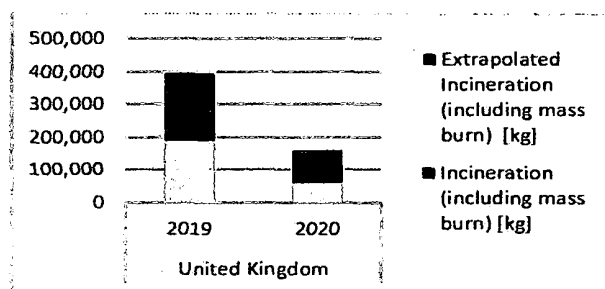
UK Waste Minimisation

Given significant reductions in office space, enabled through Hybrid Working and FlexWork, waste figures have significantly reduced in the UK. However, we acknowledge by shifting more work to home office environments, we are no longer able to have a comparable measure to historic years. Another contributor to waste reduction was the move to eliminate single-use plastics from all operations. In 2019, the UK eliminated 93% of single-use plastics from operations.

As mentioned above, emissions from waste were introduced with our 2019 baseline. Also, a new extrapolation methodology was introduced to help cover the gap where actual waste data is not available, considering all sites with over 250 headcounts. Waste emissions have reduced by 60 percent, or more than 235,000 kilograms.

Recycling Progress

Zurich's UK locations continue to implement their local environmental action plans, with environmental champions along with continued education developing a more proactive support for environmental initiatives. Our waste contractor has also maintained an integrated approach to managing our various waste streams as well as the provision of reliable information.



ZURICH MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Energy & Carbon Reporting (continued)

Actions taken during the year being presented (continued)

UK Paper Reduction

We're working hard to continue to reduce the amount of paper we use across the business and look for opportunities to digitise our communications where we can and have processes in place to ensure we minimise print volumes. Emissions from printed paper were introduced with our 2019 baseline. With our continued focus on paper reductions, in 2020, we reduced paper emissions by 48%, eliminating over 26 million pages from being printed.

We continue to review customer journeys, looking for ways to provide information in different formats dependant on customer needs and regulatory requirements. Communications that are created for postal use are now also created in email format to be used as the default with information where possible rather than enclosing inserts. Where pre-printed items are still required, we closely monitor usage and remove from warehouse storage once low enough. These items are then made available for digital print so only required volumes are printed on demand. This means less wastage and costs savings for storage and shipping.

Investment in new digital capability means we can reduce our reliance on print by making communications available online and by encouraging customers to sign up to online portals and digital communications. For example, in the Life In Force business, the My Plans portal means customers can be directed online for valuations rather than being sent valuation statements.

In response to the lockdowns, we introduced a digital mail platform to deliver all incoming correspondence digitally to the relevant team. We have also introduced scan on demand for all files, which has reduced the need to transport these between our offices and provides us with a digital archive, rather than physical. Our future plans are to continue this throughout the UK and create a digital archive for all our files for the future.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state, whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

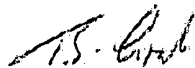
ZURICH MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement of disclosure of information 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 is aware of that information.

On behalf of the Board



Name : Tim Grant
Director

Date: 26/09/2022

ZURICH MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of Zurich Management Services Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

ZURICH MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

ZURICH MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED (CONTINUED)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard FRS 101 – Reduced Disclosure framework, Companies Act 2006 and the relevant direct tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption and General Data Protection Regulation ('GDPR').
- We understood how the Company is complying with those frameworks by making enquiries of management, those charged with governance, internal audit and those responsible for legal and compliance matters. We corroborated our enquiries through review of meeting minutes of the Board.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and management and as a result of our enquiries, management is not aware of any non-compliance with laws and regulations affecting the financial statements. Based upon our enquiries, we are not aware of any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We considered management's incentives and opportunities for fraudulent manipulation of the financial statements, including management override of controls. We tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual manual transactions. We verified that the journals selected where appropriate are supported by appropriate source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Page (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date 26 September 2022

ZURICH MANAGEMENT SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR THEN ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Revenue	4	96,941,372	81,667,609
Cost of sales		(61,704,741)	(52,385,817)
Gross profit		35,236,631	29,281,792
Administrative expenses		(21,554,601)	(14,580,036)
Operating profit		13,682,030	14,701,756
Income from shares in group undertakings	10	-	66,313
Profit before interest and taxation		13,682,030	14,768,069
Other interest receivable and similar income	8	118,550	267,287
Interest payable and similar charges	9	(54,824)	(8,600)
Profit before taxation		13,745,756	15,026,756
Tax on profit	11	(2,611,693)	(2,855,082)
Profit for the financial year		11,134,063	12,171,674

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.

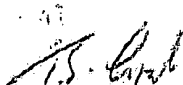
ZURICH MANAGEMENT SERVICES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 Restated ¹ £
Current assets			
Debtors	14	38,791,605	30,283,267
Investments	12	27,000,000	30,000,000
Cash at bank and in hand		867,340	5,198,838
		<u>66,658,945</u>	<u>65,482,105</u>
Creditors: amounts falling due within one year			
Creditors	15	(44,674,773)	(40,189,697)
Other taxation and social security		(5,466,777)	(5,975,621)
Net current assets		<u>16,517,395</u>	<u>19,316,787</u>
Provisions for liabilities	16	(2,354,545)	(2,288,000)
Net assets		<u>14,162,850</u>	<u>17,028,787</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account		14,162,750	17,028,687
Total Shareholders' funds		<u>14,162,850</u>	<u>17,028,787</u>

The notes on pages 19 to 28 are an integral part of these financial statements. The financial statements on pages 16 to 28 were approved by the Board of directors and authorised for issue on 26 September 2022 and are signed on its behalf by:

¹ Investments and cash at bank and in hand have been restated. Highly liquid investments in unit trust has been reclassified from investments to cash at bank and in hand.



Name: Tim Grant
Director

Company Registration No. 02741053

ZURICH MANAGEMENT SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR THEN ENDED 31 DECEMBER 2021**

	Note	Called up share capital £	Profit and loss account £	Total Shareholders' funds £
Balance at 1 January 2020		<u>100</u>	<u>18,857,013</u>	<u>18,857,113</u>
Year ended 31 December 2020:				
Profit for the financial year		-	12,171,674	12,171,674
Total comprehensive income for the year		<u>-</u>	<u>12,171,674</u>	<u>12,171,674</u>
Dividends on ordinary shares	13	-	(14,000,000)	(14,000,000)
Balance at 31 December 2020		<u>100</u>	<u>17,028,687</u>	<u>17,028,787</u>
Year ended 31 December 2021:				
Profit for the financial year		-	11,134,063	11,134,063
Total comprehensive income for the year		<u>-</u>	<u>11,134,063</u>	<u>11,134,063</u>
Dividends on ordinary shares	13	-	(14,000,000)	(14,000,000)
Balance at 31 December 2021		<u>100</u>	<u>14,162,750</u>	<u>14,162,850</u>

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policy information

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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Companies Act 2006.

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 and paragraphs 40A–D (requirements for a third statement of financial position), 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 of IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors paragraphs 30 and 31 in respect of new standards and amendments 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 disclosure requirements of IFRS 15 Revenue with Customers paragraphs 110, 113a, 114, 115, 118, 119a–c, 120–127 and 129 in accordance with FRS 101 paragraph 8(e).

1.2 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 12 months from the date of approval of these financial statements. In making this assessment the directors have considered the projected cash flows and profit and loss of the Company which show that the Company has sufficient resources for the 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

At the time of signing of these financial statements, the aggression of the Russian government on Ukraine and the resulting war along with the sanctions subsequently imposed on Russia is having no significant impact on the company and its operations and it is not envisaged that this will do so in the 12 months from the date of approval of these financial statements.

1.3 Revenue

Revenue represents income from the provision of risk management and administration services to both private and public sector organisations.

For Engineering Inspection contracts, progress through the work set out in the contract 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, in line with IFRS 15. The contract term is 12 months. Prior to this the income is recognised as deferred income on the Balance Sheet (see note 15).

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policy information (continued)

1.3 Revenue (continued)

Risk Engineering fees for the provision of RM services are charged up front to the customer and deferred to the balance sheet until the work is performed. Income is recognised as Revenue when the Risk Engineering team provide the service to the customer. As per the terms set out in the tender documents, any work not agreed within the Schedule Period of 18 months, through no fault or lack of effort by the Company, will be considered to have been fully discharged.

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

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

1.4 Cost of sales

Cost of sales represents expenses payable which are necessary for the provision of services, recognised on an accruals basis. Cost of sales includes commission and monthly management recharges which include staff costs (see note 6). Cost of sales excluding commission are initially paid by other Group companies and are recharged to the Company on a monthly basis, they include any direct expenses incurred and an allocation of costs incurred by shared support functions within the UK and ZIG.

1.5 Administrative Expenses

Administrative expenses includes amounts initially paid by other Group companies, which are recharged to the Company on a monthly basis. The management recharge includes any direct expenses incurred and an allocation of expenses incurred by shared support functions within the UK and ZIG group, these are charged to the profit and loss account on an accruals basis.

1.6 Operating profit

Operating profit is presented in the profit and loss accounts and includes revenue, cost of sales and administrative expenses. The amount disclosed is representative of activities that would normally be considered to be operating.

1.7 Other interest receivable and similar income

Other 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 charges

Interest payable and similar charges 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 shares in group undertakings

This represents dividend income and is recognised when the right to receive payment is established; when paid (for interim dividends) and when declared (for final dividends).

1.10 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£) which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policy information (continued)

1.11 Dividend distribution

Interim dividends on the ordinary shares of the Company are recognised once settled due to the ability of the directors to revoke their resolution at any time before settlement is completed; no contractual obligation is created by the declaration of the interim dividend. Final dividends on the ordinary shares of the Company are recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Company's directors.

1.12 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 can differ 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

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

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 to 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

1.13 Investments

Investments in subsidiary undertakings are valued at 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.

1.14 Contingent Liabilities

Contingent liabilities are disclosed when there is a possible economic outflow resulting from past events.

1.15 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks less bank overdrafts. In the balance sheet, bank overdrafts are shown within creditors in current liabilities. It also includes units in unit trusts, which are short term highly liquid investments.

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policy information (continued)

1.16 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.

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 at amortised cost

Financial assets, including trade, intra group receivables, current investments 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.

1.17 Financial liabilities

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

Financial liability at amortised cost

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.

1 Accounting policy information (continued)

1.18 Provisions for liabilities

Provisions for legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. 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.

1.19 Costs incurred to acquire or retain a contract

Contract acquisition and retention costs are capitalised where they are incremental costs that would not have been incurred had it not been for the acquisition or retention of the customer contract. These costs are amortised over the contract term, which is ordinarily 12 months. General costs of the business are expensed as incurred.

2 Adoption of new and revised standards

The Company elected to adopt the following amendments early:

- IAS 1, IAS 8 and IFRS 2 Practice Statement
- Annual Improvements to IFRS Standards 2018-2020 Cycle

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 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 areas where critical judgements or estimates and assumptions have an impact on the financial statements within the financial year are in relation to the allowances for expected credit losses (ECL) on bad debt (see trade debtors section below), the provisions for liabilities and contingent liabilities, as disclosed in notes 16 and 19.

Trade debtors

Estimates

The Company provides for allowances for expected credit losses (ECL) on bad debt using the simplified approach to ECL calculation. The allowance matrix is based on internal, historical credit loss data and past due receivables with a probability of default (PD) adjustment representing the new forward-looking factor.

The general approach we are employing to calculate impairment losses is based on a 3 Stage model. This at a high level are summarised below:

- Stage 1 – Financial assets considered to have low credit risk at reporting date;
- Stage 2 – Financial assets that have experienced a significant increase in credit risk since initial recognition; and
- Stage 3 – Impaired debt instruments (i.e., loss has been incurred and individual impairment has been recorded).

Probability of Default (PD)

To calculate the PD for each cluster the available Experian risk ratings has been used on the Company's customer lists mapped to the probabilities given against Moody's credit ratings.

Loss Given Default (LGD)

The LGD denotes the share of losses, i.e. the actual receivables loss in the event of customer default, or what is expected to be irrecoverable from among the assets in insolvency proceedings. To calculate this the actual write offs as a percentage of turnover have been taken. This recognises the knowledge the Company has of its debtors and the historically low levels of write off.

ZURICH MANAGEMENT SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****3 Critical accounting estimates and judgements (continued)****Trade debtors (continued)****Loss Given Default (LGD) (continued)**

The assumptions built into this have all taken a prudent approach:

- A flat rate over total relevant turnover has been taken rather than a weighted average probability this gives us a higher LGD so is the prudent approach to take.
- Claims handling has not been included in the LGD calculation where there is no write off data this again will give a slightly higher and therefore prudent LGD result which is then applied to total applicable debtors, including the receivables for claims handling.
- Risk Engineering is done as a separate LDG since there has been no write off for this income stream and is apply to the risk engineerin debtors only.
- Within the IMS write off data the non-claiming of premium returns has been excluded as less relevant to credit risk of default and to stop a too optimistic result being produced.
- The PD and LGD is reviewed annually.

Exposure at Default (EAD)

To match the level of aggregation required for our PD calculation total applicable trade receivables for the Company has been split into clusters with homogeneous risk characteristics. The clusters based on the stages 1 to 3 is defined below:

- Stage 1 - Debt has not deteriorated significantly in credit quality since initial recognition and there is low credit risk.
- Stage 2 - Aging of Debt has deteriorated significantly since initial recognition but there is evidence it is not a credit loss event.
- Stage 3 - Financial assets have evidence of impairment at the reporting date.

4 Revenue

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

	2021	2020
	£	£
Engineering Inspection	75,265,026	74,437,597
Engineering Consultancy	6,305,584	5,250,597
Risk Engineering	15,381,093	1,889,329
Claims Handling Fee income	(10,331)	90,086
	<u>96,941,372</u>	<u>81,667,609</u>

£120k of expired fund values has been recognised in Risk Engineering revenue in 2020. £137k of expired fund values has been recognised in Risk Engineering revenue in 2021.

Claims handling fees was transferred to Zurich Insurance plc from 2019. However, any correction to the income or claim fees prior to 2019 is retained by the Company. The £10.3k relates to corrections for when claims handling was still within the Company.

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor		
For audit services		
Audit of the financial statements of the Company	<u>27,500</u>	<u>34,100</u>

In 2021 and 2020 the audit fees have been borne by another group company, Zurich Insurance plc and not recharged to the Company.

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 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, Zurich Employment 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 ZIG, a Company incorporated in Switzerland.

Accordingly, the Company does not incur direct staff or pension costs. During 2021 and 2020, management charges were made to the Company which included staff costs. Staff costs include share based payments granted by the Group. 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 Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. Share based plans are based on the provision of shares in the ultimate parent company ZIG.

The Group encourages employees to own shares of ZIG and has set up a framework based on the implementation of either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

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.

7 Directors' remuneration

	2021	2020
	£	£
Aggregate remuneration	611,433	236,850
Aggregate remuneration - highest paid director	373,254	210,430

During the year 2 (2020: 2) directors did not receive remuneration in respect of their services to the Company. The remuneration of the remaining 2 directors (2020: 2 directors) is paid directly by a group company and is reported to the extent that it is recharged as an expense to the Company, which reflects their services to the Company.

Directors' remuneration (none of which was in respect of fees) includes performance related pay, benefits, bonuses and an accrual in respect of deferred bonuses which may become payable in future years.

Of the 2 directors (2020: 2 directors) who received remuneration in respect of their services to the Company during the year:

- 1 director (2020: 1 director) accrued benefits under a defined benefit scheme.
- 2 directors (2020: 2 directors) are members of long-term incentive schemes.
- No directors (2020: no director) exercised options over shares in ZIG in the year.
- 2 directors (2020: 2 directors) accrued benefits under a defined contribution scheme. The aggregate value of company contributions paid, or treated as paid, in respect of this defined contribution scheme for the directors in the year was £57,110 (2020: £50,564).

The value of the highest paid director's accrued annual pension benefits at 31 December 2021 was £nil (2020: £60,583). The highest paid director did not accrue benefits under a defined benefit scheme during the year (2020: did accrue). The highest paid director did accrue benefits under a defined contribution scheme during the year (2020: did accrue). The aggregate value of company contributions paid, or treated as paid, in respect of that defined contribution scheme for that director in the year was £42,150 (2020: £14,869). The highest paid director did not exercise options over shares in ZIG in the year (2020: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2020: was a member). The highest paid director has changed during the course of the year (2020: did not change).

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

ZURICH MANAGEMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

8 Other interest receivable and similar income

	2021	2020
	£	£
Interest receivable and similar income	118,550	267,287

9 Interest payable and similar charges

	2021	2020
	£	£
Interest payable and similar charges	4,391	4,576
Net losses on foreign exchange	50,433	4,024
	54,824	8,600

10 Income from shares in group undertakings

	2021	2020
	£	£
Dividends		
Zurich Risk Services Asia Pacific Sdn. Bhd.	-	66,313

11 Tax on profit

	2021	2020
	£	£
Current tax:		
UK corporation tax on profits for the year	2,611,693	2,855,084
Adjustments in respect of prior periods	-	(2)
Total tax charge	2,611,693	2,855,082

It was announced in the budget on 3 March 2021 that the corporation tax rate will increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

The charge for the year can be reconciled to the charge at the standard rate of taxation.

	2021	2020
	£	£
Profit before taxation	13,745,756	15,026,756
Expected tax charge based on a corporation tax rate of 19% (2020: 19%)	2,611,693	2,855,084
Adjustment in respect of prior periods	-	(2)
Taxation charge for the year	2,611,693	2,855,082

12 Investments

	Current	
	2021	2020
	£	£
Loans to group undertakings	27,000,000	30,000,000

On 11 June 2021 the two loans for £15,000,000 that were provided to ZIC matured. These loans were unsecured and incurred interest at fixed rates of 0.66550% and 0.22050% p.a respectively payable on maturity. These two loans were immediately replaced with a new loan to ZIC for £30,000,000, which matured on 11 October 2021. This loan was unsecured and incurred interest at a fixed rate of 0.13680% p.a. payable on maturity. Once matured this loan was immediately replaced with a new £27,000,000 loan to ZIC which matures on 11 October 2022, at a fixed rate of 0.52080% p.a. payable on maturity.

There were no adjustments made for the 2021 (2020: none) reporting period relating to IFRS 9 adjustments as the identified impairment loss in relation to the loans to group undertakings subject to IFRS 9 was immaterial.

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

13 Dividends	2021	2020	2021	2020
	£ per share	£ per share	£	£
Amounts recognised as distributions to equity holders:				
Interim dividend paid	<u>140,000</u>	<u>140,000</u>	<u>14,000,000</u>	<u>14,000,000</u>

14 Debtors	2021	2020
	£	£
Trade debtors	33,151,725	25,285,834
Amounts owed by group undertakings	93,622	1,070,708
Prepayments and accrued income	3,271,922	3,926,725
Deferred expenses	<u>2,274,336</u>	<u>-</u>
	<u>38,791,605</u>	<u>30,283,267</u>

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

The amount owed by Trade debtors is shown net of an impairment against potentially irrecoverable debts of £2,294,718 (2020: £1,317,874). All amounts due from Trade debtors are current. The impairment has been calculated in line with the requirements of IFRS 9 'Financial Instruments', however, there was no additional IFRS 9 adjustment in respect of Amounts owed by group undertakings and Loans to group undertakings, other than the mentioned impairment, as the identified adjustment was immaterial.

15 Creditors	2021	2020
	£	£
Amounts owed to group undertakings	958,836	2,636
Other creditors	4,680,851	4,255,839
Accruals and deferred income	<u>39,035,085</u>	<u>35,931,222</u>
	<u>44,674,772</u>	<u>40,189,697</u>

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

16 Provisions for liabilities	Litigation
	£
At 31 December 2020	2,288,000
Charged to income statement	512,000
Amounts utilised	<u>(445,455)</u>
At 31 December 2021	<u>2,354,545</u>

The litigation provision relates to estimated legal costs in relation to the defence of the Notice of Contraventions that have been served to the Company by the Health and Safety Executive ("HSE"). A further provision for £512,000 has been recognised during the year following developments in the legal cases. The key assumptions in establishing the provision were the forecast legal costs from the Company counsel and managements expert judgement of similar cases, for defending these claims and are discussed in note 19.

ZURICH MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17	Called up share capital	2021	2020
		£	£
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	100 (2020: 100) Ordinary shares of £1 each	100	100

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.

18 Controlling parties

The Immediate parent company of Zurich Management Services Limited is Zurich Holdings (UK) Limited and its registered office is The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire, PO15 7JZ.

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.

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

Mythenquai 2
8002 Zurich
Switzerland

19 Contingent liabilities

Case A

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 time and provided by external legal counsel 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 for settlement costs in these financial statements. A provision has been made for estimated legal costs in relation to defending this case, see note 16. The potential impact to the Company should a prosecution be successful is estimated to be anything between £3-4m.

Case B

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 the Company 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 time and provided by external legal counsel 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 for settlement costs in these Financial statements. A provision has been made for estimated legal costs in relation to defending this case, see note 16. The potential impact to the Company should a prosecution be successful is estimated to be between £2.4m and £4m.