

ZURICH GROUP PENSION SERVICES (UK) LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

COMPANY REGISTRATION NUMBER: 05718984



Zurich Group Pension Services (UK) Limited (company registration number 05718984)

The directors present the strategic report, their report and the audited financial statements for Zurich Group Pension Services (UK) Limited ("the Company") for the year ended 31 December 2017.

STRATEGIC REPORT

The Company's principal activity is the provision of services to support fellow UK group companies in respect of the administration of auto-enrolment pension schemes. The Company is a limited company domiciled and incorporated in the UK. The registered office is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

Turnover for the year was £234,840 (2016: £305,579). The profit before taxation amounted to £150,797 (2016: £176,483). After taking taxation into account an amount of £121,774 was transferred to reserves (2016: £141,192).

The Company benefits from the strong UK market brought about by a period of unprecedented change in workplace pensions since 2012. The legislative timetable brought smaller companies into scope for automatic enrolment in 2015, alongside large and medium employers whom had to be compliant earlier. The roll out to all employers completed in February 2018. As the Company focuses on large and medium schemes the completion of the roll out had no significant impact.

On 12 October 2017 Zurich announced the sale of its workplace and savings business, Zurich Corporate Savings ("ZCS") to the Lloyds Banking Group. The Company, which forms part of the ZCS business, will transfer to Lloyds Banking Group as part of the sale. The change in ownership is expected to occur in April 2018.

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 balance sheet on pages 7 and 8.

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, it is appropriate to continue to use the going concern basis in preparing the financial statements.

Principal Risks & Uncertainties

The Company is exposed to risk, namely financial risk, through its financial assets and financial liabilities. The principal financial risk is liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. As the cash management processes are within the Zurich Insurance Group Ltd group, the directors are of the opinion that any liquidity risk that the Company faces is mitigated.

The Company is also exposed to operational risk defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events". The Company's policy is that operational risks are reduced to an acceptable level through controls and other risk management actions.

On behalf of the Board

Secretary *H Rogers*

Name *H Rogers*

For and on behalf of Zurich Corporate Secretary (UK) Limited

Date *26 MARCH 2018*

Zurich Group Pension Services (UK) Limited

DIRECTORS' REPORT

Dividends

No interim dividends in respect of ordinary shares of the Company were declared or paid during the year (2016: £nil)

The directors do not recommend the payment of a final dividend for the year (2016: £nil).

Directors

The directors who served during the year were:

D A Lowe		(resigned 30 November 2017)
J R Sykes	<i>Chairman</i>	
C J Warden		

There have been no appointments or resignations, between the end of the financial year and the date of signing these financial statements.

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.

Financial Instruments and Future Outlook

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

Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the directors in relation to the financial statements of the Company. The report of the auditors, shown on pages 4 to 6, sets out their responsibilities in relation to the financial statements.

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

Zurich Group Pension Services (UK) Limited

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

On behalf of the Board

Secretary *H Rogers*

Name *H ROGERS*

For and on behalf of Zurich Corporate Secretary (UK) Limited

Date *26 MARCH 2018*

Zurich Group Pension Services (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH GROUP PENSION SERVICES (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Zurich Group Pension Services (UK) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 Reports and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

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.

Zurich Group Pension Services (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH GROUP PENSION SERVICES (UK) LIMITED (continued)

Reporting on other information (continued)

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 Group Pension Services (UK) Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH GROUP PENSION SERVICES
(UK) LIMITED (continued)**

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Date 26/3/18

Zurich Group Pension Services (UK) Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover		234,840	305,579
Cost of Sales		(72,601)	(80,097)
Gross Profit		162,239	225,482
Administrative Expenses		(12,283)	(49,981)
Operating Profit		149,956	175,501
Interest Receivable and Similar Income		841	982
Profit Before Taxation		150,797	176,483
Tax on Profit	5	(29,023)	(35,291)
Profit for the Financial Year		121,774	141,192

All amounts above are in respect of continuing operations.

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

Zurich Group Pension Services (UK) Limited

BALANCE SHEET

At 31 December 2017

	Note	2017 £	2016 £
<hr/>			
<u>Current Assets</u>			
Debtors	6	575	69,227
Investments	7	500,000	-
Cash at Bank and in Hand		306,844	603,467
		<hr/>	<hr/>
		807,419	672,694
Creditors: Amounts Falling Due Within One Year	8	(187,671)	(144,246)
Net Current Assets		<hr/>	<hr/>
		619,748	528,448
Deferred Income	9	(84,587)	(115,061)
Net Assets		<hr/>	<hr/>
		535,161	413,387
<u>Capital and Reserves</u>			
Called Up Share Capital	10	1	1
Profit and Loss Account		535,160	413,386
Total Shareholder's Funds		<hr/>	<hr/>
		535,161	413,387

The financial statements on pages 7 to 14 were approved by the Board on 26 March 2018 and were signed on its behalf by:

Director 

Name J. R. SYKES

Zurich Group Pension Services (UK) Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Called Up Share Capital	Profit and Loss Account	Total Shareholder's Funds
	£	£	£
Opening Balance at 1 January 2016	1	272,194	272,195
Profit for the Financial Year	-	141,192	141,192
Balance at 31 December 2016	1	413,386	413,387
Profit for the Financial Year	-	121,774	121,774
Balance at 31 December 2017	1	535,160	535,161

Zurich Group Pension Services (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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 Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

Summary of FRS 101 exemptions adopted

FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards.

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

- The requirements of International Accounting Standard ("IAS") 1 'Presentation of Financial Statements' paragraph 16 regarding an explicit and unreserved statement of compliance with IFRS accounting, in accordance with FRS 101 paragraph 8(g).
- The requirements of IAS 7 'Statement of Cash Flows' in accordance with FRS 101 paragraphs 8(h) and where relevant, 8(g).
- The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimate 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 key management compensation in accordance with FRS 101 paragraph 8(j).
- The requirements of 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 party to a 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).

1.2 Turnover

Turnover represents fees charged, on an accruals basis, in respect of the provision of services to support the administration of auto-enrolment pension schemes. This is predominantly from fellow group companies.

Income in respect of these fees that relate to the next period are deferred and held as deferred income in the balance sheet.

1.3 Cost of Sales

Cost of sales represents costs incurred, on an accruals basis, in relation to the provision of services to support the administration of auto-enrolment pension schemes. The costs are recharged by a fellow group company.

Zurich Group Pension Services (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting Policies (continued)

1.4 Interest Receivable and Similar Income

Interest receivable and similar income includes interest on cash balances and is accounted for on an accruals basis.

1.5 Administrative Expenses

Administrative expenses comprise other costs necessary for supporting the business, not recharged to other group companies, on an accruals basis.

1.6 Current Tax

The tax expense for the period comprises current tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1.7 Debtors

Debtors are measured at the transaction price.

1.8 Creditors: Amounts Falling Due Within One Year

Creditors are measured at the transaction price.

2. Auditors' Remuneration

The fees payable to the Company's auditors for the audit of the Company's financial statements were £4,497 (2016: £4,568). In 2017 and 2016 the audit fee was borne by Zurich Assurance Ltd ("the Parent Company").

3. Employee Information

Employees in the UK working on behalf of the Company are predominantly employed by Zurich Employment Services Limited. During 2017 and 2016, management charges were made to the Company, which included staff costs. The element of these charges relating to these costs cannot be separately ascertained therefore no disclosure has been made for staff numbers and costs.

The principal disclosures in respect of these staff appear in the financial statements of Zurich Employment Services Limited, copies of which can be obtained from The Secretary, Zurich Employment Services Limited, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire GL52 8XX.

Zurich Group Pension Services (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Directors' Remuneration

The remuneration of the directors for services to the Company as director during the year was £nil (2016: £nil).

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

5. Tax on Profit

Tax charge included in profit and loss account

	2017 £	2016 £
Current Tax:		
- UK Corporation Tax on profits for the year	29,023	35,297
- Adjustment in respect of prior years	-	(6)
Total Current Tax	29,023	35,291
Tax on Profit	29,023	35,291

The tax expense for the year is the same as (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016 : 20%). The differences are explained below:

	2017 £	2016 £
Profit Before Taxation	150,797	176,483
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	29,023	35,297
Effects of:		
Adjustment to tax charge in respect of prior years	-	(6)
Tax charge	29,023	35,291

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% with effect from 1 April 2017.

Further reductions to the UK corporation tax rates were substantively enacted as part of the Finance No.2 Act 2015 on 26 October 2015 and the Finance Act 2016 on 6 September 2016. These reduce the main rate to 17% from 1 April 2020.

Zurich Group Pension Services (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	-	57,532
Amounts owed by Parent company	-	3,332
Prepayments and Accrued income	575	8,363
	<u>575</u>	<u>69,227</u>

Amounts owed by group undertakings and the Parent Company are unsecured, interest free and have no fixed date of repayment.

All prepayment and accrued income are current.

7. Current Asset Investments

	2017 £	2016 £
Short-term deposit	<u>500,000</u>	<u>-</u>

Short-term deposit represents a 6 month fixed rate deposit of £500,000 with a major UK bank.

8. Creditors: Amounts Falling Due Within One Year

	2017 £	2016 £
Amounts owed to group undertakings	162,231	130,131
Amounts owed to Parent company	16,505	-
Corporation tax payable	8,935	14,115
	<u>187,671</u>	<u>144,246</u>

Amounts owed to group undertakings and the Parent company are unsecured, interest free and have no fixed date of repayment.

9. Deferred Income

	2017 £	2016 £
Deferred Income	<u>84,587</u>	<u>115,061</u>

The company receives payments for services annually in advance, this is then deferred and then released during the year as the service is deemed rendered.

Zurich Group Pension Services (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Called Up Share Capital

	2017 £	2016 £
Allotted, issued and fully paid: One ordinary share of £1	1	1

11. Related parties

a) Ultimate Parent Company

The Company's ultimate parent company and ultimate controlling party is Zurich Insurance Group Ltd, which is incorporated in Switzerland. Zurich Insurance Group Ltd is the parent company of the largest group of companies, of which the Company is a wholly owned subsidiary, for which group accounts are drawn up. Zurich Insurance Company Ltd, which is incorporated in Switzerland, is the parent company of the smallest group of companies, of which the Company is a wholly owned subsidiary, for which group accounts are drawn up. Copies of the consolidated financial statements of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd can be obtained from the Secretary of that company at the following address:

Mythenquai 2
8002 Zurich
Switzerland

The Company's immediate parent company is Zurich Assurance Ltd.

b) Related Party balances

No contract of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under IAS 24.