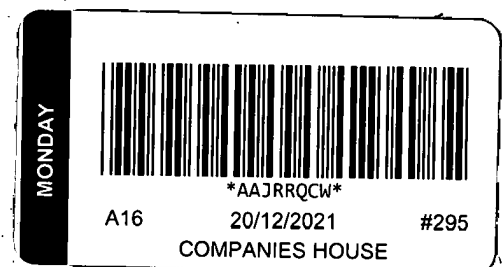


Company Registration No. 02741053 (England and Wales)

**ZURICH MANAGEMENT SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



## **ZURICH MANAGEMENT SERVICES LIMITED**

### **COMPANY INFORMATION**

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

## **ZURICH MANAGEMENT SERVICES LIMITED**

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## **ZURICH MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 2020.

#### **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 the year a review of the Risk Engineering Risk Management ("RM") funds process has been 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 note 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.

#### **Key performance indicators**

The profit before taxation amounted to £15,026,756 (2019: £16,426,262). After taking taxation into account, the amount transferred to reserves was £12,171,674 (2019: £13,305,272 transferred to reserves).

Profit has decreased in 2020, mainly driven by a reduction in revenue and an increase in expenses in the year. The increase in expenses has been driven by a decrease in management recharges offset by an increase to the litigation provision (see note 16).

Revenue has increased compared to the prior year (see note 4) for Engineering Inspection and Engineering Consultancy however these increases have been offset by larger decreases to Risk Engineering and Claims Handling Fee Income.

Risk Engineering revenue has decreased due to larger expired funds being recognised in the prior year and a decrease in claims handling fee income following the transfer of this revenue stream to another Group company.

At 31 December 2020, the Company had net assets of £17,028,787 (2019: net assets of £18,857,113) 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 has been predominantly caused by the increase in the provision for liabilities, cash at bank and in hand and corporation tax payable shown within other taxation and social security offset by a reduction in investments.

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 of the Company in the foreseeable future. The future of the underlying performance of the Company will be impacted by the launch of Zurich Resilience Solutions ("ZRS") on 1st January 2021 – a global business unit launched to service Zurich Insurance Group Ltd ("ZIG") customers and brokers. ZRS aims to provide services that go beyond risk transfer, through meaningful insights and tools to help customers with solutions that address traditional and evolving risks. This global initiative includes Risk Engineering in the UK, a revenue stream of the Company.

## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### **Future outlook (continued)**

ZRS in the UK will take the skill sets used primarily for underwriting reinsurance, but target them more towards customer needs. 150 risk specialists will design and deliver risk services for customers over a wide range of industries, in order to build a package of services to help customers best manage their risks. These changes to the Risk Engineering activity will increase the operating profit of the Company as a result of increased revenue and expenses but this is not expected to be material. 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 will increase by c. £13.8m, expenses by c. £(13.0)m as the activity relating to these services (and all costs associated) will now be recognised within the Company's results from 1 January 2021. These changes to the Risk Engineering activity will increase the operating profit of the Company as a result of increased revenue and expenses but this is not expected to be material.

#### **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. The directors note the impact of both Brexit and COVID-19 as potential but immaterial business risks.

#### **Business risk**

The United Kingdom ("UK") left the European Union ("EU") on 31 January 2020. A transitional period, during which the UK was no longer a member of the EU but was still subject to EU rules and remained a member of the Customs Union, concluded at 11pm on 31 December 2020. The EU-UK Trade and Cooperation Agreement was agreed and is provisionally applicable from 1 January 2021, causing an underlying level of ongoing uncertainty in the UK of the financial and economic impact from this agreement. The risk to the Company as a result of leaving the EU is not considered to be significant as the principal activity of the Company does not involve the import or export of goods and services to and from other EU countries.

The directors recognise the possible consequences arising from the ongoing COVID-19 situation and have considered the operational and financial impact on the business. The Company has well established business continuity plans and in 2020 implemented remote working for all office based staff and a full assessment of business critical processes to ensure operations could continue as normal or with suitable alternatives in place. For the inspectors a risk assessment was undertaken and revised working processes and procedures implemented to ensure the health and safety of the employees and as such the directors believe that the Company is well positioned to cope with any additional changes in circumstances as they may arise.

The above information regarding the possible impact of COVID-19 on the business relevant to the Company is accurate at the time of writing but as a result of ongoing developments, may not reflect the developed 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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Principal risks and uncertainties (continued)**

*Operational risk (continued)*

Performing safety checks on equipment, which requires employees to operate (or simulate operation of) equipment to the extremes of its safe operating parameters, could result in the need for specialist intervention to restore equipment to normal use. This exposes the Company to criticism and/or costs for the interventions.

In addition to the normal operational risks above, the Company has considered the operational risks for its Inspectors throughout the ongoing COVID-19 pandemic. In 2020 a risk assessment was undertaken and revised working processes and procedures were implemented to ensure the health and safety of the employees, these practices remain in place at this time.

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.

*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 and adverse changes in the economic and business conditions as a result of COVID-19 are not expected to reduce the ability of the borrower to fulfil its obligations.

*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 does not expect its cashflow to be impacted by the recoverability of short term debtors as a result of COVID-19 as 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 are Government backed and the Private Sector are receiving additional government support (i.e. furlough support which was extended until 30.09.2021) 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, an increase in Direct Debit defaults or a material increase in bad debt exposure.

*Price risk*

The Company is exposed to securities price risk, because of the short-term, highly liquid investments held by the Company and classified on the Balance Sheet as investments.

A high proportion of customer contracts include a clause for a minimum and maximum price increase which is linked to inflation. This means that the customers price will be protected for between 12 months and 5 years and therefore the Company has limited ability to pass on increases in the Company's cost base to customers where these clauses exist. This minimises exposure to price risk.

## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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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 Group as well as UK local statutory and regulatory requirements. The Board derives its collective authority by direct delegation from its shareholder, Zurich Holdings (UK) Limited ("ZHUK"). 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 s172 of the Companies Act 2006. During the course of the financial year, the Board has given consideration to 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 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 Risk Engineering consultancy services generate 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 Engineering Inspection and Risk Engineering 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 a number of employing entities (Zurich UK General Employee Services Limited, Zurich UK General 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 in the UK considered 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.

## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

##### Interests of employees (continued)

- 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 is 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 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 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

Zurich 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.

Zurich's commitment to respect human rights is part of our Group'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.



## ZURICH MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

##### Business relationships with suppliers (continued)

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 in order 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 involve engaging with society. A complete description of these activities can be found on [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 subsidiary donated 40% (£1,059,442). The donations cover for example running costs of ZCT, expenses associated with delivering a broad employee volunteering programme engaging around 40% of Zurich employees each year and matching of employee fundraising and support grants to encourage volunteering to name a few.

During the Covid-19 pandemic, ZCT:

- donated over £2 million to causes all across the UK, including £1.1 million in local grants;
- gave charity partners access to additional resources, tools and material through the new ZCT Learning Hub and a series of webinars;
- donated an additional £100k to our national charity partner, Dementia UK, to help them expand their Admiral Nurse Helpline to cope with growing demand due to the pandemic;
- donated a very substantial supply of protective face masks to the health and care sector;
- opened up a 100% matched fundraiser for National Emergencies Trust;
- shared ways for employees to volunteer, through the Trust or privately using their three volunteering days and FlexWork; and
- our Festive Challenge programme was our most successful yet, with 99 challenges taken up and £55k donated to help fund projects.

In May 2020, the insurance and long-term savings industry set up the ABI COVID-19 Support Fund (the "fund"), to help those who were hardest hit by the COVID-19 crisis. It has reached its target of raising £100m for charity, making it the biggest sector fund in the UK: £84m has been raised through voluntary donations from firms within the sector and, from this amount, £20m has been granted to an initiative with The Charities Aid Foundation. Zurich UK made a £13m donation to the Fund.

##### Impact of operations on sustainability

The Head of Public Affairs also holds responsibility for sustainability, which is at the centre of Zurich, 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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**Impact of operations on sustainability (continued)**

The ZIG group 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.

We measure our sustainability commitments thoroughly in order 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 to engage on environmental issues. A complete description of these activities can be found on [www.zurich.co.uk/news-and-insight/sustainability](http://www.zurich.co.uk/news-and-insight/sustainability).

**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 offer/provide technical assistance during working hours by a duty senior engineer.

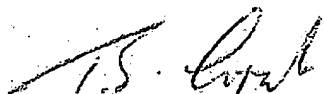
**Going concern**

As at 31 December 2020, the Company reported net assets of £17,028,787 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 2021 and 2022.

Taking into account all available information related to the future, including the consideration of the impact of leaving the EU and COVID-19 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 at least 12 months from date of signing. Accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements (see note 1.2).

On behalf of the Board



Name : T J Grant  
Director

Date : 14 December 2021

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

#### **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 £14,000,000 were declared and paid during the year (2019: £6,000,000). The directors do not recommend the payment of a final dividend for the year (2019: £nil).

#### **Financial Instruments**

The directors have elected to include details of the Company's principal risks and uncertainties, the future outlook and details of overseas branches as required by regulations made under section 416(4) of the Companies Act 2006, within the Strategic Report as permitted by section 414C (11) of the Companies Act 2006.

#### **Subsequent events**

On 11 June 2021 the two loans for £15,000,000 that were provided to ZIC matured and were immediately replaced

On 11 October 2021 a new loan for £27,000,000 was provided to ZIC which is due to mature on 11 October 2022. This loan is unsecured and incurs interest at a fixed rate of 0.52080% p.a. payable on maturity.

Since the balance sheet date a further review has taken place of the provision relating to ongoing legal cases. In line with IAS 10 Events after the Balance Sheet Date, the resulting provision figures have been adjusted, and the impacts of the adjustments are included within note 16.

#### **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 auditors'**

PricewaterhouseCoopers ("PwC") are the current auditor of the Company, and in accordance with legal and regulatory requirements, will be resigning as auditor following completion of the audit for the year ended 31 December 2020. Following all appropriate processes and approvals, Ernst & Young ("EY") will be appointed as the Company's auditor for the financial year beginning on 1 January 2021.

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

During the year, the Company made charitable donations of £1,589,163 (2019: £1,648,605). No donation was made for political purposes during 2020 (2019: £nil).

**ZURICH MANAGEMENT SERVICES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Streamlined Energy and Carbon Reporting SECR 2018/1155**

Changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SI 2018/1155'), require large unquoted companies and large LLPs to report their UK energy use and associated greenhouse gas ('GHG') emissions in their annual reports for the first time.

The directors' of Zurich Management Services Limited have reviewed the changes introduced and confirm that the required disclosures can be found in the Annual Report and Accounts for its parent, Zurich Holdings (UK) Limited, in line with the requirements set out. In addition, Zurich's ClimateWise report is available annually which details our Global and UK's sustainability targets, actions taken and planned, specifically detailing energy and carbon. This information is publicly available.

**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.

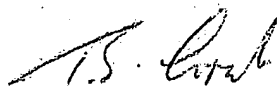
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the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

**Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Name: T J Grant  
Director

Date: 14 December 2021

## **ZURICH MANAGEMENT SERVICES LIMITED**

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

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#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2020; the Profit and loss account and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

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 of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **ZURICH MANAGEMENT SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED (CONTINUED)**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

##### *Strategic report and the Directors' Report*

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

##### **Responsibilities for the financial statements and the audit**

###### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

###### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## ZURICH MANAGEMENT SERVICES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED (CONTINUED)

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

##### *Auditors' responsibilities for the audit of the financial statements (continued)*

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with UK Health & Safety Executive ("HSE") regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries which may impact the financial performance and position of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and, where applicable, external legal counsel regarding litigation and claims;
- Discussions with management to identify any instances of non-compliance with laws and regulations;
- Review of relevant Board meeting minutes;
- Identifying and testing journal entries with unusual account combinations;
- Consideration of accounting estimates and whether they are subject to management bias, and;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**ZURICH MANAGEMENT SERVICES LIMITED**

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF ZURICH MANAGEMENT SERVICES LIMITED (CONTINUED)**

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**Other required reporting**

*Companies Act 2006 exception reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date 15/12/21



**ZURICH MANAGEMENT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR THEN ENDED 31 DECEMBER 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
Revenue	4	81,667,609	82,494,352
Cost of sales		(52,385,817)	(53,928,114)
<b>Gross profit</b>		<u>29,281,792</u>	<u>28,566,238</u>
Administrative expenses		(14,580,036)	(12,642,245)
<b>Operating profit</b>		<u>14,701,756</u>	<u>15,923,993</u>
Income from shares in group undertakings	10	66,313	197,332
<b>Profit before interest and taxation</b>		<u>14,768,069</u>	<u>16,121,325</u>
Other interest receivable and similar income	8	267,287	305,174
Interest payable and similar charges	9	(8,600)	(237)
<b>Profit before taxation</b>		<u>15,026,756</u>	<u>16,426,262</u>
Tax on profit	11	(2,855,082)	(3,120,990)
<b>Profit for the financial year</b>		<u>12,171,674</u>	<u>13,305,272</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.

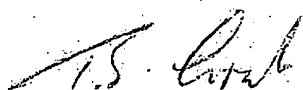
**ZURICH MANAGEMENT SERVICES LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 Restated <sup>1</sup> £
<b>Current assets</b>			
Debtors	14	30,283,267	30,471,867
Investments	12	34,347,438	35,893,564
Cash at bank and in hand		851,400	28,500
		<u>65,482,105</u>	<u>66,393,931</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	15	(40,189,697)	(41,629,707)
Other taxation and social security		(5,975,621)	(5,407,111)
		<u>19,316,787</u>	<u>19,357,113</u>
<b>Net current assets</b>			
		<u>19,316,787</u>	<u>19,357,113</u>
<b>Provisions for liabilities</b>	16	(2,288,000)	(500,000)
		<u>17,028,787</u>	<u>18,857,113</u>
<b>Net assets</b>			
		<u>17,028,787</u>	<u>18,857,113</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account		17,028,687	18,857,013
		<u>17,028,787</u>	<u>18,857,113</u>
<b>Total Shareholders' funds</b>		<u>17,028,787</u>	<u>18,857,113</u>

<sup>1</sup> The details of the restatement is explained in note 21.

The notes on pages 17 to 28 are an integral part of these financial statements. The financial statements on pages 14 to 28 were approved by the Board of directors and authorised for issue on 14 December 2021 and are signed on its behalf by:



Name : T J Grant  
Director

Company Registration No. 02741053

**ZURICH MANAGEMENT SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR THEN ENDED 31 DECEMBER 2020**

	Note	Called up share capital £	Profit and loss account £	Total Shareholders' funds £
<b>Balance at 1 January 2019</b>		<u>100</u>	<u>11,551,741</u>	<u>11,551,841</u>
<b>Year ended 31 December 2019:</b>				
Profit for the financial year		-	13,305,272	13,305,272
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>13,305,272</u>	<u>13,305,272</u>
Dividends on ordinary shares	13	-	(6,000,000)	(6,000,000)
<b>Balance at 31 December 2019</b>		<u>100</u>	<u>18,857,013</u>	<u>18,857,113</u>
<b>Year ended 31 December 2020:</b>				
Profit for the financial year		-	12,171,674	12,171,674
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>12,171,674</u>	<u>12,171,674</u>
Dividends on ordinary shares	13	-	(14,000,000)	(14,000,000)
<b>Balance at 31 December 2020</b>		<u>100</u>	<u>17,028,687</u>	<u>17,028,787</u>

## ZURICH MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

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

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 Estimates and Errors' paragraphs 30 and 31 in respect of new standards, amendments and interpretations issued but not effective for the financial year in accordance with FRS 101 paragraph 8(i).
- The requirements of IAS 24 'Related Party Disclosures' paragraph 17, to disclose related party key management compensation in accordance with FRS 101 paragraph 8(j).
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member in accordance with FRS 101 paragraph 8(k).
- The requirements of IFRS 7 'Financial Instruments: Disclosures' in accordance with FRS 101 8(d).
- The 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 foreseeable future, this includes consideration of the impact of COVID-19 on the projected cash flows and profit and loss of the Company which show that the Company has sufficient resources for the foreseeable future. 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 2020**

---

**1 Accounting policies (continued)**

**1.3 Revenue (continued)**

Risk Engineering fees for the provision of Risk Management ("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, we will consider our offer to provide RM services 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 group.

**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 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.

**1.7 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.

**1.8 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).

**1.9 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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1 Accounting policies (continued)**

**1.9 Foreign currency translation (continued)**

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.

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

**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 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.

## ZURICH MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### **1 Accounting policies (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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

---

**1 Accounting policies (continued)**

**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.

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.

**1.18 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.

**1.19 Share capital**

Ordinary shares are classified as equity.

**2 Adoption of revised standards and changes in accounting policies**

The following amendments to Accounting Standards have been implemented for the reporting period ending 31 December 2020, but have no impact on the current or prior period, and no expected impact on future periods.

- Amendments to IFRS 3 – Business definition
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 – Materiality definition
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**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 next financial year are in relation to the provisions for liabilities and the contingent liabilities as disclosed in notes 16, 19, 20 and 21.

**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.



# ZURICH MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 Revenue (continued)

	2020	2019
	£	£
Engineering Inspection	74,437,597	73,086,325
Engineering Consultancy	5,250,597	4,902,687
Risk Engineering	1,889,329	3,852,120
Claims Handling Fee income	90,086	653,220
	<u>81,667,609</u>	<u>82,494,352</u>

In 2019 it was identified that there was £1.8m of Risk Engineering fund values in deferred income where the expiry date of 18 months had been exceeded, £824k that expired in 2019 and £950k relating to prior years. This was released to Revenue in the prior year and included as Risk Engineering revenue. £120k of expired fund values has been recognised in Risk Engineering revenue in 2020.

### 5 Auditors' remuneration

	2020	2019
	£	£
Fees payable to the Company's auditors and associates		
<b>For audit services</b>		
Audit of the financial statements of the Company	<u>34,100</u>	<u>38,226</u>

In 2020 and 2019 the audit fees have been borne by another group company, Zurich Insurance plc and not recharged to the Company.

### 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 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 2020 and 2019, 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.

#### Share-based payments

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.

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**7 Directors' remuneration**

	2020	2019
	£	£
Aggregate remuneration	236,850	231,971
Aggregate remuneration - highest paid director	210,430	194,786

During the year 2 (2019: 2) directors did not receive remuneration in respect of their services to the Company. The remuneration of the remaining 2 directors (2019: 2 directors) are 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 (2019: 2 directors) who received remuneration in respect of their services to the Company during the year:

- 1 director (2019: 1 director) accrued benefits under a defined benefit scheme.
- 2 directors (2019: 2 directors) are members of long-term incentive schemes.
- No directors (2019: 1 director) exercised options over shares in ZIG in the year.
- 2 directors (2019: 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 director in the year was £50,564 (2019: £48,863).

The value of the highest paid director's accrued annual pension benefits at 31 December 2020 was £60,583 (2019: £59,119). The highest paid director did accrue benefits under a defined benefit scheme during the year (2019: did accrue). The highest paid director did accrue benefits under a defined contribution scheme during the year (2019: 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 £14,869 (2019: £14,509). The highest paid director did not exercise options over shares in ZIG in the year (2019: did not exercise share options). The highest paid director is a member of a long-term incentive scheme (2019: was a member). The highest paid director has not changed during the course of the year.

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

In prior years no disclosure has been made for Directors remuneration. Following a review of expense recharges and consideration of "qualifying services" it has been identified that two of the four directors meet this criteria and this information has now been disclosed including the prior year comparatives.

**8 Other interest receivable and similar income**

	2020	2019
	£	£
Interest receivable and similar income	267,287	301,039
Net gains on foreign exchange	-	4,135
	<u>267,287</u>	<u>305,174</u>

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**9 Interest payable and similar charges**

	2020	2019
	£	£
Interest payable and similar charges	4,576	237
Net losses on foreign exchange	4,024	-
	<u>8,600</u>	<u>237</u>

**10 Income from shares in group undertakings**

	2020	2019
	£	£
Dividends		
Zurich Risk Services Asia Pacific Sdn. Bhd.	66,313	197,332
	<u>66,313</u>	<u>197,332</u>

**11 Tax on profit**

	2020	2019
	£	£
<b>Current tax:</b>		
UK corporation tax on profits for the year	2,855,084	3,120,538
Adjustments in respect of prior periods	(2)	452
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	-	405
Adjustment in respect of prior years	-	(405)
<b>Total UK deferred tax</b>	<u>-</u>	<u>-</u>
<b>Total tax charge</b>	<u>2,855,082</u>	<u>3,120,990</u>

The Budget Statement on 3 March 2021 announced an increase in the main UK Corporation Tax rate from 19% to 25% from 1 April 2023. This measure was substantively enacted on 24 May 2021. However as this is after the balance sheet date the impact is not reflected in the financial statements for the year ended 31 December 2020.

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2020	2019
	£	£
Profit before taxation	<u>15,026,756</u>	<u>16,426,262</u>
Expected tax charge based on a corporation tax rate of 19% (2019: 19%)	2,855,084	3,120,990
Adjustment in respect of prior periods	(2)	-
<b>Taxation charge for the year</b>	<u>2,855,082</u>	<u>3,120,990</u>

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

12 Investments	Current		Non-current	
	2020 £	2019 £	2020 £	2019 £
Units in unit trusts	4,347,438	13,893,564	-	-
Loans to group undertakings	30,000,000	22,000,000	-	-
	<u>34,347,438</u>	<u>35,893,564</u>	<u>-</u>	<u>-</u>

Units in unit trusts are short term highly liquid investments which are converted into cash on a daily basis.

The Company's wholly owned subsidiary, Zurich Risk Services Asia Pacific Sdn. Bhd. ("ZRSAP") was formally dissolved on 31 December 2020. The registered office of ZRSAP was Level 8, Symphony House, Block D13 Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

During the year the Company received a dividend of £66,313 (MYR 0.4m) (2019: £197,332; MYR 1.1m) from ZRSAP.

On 12 June 2020, the Company provided a loan to Zurich Holdings (UK) Limited (the "Parent Company") for £4,000,000, which was due to mature on 12 July 2021. This loan was repaid early on 16 October 2020 along with a loan of £7,000,000 which was provided on 12 September 2019. There are no outstanding loan amounts due from the parent company.

On 12 June 2019, the Company provided a loan to Zurich Insurance Company Ltd ("ZIC") for £15,000,000, which matured on 11 June 2020. This loan was immediately replaced with a new £15,000,000 loan to ZIC which matures on 11 June 2021, at a fixed rate of 0.66550%. This loan is unsecured and incurs interest payable both annually and on maturity.

An additional loan to ZIC for £15,000,000 was made on 2 October 2020 which matures on 11 June 2021, at a fixed rate of 0.22050%. This loan is unsecured and incur interest payable both annually and on maturity.

There were no adjustments made for the 2020 reporting period relating to IFRS 9 adjustments as the identified impairment loss in relation to the financial assets subject to IFRS 9 were immaterial.

13 Dividends	2020 £ per share	2019 £ per share	2020 £	2019 £
Amounts recognised as distributions to equity holders:				
Interim dividend paid	<u>140,000</u>	<u>60,000</u>	<u>14,000,000</u>	<u>6,000,000</u>

14 Debtors	2020 £	2019 Restated £
Trade debtors	25,285,834	25,363,003
Amounts owed by group undertakings	1,070,708	53,800
Prepayments and accrued income	<u>3,926,725</u>	<u>5,055,064</u>
	<u>30,283,267</u>	<u>30,471,867</u>

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

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**14 Debtors (continued)**

The amount owed by Trade debtors is shown net of an impairment against potentially irrecoverable debts of £1,317,874 (2019: £849,215). 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**

	2020 £	2019 Restated £
Bank loans and overdrafts	-	385,954
Amounts owed to group undertakings	2,636	3,097,524
Other creditors	4,255,839	4,456,060
Accruals and deferred income	35,931,221	33,690,169
	<u>40,189,696</u>	<u>41,629,707</u>

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

**16 Provisions for liabilities**

	Litigation £	Total £
At 31 December 2019	<u>500,000</u>	<u>500,000</u>
Additions to income statement	1,788,000	1,788,000
Amounts utilised	-	-
At 31 December 2020	<u>2,288,000</u>	<u>2,288,000</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 £1,788,000 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.

**17 Called up share capital**

	2020 £	2019 £
<b>Ordinary share capital</b>		
<b><i>Issued and fully paid</i></b>		
100 (2019: 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.

## ZURICH MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 18 Controlling parties

The 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 up to £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 Zurich have been repeated without escalation in the classification of defects and without placing a required time on rectification of the defects. The HSE considers that these failures amount to a breach of the Lifting Operation and Lifting Equipment Regulations 1998 and Health and Safety at Work etc. Act 1974. Based on the information available at this 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 £300k and £3m.

#### 20 Subsequent events

On 11 June 2021 the two loans for £15,000,000 that were provided to ZIC matured and were immediately replaced with a new loan 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.

On 11 October 2021 a new loan for £27,000,000 was provided to ZIC and it is due to mature on 11 October 2022. This loan is unsecured and incurs interest at a fixed rate of 0.52080% p.a. payable on maturity.

Since the balance sheet date a further review has taken place of the provision relating to ongoing legal cases. In line with IAS 10 Events after the Balance Sheet Date, the resulting provision figures have been adjusted, and the impacts of the adjustments are included within note 16.

**ZURICH MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**21 Prior year restatement**

Some Engineering Inspection services contracts are paid in instalments. In the comparative period, the Company recognised a contract asset on the inception date of each contract for the unbilled portion of the contract price. IFRS 15 requires a company to have an unconditional right to consideration for a contract asset to be recognised in advance of delivering the services. The standard terms and conditions of these contracts have been reviewed and it has been determined that an unconditional right to consideration does not exist, therefore the recognition criteria for the contract asset has not been met. The contract asset incorrectly recognised as at 31 December 2019 in respect of services not yet performed was £1.9m and as a result, Debtors was overstated by £1.9m and Creditors was overstated by £1.9m. There is no impact on revenue recognition as revenue is recognised on a percentage of completion basis and adjusted through deferred revenue on the Balance Sheet. The error has been corrected by restating the affected financial statement line items in the comparative period with no impact on net assets. There is no correction required to net assets within the Balance Sheet at the beginning of the earliest period presented.