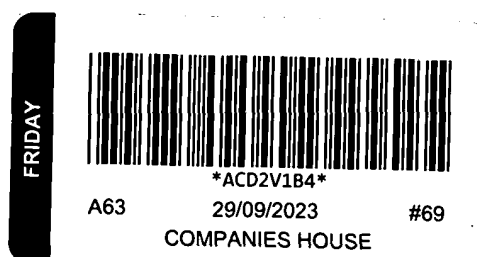


Company Registration No. 02741053 (England and Wales)

**ZURICH MANAGEMENT SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



**ZURICH MANAGEMENT SERVICES LIMITED**

**COMPANY INFORMATION**

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**Directors**

M A Ginn  
J H Keppel  
L Ryan  
S Vincent  
A J Whittington

**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**

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## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present the strategic report and audited financial statements for Zurich Management Services Limited (the "Company") for the year ended 31 December 2022.

#### **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 Zurich Resilience Solutions ("ZRS", formally known as 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.

On 11 October 2022 the loan for £27,000,000 that was provided to Zurich Insurance Company Ltd ("ZIC") matured and was immediately replaced with a new loan for £22,000,000, which matures on 11 October 2023.

#### **Key performance indicators**

The profit before taxation amounted to £18,372,000 (2021: £13,746,000). After taking taxation into account, the amount transferred to reserves was £14,919,000 (2021: £11,134,000 transferred to reserves).

Profit has increased in 2022, mainly driven by higher increase in revenue relative to increase in expenses and release of provision following the legal cases being acquitted.

2022 saw a rise in revenue across all revenue streams with the exception of Engineering Consultancy which experienced a slight decrease. This is in line with expectations. The increase in expenses is also in line with expectations.

At 31 December 2022, the Company had net assets of £19,082,000 (2021: net assets of £14,163,000) representing mainly the value of its trade debtors and other financial investments, net of accruals and deferred income and corporation tax payable shown within other taxation and social security.

The increase to net assets compared to the prior year is due to the profit for the year, partially offset by the interim dividend of £10,000,000 being paid October 2022.

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 14 and 15 respectively.

#### **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 contracted by 0.1% in May, beating consensus expectations of a 0.3% decline. This follows growth of just 0.2% in April, and means that overall, the economy has seen no growth over the three months to May, relative to the previous three-month period. As rising interest rates continue to bite, the UK is now forecast to enter a technical recession in Q4 2023. For 2023 as a whole, GDP is forecast to grow by 0.3%, with 2024 forecast to see similar levels of growth (0.4%).

Annual inflation on the Consumer Price Index (CPI) measure was 7.9% in June. This marked a deceleration on May's rate of 8.7%.

Though a month-on-month slowdown in the rate of inflation was widely anticipated, June's inflation undercut the 8.2% rate suggested by consensus forecasts. Core CPI inflation slowed to 6.9% in June, down from May's more than 30-year high of 7.1%.

The inflation forecast anticipates a gradual return to the Bank of England's 2% target. Recent upside surprises in wage growth data suggest that services inflation could prove sticky. CPI is forecast to be 4.6% at year end. By end of 2025, inflation is still expected to remain above the Bank of England's target rate of 2.0%, at around 3%.

Despite a fall in inflation in June, interest rates are likely to rise further. Interest rates are forecast to peak around 5.5% by the end of the year as the cumulative impacts of the monetary tightening since late 2021 become apparent. However, expectations that inflation will be slow to fall to the 2% target could mean rates stay higher for longer.

## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Principal risks and uncertainties (continued)

##### *Business risk (continued)*

The market for employee benefit captive solutions has been relatively suppressed through 2022 with broker activity having reduced. It is expected that broker activity will return to usual levels going forward.

The above information is accurate at the time of writing but due to ongoing developments, may not reflect the situation at the time of reading.

##### *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 were two litigation cases with the Company, one was acquitted on the 24 February 2023 and the other was acquitted on 17 August 2023 (see note 19). The Contingent Liabilities have been removed for both, the defence costs in respect of these cases had been recorded as a provision and the remainder has been released as a post balance sheet event (see notes 16 and 19).

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.

##### *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.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **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, in accordance with s172 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.

#### 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 ZRS 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 ZRS and engineering inspection matters to consider and oversees 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 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.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

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

##### Stakeholder Relationships and Engagement

##### Business relationships with customers

The principal activity of the Company is the delivery of fee-based engineering inspection services and ZRS 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 600 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).

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

The ZRS 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 ZRS 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.

## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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 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](http://www.zurich.co.uk/en/about-us/corporate-responsibility/workplace/diversity-and-inclusion)

##### 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 £500,000 to Hopes and Homes for Children.

##### Impact of operations on sustainability

In 2022 Zurich UK appointed a new Chief Sustainability Officer who holds responsibility for overseeing the UK's Sustainability Strategy. Sustainability is at the centre of the business, as part of the Group'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 Group sustainability framework is consistently refreshed to ensure it remains applicable to the changing environment. The current framework aims to accelerate our ambition beyond our own operations and strengthen our role as insurer and investor. In the UK we have adopted this strategy, which is structured around three themes: Customer Sustainability, which aims to support our customers' transformation to a sustainable future across the insurance value chain; Planet Sustainability, working to achieve a Net-Zero, nature positive and climate resilient future; and People Sustainability, enabling the life-long employability for our people, while delivering on customer and societal needs.

The Chief Sustainability Officer is supported by a Corporate Responsibility & Sustainability Committee which is chaired by the Head of Public Affairs and Sustainability. The committee is an advisory management committee with no decision-making authority, comprised of members of the various functions of the Business and market facing units. The UK Sustainability Dashboard has been developed and is now the basis for the committee to challenge the effectiveness of sustainability activities to meet our targets and for the committee to consider the level of ambition in the UK.

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.

Sustainability commitments were measured thoroughly in order to ensure confidence in what was said and done. These approaches were embedded throughout the organisation. There were a wide range of initiatives and activities that supported engagement with environmental issues. A complete description of these activities can be found on:  
<https://www.zurich.co.uk/sustainability/people-and-society>.



**ZURICH MANAGEMENT SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**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 ZRS 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**

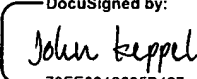
As at 31 December 2022, the Company reported net assets of £19,082,000, evidencing a strong capital position. Liquidity monitoring and management processes continue to indicate that liquid funds will be available to meet liabilities as they fall due for payment.

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 2023 and 2024.

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 of 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 signing of these financial statements.

On behalf of the Board

DocuSigned by:  
  
73FE0312695B427...  
Name : John Keppel  
Director

Date : 28/09/2023

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

#### **Results and dividends**

The results for the year are set out on page 14.

Interim dividends on the ordinary share capital of the Company totalling £10,000,000 were declared and paid during the year (2021: £14,000,000). The directors do not recommend the payment of a final dividend for the year (2021: £nil).

#### **Directors**

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

M A Ginn (appointed 22 December 2022)

T J Grant (resigned 22 August 2023)

J P Hartigan (resigned 21 December 2022)

J H Keppel

L Ryan (appointed 22 December 2022)

K Surendrakumar (resigned 21 December 2022)

S Vincent (appointed 19 September 2023)

A J Whittington (appointed 22 December 2022)

#### **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**

The auditor, Ernst & Young LLP ("EY"), has indicated its willingness to continue in office.

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

During the year, the Company made charitable donations of £2,089,000 (2021: £1,642,000). No donation was made for political purposes during 2022 (2021: £nil).

#### **Streamlined Energy & Carbon Reporting (SECR) statement**

The section below fulfils the requirements of the UK Streamlined Energy and Carbon Reporting ("SECR") framework, including ZIG group's operational energy and carbon emissions. Validated Energy and Carbon emissions data is not available until mid-year. As such, the UK energy use and associated GHG emissions are reported based on the latest validated position, using 2021 data with comparatives for the 2020 position.

UK sustainability is managed across all Zurich UK 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 Employment Services Limited, Zurich Management Services Limited, Zurich Assurance Ltd and Zurich Holdings UK Limited.

**ZURICH MANAGEMENT SERVICES LIMITED****DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****Streamlined Energy & Carbon Reporting (SECR) statement (continued)**

<b>UNITED KINGDOM</b>			
	<b>2021</b>	<b>2020 (restated)</b>	<b>2020 (previously reported)</b>
Scope 1 emissions [t CO <sub>2</sub> e]	3,624	2,919	2,278
Scope 2 emissions [t CO <sub>2</sub> e]	116	880	968
Scope 3 emissions [t CO <sub>2</sub> e]	1,701	3,268	2,689
<b>Total emissions [t CO<sub>2</sub>e]</b>	<b>5,441</b>	<b>7,067</b>	<b>5,935</b>
Zurich UK Employees (Full Time Equivalent (FTE))	4,329	4,239	4,239
<b>Total emissions per FTE [t CO<sub>2</sub>e / FTE]</b>	<b>1.3</b>	<b>1.7</b>	<b>1.4</b>
Total energy [MWh]	10,092	11,671	11,671
Total energy per FTE [MWh / FTE]	2.33	2.75	2.75

**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.

During the audit of 2021 emissions data, data quality improvements were identified. This has led to a restatement of the 2020 emissions figures to reflect the availability of better quality data. The actions detailed below explain the movements year-on-year.

In addition to the above, Scope 3 emissions in respect of homeworking are estimated at 2,197t CO<sub>2</sub>e. This is Zurich's assessment of the impact of employees working from home, utilising the base case estimates within the EcoAct White paper and office usage data. The UK Grid emissions are compiled from the UK government publication of conversation data.

**Methodology**

Zurich reports in line with the Greenhouse Gas Protocol's operational control boundary and has set targets in line with the Science Based Target Initiative guidelines. Ernst & Young LLP have verified the emissions data and provided reasonable assurance over the data produced by ZIG group. It publicly discloses its ZIG group environmental performance data on [Zurich.com/sustainability/sustainable-operations](https://zurich.com/sustainability/sustainable-operations). Environmental reporting is supported by its global network of environmental managers, as well as its suppliers. It uses central reporting software to support data collection and reporting. Zurich's global environmental management system is based on ISO14001.

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

ZIG group report scope 2 on both location-based and market-based methodologies. This information is published and publicly available. Scope 2 details in the table above use market-based methodology. Location-based information is available at a ZIG group level.

## ZURICH MANAGEMENT SERVICES LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Streamlined Energy & Carbon Reporting (SECR) statement (continued)

##### ***Actions taken during the year being presented***

During 2021/22, actions taken to support climate goals continued to be significantly impacted by the COVID-19 pandemic, however the company continues to implement initiatives to move towards its environmental goals. A summary of actions taken during 2021 is provided below.

##### UK facilities emissions

To help reduce Zurich's energy consumption and facilities emissions, the company continues to implement a number of initiatives including:

- Monitoring its EV charging points at UK locations; identifying and documenting CO<sub>2</sub>e savings.
- Focusing on releasing vacant space.
- Introducing more efficient lighting, utilising intelligent controls, movement detectors, and replacing lighting with more efficient lamps where possible. Reviewing the lighting controls and heating and cooling plants at each building so they only operate during office hours.
- Maintaining building temperatures of 22°C +/- 2°C.
- Requiring all building and engineering projects to include a sustainability case.
- Purchasing certified renewable electricity – in 2021 the company successfully achieved 92% renewable electricity across all its leased premises, covering both offices where it is and is not responsible for the energy supply. Zurich achieved this by lobbying its landlords to change their supply.
- Continued its 'Hybrid Working' arrangements, which aims to promote a more effective working environment focused on better teamwork and sharing of resource and equipment. This allows Zurich employees to work in an 'agile' way by working from a variety of locations, including their home (which is further reinforced by Zurich's FlexWork programme). These initiatives have allowed the company to continue to reduce its office space.
- Changed its facilities management provider, resulting in a significantly increased focus on sustainability built into the contract, including a minimum target spend with Social Enterprises, more sustainable food, and a dedicated Responsibility Manager (appointed by the supplier) to drive sustainability activity.

##### UK business travel emissions

A change to the company's fleet arrangement in 2020 has provided improved hybrid/electric vehicle options to a broader range of employees, resulting in an increase in uptake, including 152 new electric vehicles. In 2021, 222 of its 979-car fleet were fully electric, while a further 48 were hybrids and 201 were plug-in hybrids.

**ZURICH MANAGEMENT SERVICES LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**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.

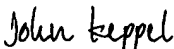
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the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

**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

DocuSigned by:



Name: John Keppel

Director

Date: 28/09/2023

## **ZURICH MANAGEMENT SERVICES LIMITED**

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

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#### **Opinion**

We have audited the financial statements of Zurich Management Services Limited for the year ended 31 December 2022 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 2022 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)

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#### **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 10, 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.
- 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.
- 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.

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.

DocuSigned by:

*Ernst & Young LLP*

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Kerry-Anne Forster (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol  
Date 29 September 2023



**ZURICH MANAGEMENT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR THEN ENDED 31 DECEMBER 2022**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Revenue	4	104,376	96,942
Cost of sales		(64,548)	(61,705)
<b>Gross profit</b>		<u>39,828</u>	<u>35,237</u>
Administrative expenses		(22,127)	(21,555)
<b>Operating profit</b>		<u>17,701</u>	<u>13,682</u>
Other interest receivable and similar income	8	675	119
Interest payable and similar charges	9	(4)	(55)
<b>Profit before taxation</b>		<u>18,372</u>	<u>13,746</u>
Tax on profit	10	(3,453)	(2,612)
<b>Profit for the financial year</b>		<u>14,919</u>	<u>11,134</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 2022**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Non-current assets</b>			
Deferred tax asset	10	157	-
<b>Current assets</b>			
Debtors	13	37,413	38,792
Investments	11	22,000	27,000
Cash at bank and in hand	14	7,924	867
		<u>67,337</u>	<u>66,659</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	15	(41,397)	(44,675)
Other taxation and social security		(6,217)	(5,467)
Provisions for liabilities	16	(798)	-
<b>Net current assets</b>		<u>18,925</u>	<u>16,517</u>
<b>Provisions for liabilities</b>	16	-	(2,354)
<b>Net assets</b>		<u>19,082</u>	<u>14,163</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account		19,082	14,163
<b>Total Shareholders' funds</b>		<u>19,082</u>	<u>14,163</u>

The notes on pages 17 to 26 are an integral part of these financial statements. The financial statements on pages 14 to 26 were approved by the Board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

The called up share capital is not visible on the balance sheet due to the size. Please refer to Note 17.

DocuSigned by:

*John Keppel*

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Name : John Keppel  
Director

**Company Registration No. 02741053**

**ZURICH MANAGEMENT SERVICES LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR THEN ENDED 31 DECEMBER 2022**

	Note	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' funds £'000
<b>Balance at 1 January 2021</b>		-	17,029	17,029
<b>Year ended 31 December 2021:</b>				
Profit for the financial year		-	11,134	11,134
<b>Total comprehensive income for the year</b>		-	11,134	11,134
Dividends on ordinary shares	12	-	(14,000)	(14,000)
<b>Balance at 31 December 2021</b>		-	<b>14,163</b>	<b>14,163</b>
<b>Year ended 31 December 2022:</b>				
Profit for the financial year		-	14,919	14,919
<b>Total comprehensive income for the year</b>		-	14,919	14,919
Dividends on ordinary shares	12	-	(10,000)	(10,000)
<b>Balance at 31 December 2022</b>		-	<b>19,082</b>	<b>19,082</b>

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policy information****Company information**

Zurich Management Services Limited is a private company limited by shares incorporated in England and Wales.

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 13 Fair Value Measurement paragraphs 91 to 99 to the extent they apply to assets and liabilities other than financial instruments in accordance with FRS 101 paragraph 8(e).
- 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 signing of these financial statements, this includes consideration of the impact of 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 signing 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 signing of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the 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 2022****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 of 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 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.

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policy information (continued)****1.10 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.

**1.11 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 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 date.

***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 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 tax authority.

**1.12 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.

**1.13 Contingent Liabilities**

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

**1.14 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 2022****1 Accounting policy information (continued)****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.

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.

**1.16 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.

**1.17 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.

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policy information (continued)****1.18 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 New standards, amendments, IFRIC interpretations and new relevant disclosures requirements**

There are no new standards, amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

**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) and the provisions for liabilities, as disclosed in note 16.

**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.

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 engineering 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.



**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****3 Critical accounting estimates and judgements (continued)****Trade debtors (continued)****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 - Ageing 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.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Engineering Inspection	81,281	75,265
Engineering Consultancy	5,956	6,306
Risk Engineering	17,327	15,381
Claims Handling Fee income	(188)	(10)
	<u>104,376</u>	<u>96,942</u>

£105k of expired fund values has been recognised in ZRS revenue in 2022 (2021: £137k).

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 £188k relates to corrections for when claims handling was still within the Company.

**5 Auditor's remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the Company's auditor		
<b>For audit services</b>		
Audit of the financial statements of the Company	<u>24</u>	<u>28</u>

In 2022 and 2021 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 2022****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 2022 and 2021, 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**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate remuneration	455	611
Aggregate remuneration - highest paid director	270	373

During the year 5 (2021: 2) directors did not receive remuneration in respect of their services to the Company. The remuneration of the remaining 2 directors (2021: 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 (2021: 2 directors) who received remuneration in respect of their services to the Company during the year:

- 1 director (2021: 1 director) accrued benefits under a defined benefit scheme.
- 2 directors (2021: 2 directors) are members of long-term incentive schemes.
- No directors (2021: no director) exercised options over shares in ZIG in the year.
- 2 directors (2021: 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 £54,211 (2021: £57,110).

The value of the highest paid director's accrued annual pension benefits at 31 December 2022 was £nil (2021: £nil). The highest paid director did not accrue benefits under a defined benefit scheme during the year (2021: did not accrue). The highest paid director did accrue benefits under a defined contribution scheme during the year (2021: 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 £38,802 (2021: £42,150). The highest paid director did not exercise options over shares in ZIG in the year (2021: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2021: was a member). The highest paid director has not changed during the course of the year (2021: did 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 2022**8 Other interest receivable and similar income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable and similar income	489	119
Net gains on foreign exchange	186	-
	<u>675</u>	<u>119</u>

**9 Interest payable and similar charges**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	4	4
Net losses on foreign exchange	-	51
	<u>4</u>	<u>55</u>

**10 Tax on profit**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on profits for the year	3,310	2,612
Adjustments in respect of prior periods	300	-
<b>Total UK current tax</b>	<u>3,610</u>	<u>2,612</u>
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	181	-
Impact of change in tax rate	(38)	-
Adjustment in respect of prior years	(300)	-
<b>Total UK deferred tax</b>	<u>(157)</u>	<u>-</u>
<b>Total tax charge</b>	<u>3,453</u>	<u>2,612</u>

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 and deferred taxes at the balance sheet date have been measured taking this tax rate change into account.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	18,372	13,746
Expected tax charge based on a corporation tax rate of 19% (2021: 19%)	3,491	2,612
Income not chargeable for taxation purposes	-	-
Remeasurement of deferred tax - change in tax rate	(38)	-
<b>Taxation charge for the year</b>	<u>3,453</u>	<u>2,612</u>

**Deferred tax****Deferred tax asset**

Deferred tax movement during the year:

	<b>At 1 January</b>	<b>Recognised in</b>	<b>At 31</b>
	<b>2022</b>	<b>profit and loss</b>	<b>December</b>
	<b>£'000</b>	<b>account</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Other	-	157	157

**Deferred tax assets due:**

	<b>2022</b>
	<b>£'000</b>
After more than twelve months	<u>157</u>

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****11 Investments**

	<b>Current</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loans to group undertakings	<u>22,000</u>	<u>27,000</u>

On 11 October 2022 the loan for £27,000,000 that was provided to ZIC matured. This loan was unsecured and incurred interest at an interest rate of 0.52080% p.a. This loan was immediately replaced with a new loan to ZIC for £22,000,000, which matures on 11 October 2023. This loan was unsecured and incurred interest at a fixed rate of 5.74010% p.a. payable on maturity.

There were no adjustments made for the 2022 (2021: 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.

**12 Dividends**

	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£ per share</b>	<b>£ per share</b>	<b>£'000</b>	<b>£'000</b>
Amounts recognised as distributions to equity holders:				
Interim dividend paid	<u>100,000</u>	<u>140,000</u>	<u>10,000</u>	<u>14,000</u>

**13 Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	27,550	33,152
Amounts owed by group undertakings	3,648	94
Prepayments and accrued income	3,785	3,272
Deferred expenses	<u>2,430</u>	<u>2,274</u>
	<u>37,413</u>	<u>38,792</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 £1,261,000 (2021: £2,295,000). 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.

**14 Cash at bank and in hand**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	175	350
Short term fixed deposit	126	-
Liquid Investment trusts	<u>7,623</u>	<u>517</u>
	<u>7,924</u>	<u>867</u>

**ZURICH MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022****15 Creditors**

	2022 £'000	2021 £'000
Amounts owed to group undertakings	1	959
Other creditors	4,466	4,681
Accruals and deferred income	36,930	39,035
	<u>41,397</u>	<u>44,675</u>

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

**16 Provisions for liabilities**

	Litigation £'000
At 31 December 2021	2,354
Charged to income statement	151
Amounts utilised	(392)
Provision release	(1,315)
At 31 December 2022	<u>798</u>

The majority of the Provisions for liabilities is litigation provision which 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"). 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.

A provision for £151,000 has been recognised during the year which relates to costs of restructuring sales and distribution in ZRS which includes redundancy, pension augmentation costs, payment in lieu of notice, agreement of a STIP 2022 reward payment (if applicable) and garden leave.

**17 Called up share capital**

	2022 £	2021 £
<b>Ordinary share capital</b>		
<b><i>Issued and fully paid</i></b>		
100 (2021: 100) Ordinary shares of £1 each	<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.

**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

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**19 Subsequent events**

On 30 March 2023 a new loan for £9,000,000 was provided to ZIC which is due to mature on 11 October 2023. This loan was unsecured and incurred interest at an interest rate of 5.0070% p.a.

On 24 February 2023 the litigation provision for the estimated legal costs in relation to the defence of the Notice of Contraventions that have been served to the Company by the HSE in relation to the accidental death of one of its employees was acquitted. The final legal fees have been received and post 2022 balance sheet adjustments have been included to release of the remaining provision to the profit and loss account. The contingent liability for the potential impact to the Company should a prosecution had been successful has also been removed.

On 17 August 2023 the litigation provision for the estimated legal costs in relation to the defence of the Notice of Contraventions that have been served to the Company by the HSE in relation to an incident with a crane that had its inspections carried out by the Company was acquitted. The final legal fees have been received and post 2022 balance sheet adjustments have been included to release of the remaining provision to the profit and loss account. The contingent liability for the potential impact to the Company should a prosecution had been successful has also been removed.