

Registered Number: 3947280

Annual Report and Financial Statements 2020

**Allianz Management Services Limited**

**Directors:** J M Dye  
 F K Dyson  
 J A Harrison (appointed 01.07.2020)

**Secretary:** R C Jack-Kee

**Registered Office:** 57 Ladymead, Guildford, Surrey, GU1 1DB

**Registered No:** 3947280

## Strategic Report

The Directors present their Strategic report for the year ended December 31, 2020.

### Principal activities

Allianz Management Services Limited ("the Company") acts as the management services provider for the Allianz Holdings plc Group ("Allianz", "the Group"). The Company employs the Group staff, acts as sponsoring employer for the Group defined benefit pension scheme and incurs costs on behalf of Group entities which are subsequently re-charged across the Group. In return for the services provided, the Company charges a mark-up on its cost incurred. In addition, the Company acts as agent for the payroll service for other Allianz SE Group entities in the UK.

### Business review

The impact of the Coronavirus disease ('COVID-19') is noted in Principal risks and uncertainties below.

The results for the year are set out in the Statement of Comprehensive Income on page 13. The profit for the year amounted to £87,474k (2019: £15,358k). The profit before tax in the year was entirely a result of the mark-up charged to other Group entities when expenses are re-charged and the past service credit relating to the defined benefit pension scheme.

The other comprehensive (expense)/income arising from the impact of assumptions in the pension scheme valuation amounted to a £40,777k loss (2019: £2,116k gain). For more information regarding the assumptions used, refer to note 12.

The Company received a capital injection of £44,350k (2019:£nil) during the year.

### Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax, pension plan surplus and net liability value. The profit before tax for the year amounted to £119,619k (2019: £18,318k), the pension surplus was £150,919k (2019: £65,499k) and net liabilities were £15,204k (2019: £106,128k).

The Company also monitors a number of non-financial key performance indicators relating to employees, energy consumption and corporate social responsibility. The annual Allianz Engagement Survey ("AES") is a valuable feedback platform and an indicator of our corporate culture. We monitor employee engagement and company culture through an Inclusive Meritocracy Index ("IMIX") which covers aspects of leadership, performance, collaboration, trust and respect. The slightly revised and more comprehensive Work Well Index Plus ("WWI+") covers aspects of the quality of the work environment, practices and opportunities.

<b>Employees</b>	2020	2019
<i>AES results:</i>		
IMIX	80.0%	75.0%
WWI+	70.0%	66.0%
Diversity (females in management positions)	38.8%	36.8%

## Strategic Report (continued)

### Key performance indicators (continued)

#### Energy consumption –

Greenhouse gas emissions per employee	Achievement: 50% reduction against 2010	Target: Reduction of 33% by 2021
Energy consumption from office buildings per employee	Achievement: 38% reduction against 2010	Target: Reduction of 42% by 2021
Renewable energy	Achievement: Control over the supply, 100% renewable source. No control over the supplier, 81% from renewable source	Target: 100% renewable energy across all sites by 2023.

### Corporate social responsibility

Allianz is passionate about social responsibility and is committed to helping people and our communities build resilience. We support SOS Children's Villages at a global level and have a 3-year partnership with the mental health charities Mind and Scottish Action on Mental Health ("SAMH") in the UK. We also support our local communities through employee volunteering, donations and the Allianz Community Fund.

In 2020 we are also proud to have supported those in most need in the pandemic by donating £9.6m to the industry's COVID-19 Support Fund and giving £100,000 to the National Emergencies Trust. We also donated £15,000 to charities local to our head office in Guildford and made a further donation to the Trussel Trust to help those needing to access food banks. The Petplan Charitable Trust donated £200k to help welfare organisations through the pandemic, £150k to the Association of Dogs and Cats Homes ("ADCH") and £50k to the Equine Rescues Emergency fund. It also paid £700k in an early commission payment to support animal charities in need.

Our partnership with Mind and SAMH has seen us raise £698,000 over two years with the aim of reaching £1m in the final year of our partnership. This partnership benefits people across the UK, building their mental resilience and wellbeing as well as supporting those with mental health issues. We have also used the partnership to expand the mental health support resources we have in place at Allianz for our employees and have now trained 193 mental health first aiders to support colleagues.

Our partnership with the British Paralympic Association in the UK and the International Paralympic Committee ("IPC") on a global level continues to support disabled athletes at grassroots and elite sports level.

We are the principal partner of Saracens Sports Foundation which inspires the local community to reach their potential through the values of sport and are the lead supporter of the Saracens wheelchair rugby programme.

We are proud to be the Official Insurance Partner of England Rugby and title sponsors of the top league of women's domestic rugby, the Allianz Premier 15s. As part of our partnership we are also principle partner to Women's Club Rugby and the sponsor of the Inner Warrior grassroots rugby programme, which aims to bring the benefits of rugby to women and girls across the country.

We're also passionate about reducing our impact on the environment and engaging our employees in reducing their carbon footprint both at work and at home. Our quarterly Sustainability Weeks aim to engage and educate employees on specific environmental issues.

Non-financial key performance indicators relating to corporate social responsibility:

Association with mental health charities: Mind (England and Wales); and SAMH	Achievement: Since March 2019, raised £698k through employee fundraising and company contributions.	Target: Raise £1,000k for Mind by the end of 2021.
Employee volunteering	Achievement: In 2020, 138 employees gave over 50,000 minutes to their local communities. We increased the available volunteering hours to 20 hours per employee in 2020 however saw a significant decrease in uptake from 2019 due to the limitations created by the pandemic.	Target: One million volunteering minutes over the three year period to the end of 2021.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Principal risks and uncertainties

The principal risks facing the Company are: (1) potential adverse development in the funding position of the defined benefit employee pension scheme and (2) its reliance on Allianz Holdings plc and its subsidiaries for its revenue. Full disclosure in relation to the defined benefit employee pension scheme has been given in note 12.

On March 11, 2020 the World Health Organisation confirmed that the outbreak of COVID-19 was a global pandemic. This was a new and significant source of uncertainty for the Company in 2020, which continues into 2021. Preventative actions such as restricting the public on non-essential travel, working from home, closure of businesses, postponing events and stopping public gatherings were taken by the UK government to varying degrees throughout 2020. Restriction measures have continued into 2021. This had an immediate impact on the domestic and global economies, and financial markets, creating uncertainty for people and businesses which has been felt throughout the course of the pandemic. Consequently, the Company continues to assess the impact of COVID-19 as explained below.

The Company is closely monitoring the situation as it continues to develop, to maintain service to customers and manage both operational and economic risk. There is close alignment and interaction to ensure the Company is operating in accordance with government advice and benefiting from the wider Allianz SE Group response.

Our values continue to drive our decision making as we work through this challenging time, with a focus on putting our people first and prioritising existing, and emerging, customer needs.

The Company is responding to the COVID-19 situation using well-established business resilience and crisis management procedures. The key risks this crisis presents are both operational and financial. These risks are actively monitored and managed on a daily basis.

Regular communications are taking place to keep all staff informed throughout the period of uncertainty.

The operational risks from COVID-19 have been addressed by increasing homeworking capability and reducing non priority activity. Work has been prioritised to support supplier payments.

The impact of COVID-19 is continuing to evolve, and therefore it is not practicable to quantify the potential financial impact to our business at the time of writing.

#### Future Outlook

No changes in the principal activity are anticipated in the foreseeable future. The uncertainties surrounding the COVID-19 pandemic are noted in principal risks and uncertainties.

#### Brexit

The UK formally left the European Union ("EU") on January 31, 2020 and a trade deal was agreed on December 23, 2020, coming into effect from January 1, 2021. The deal is not expected to have a significant impact on the Company's performance in 2021.

#### Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern. Allianz Holdings plc, the parent company of the Company has provided a Letter of Support to enable the financial statements for the Company to be presented on a going concern basis. The Letter of Support states that the parent company will continue to provide financial and other support to the Company at least for the next twelve months and thereafter for the foreseeable future to enable it to continue to trade.

#### Section 172 (1) Companies Act 2006 Statement

This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act in the decisions taken during the year.

## Strategic Report (continued)

### Section 172 (1) Companies Act 2006 Statement (continued)

The Company is a wholly owned subsidiary of Allianz Holdings plc (“AZH”) and provides management services to certain parts of the Group. As a result of the governance structure of the Group, strategic decisions and matters which affect the whole Group are considered by the Board of AZH (“AZH Board”) or its committees to an appropriate extent for the Group as a whole. Certain Group stakeholders and their interests (including employees, community and the environment) are considered at and actions concerning them determined at a Group level by the AZH Board and its committees rather than at a subsidiary board level. Group strategy and stakeholder considerations are understood by the Company’s Directors as they are members of the AZH Board and/or its principal executive committee, the Management Board. The Company’s Directors have oversight of the Company’s key activities through the reporting provided to and the oversight provided by the AZH Board and Management Board. However, while oversight is carried out at Group level, any decisions put to the Company’s Board are considered from the perspective of the Company and its stakeholders. The Board meets quarterly to discuss matters relevant to the Company’s business.

#### Customers, suppliers and other stakeholders statement

The Company’s principal stakeholders are its employees, its shareholder, its service clients (which are wholly owned companies within the Group) and its suppliers whilst wider stakeholder interests include the environment and local communities and the wider society. Details of the Company’s engagement activities in relation to its stakeholders are detailed below:

#### Employees

Our people and culture are key in achieving our strategic objectives and delivering for our customers across all areas of our business. Employee engagement is a high priority for the Company as our people are expected to perform with commitment and integrity delivering excellent outcomes for our customers. To effectively enable our people to deliver our strategy to be the best in what we do for our customers we seek the feedback of employees regularly.

Various methods of employee engagement are used by the Company. Engagement methods include short “pulse” surveys sent to employees on various topics, town hall presentations (which have been virtual following the impact of the COVID-19 pandemic) and newsletters. The key Group-wide engagement activity is the Allianz Engagement Survey (“AES”). The AES is a valuable employee feedback platform and an indicator of the Group’s culture and employee engagement. The AES results include the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect and the Work Well Index plus is used to measure the quality of the work environment, practices and opportunities. Inclusive Meritocracy is our target culture and can be described by three principles: 1 people and performance matter in a culture of inclusive meritocracy; 2 the ‘what’ and the ‘how’ count and define individual performance at Allianz; and 3 people attributes set the aspiration for how each employee should act. The Inclusive Meritocracy Index is derived from the responses to a specific series of questions asked in the annual AES. The AES results are collated to give a Group-wide result and also broken down by area and team. The survey results are shared with the Board and the Management Board, with each team across the business establishing action plans based on the feedback received. The results of the survey are directly linked to the performance objectives of the Management Board and executive Directors. This approach ensures that our people, matters of importance to them and the impact of decisions on the workforce are actively considered by the leadership team when making decisions.

Since the beginning of the COVID-19 pandemic and the resulting changes to the way in which we work, a variety of engagement methods have been introduced to keep our workforce informed and seek feedback on matters which affect them. For example, there are fortnightly calls where senior leaders and others directly involved in decisions affecting the workforce as a result of the pandemic and continued home-working provide an update on the latest developments. Colleagues are encouraged to ask questions directly to speakers during these sessions. In addition, all employees were invited to participate in a wellbeing poll to shape future activity through co-creation. The top rated ideas from the poll were introduced, including freestyle virtual meeting options and wellbeing expert talks.

#### Shareholders and Service Clients

The Company has regard to the interests of its immediate shareholder, AZH and other Companies within the Group to which it provides its management services. The Board has engaged regularly with and worked closely with the Group Board and Management Board and other companies within the Group to ensure that the management services provided to the Group are effective and help the Group to achieve success in its strategy. The Board’s engagement with AZH and other Group companies is operating continually through internal processes and procedures and by virtue of the fact that the Company’s directors are appointed to the boards of other Group companies to which management services are provided.

## Strategic Report (continued)

### Section 172 (1) Companies Act 2006 Statement (continued)

#### Suppliers

Proposed significant supplier contracts, either strategic or by reason of size and significance to the Company, are considered by the AZH Board, following initial meetings and negotiations by procurement and commercial teams and direct engagement with senior management. Suppliers are required to comply with the Group's Vendor Code of Conduct, which ensures certain standards are met in relation to ethics, labour and the environment. In addition, the sourcing process itself is governed across the Group by adherence to requirements laid out in the Allianz Global Standard for Procurement via the Local Procurement Standard.

A Supplier Relationship Management team within procurement specifically assists teams across the Group with the management of supplier relationships. The team works in conjunction with our safeguarding functions such as Protection and Resilience, Information Security and Data Privacy. This ensures continued protection and continuity of services for our customers. The collaboration ensures we are able to effectively manage supply chain risks such as Brexit and COVID-19.

The AZH Management Board, of which all the Directors of the Company are a member, assumes day to day responsibility for implementing procedures to effect significant contracts and for their ongoing monitoring and performance assessment. As a consequence, the Company's Board will therefore give due consideration to intended supplier arrangements, their suitability and ability to meet the Company's requirements and the ease with which a productive and mutually-beneficial working relationship can be established and maintained with each supplier. Where a contract is to be approved by the Company, the Directors will have regard to both the interests of the Company and its other stakeholders.

#### Community and the environment

The Company's employees engage with the local community and wider society through long-term partnerships with organisations. The Group has a three year partnership with mental health charities Mind and SAMH in the UK. As well as raising money for these charities over the past two years, we have also expanded the mental health support resources we have in place for the Company's employees. We also support our local communities through employee volunteering, donations and the Allianz Community Fund. In 2020 the Group were proud to support those most in need in the pandemic by donating £9.6m to the insurance industry's COVID-19 Support Fund and giving £100k to the National Emergencies Trust.

An Environmental, Social, Governance strategy ("ESG") ensures the Group is a leader in sustainability, a responsible and trusted business, and a committed corporate citizen. The Group focuses on promoting the transition to a low-carbon economy, social inclusion and ensuring the integration of ESG into all aspects of our business.

#### During the year the Directors took the following principal decision:

During the year the Board approved the issue of additional ordinary shares to its shareholder, in consideration for cash. The cash enabled the Company to make the agreed contributions to the Allianz Retirement and Death Benefits Fund ("ARDBF"), a defined benefit pension scheme which is now closed to further accrual. The Directors considered that the allotment for cash was in the interests of the Company for the benefit of its shareholder, and the Group as a whole to enable it to meet its long-term obligations under the Statutory Funding Objective to the ARDBF. The Board also considered the interests of employees and particularly those present and former employees who were a member of the ARDBF in making the decision.

In addition, in connection with the ARDBF, the Company reached an agreement with the Trustee regarding the long-term funding strategy including a number of initiatives to reduce the pension risk, which was approved by the Board. The Board considered the impact on the Company, the Group and its employees when making the decision and considered that the new funding strategy was in the best interests of the Company and the wider Group in the long-term.

By order of the Board



F K Dyson  
Director

April 7, 2021

## Directors' Report

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

### Stakeholder and Employee Engagement statements

Details of how the board has had regard to the need to foster the Company's business relationships with suppliers, customers and other stakeholders and the effect of that regard on the principal decisions taken by the Company's Board is contained in the Section 172 statement on page 3 of the Strategic Report. Details of how the Company engages with its employees is also contained in the Section 172 statement.

### Directors

The Directors of the Company who were in office during the financial year are shown on page 1.

Following the year end, R C Jack-Kee resigned as Company Secretary on February 1, 2021 and C M Twemlow was appointed as Company Secretary on February 1, 2021.

### Results and dividend

The results for the year are set out in the Statement of Comprehensive Income on page 13. A review of the Company's business activities and any likely future developments can be found in the Strategic Report.

No interim dividend was paid for the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a dividend for the year ended December 31, 2020 (2019: £nil).

### Future outlook

The future outlook for the Company is outlined in the Strategic Report on page 3.

### Going concern

The going concern assessment for the Company is outlined in the Strategic Report on page 3.

### Employees

#### Equal Opportunities

The Company firmly believes that its employees are at the core of achieving its business success and it ensures that policies and procedures are tailored to ensure it attracts, develops and retains a workforce with the right skills, knowledge and behaviours for the long-term future success of the Company and the Group. The approach of the Company and the Group to equal opportunities are aligned. The Company believes in equality of opportunity and are committed to creating an environment where people can succeed regardless of gender, age, race, disability, religion, sexual orientation or other protected characteristics. We champion environments where we celebrate inclusion.

We encourage the employment of talent from all backgrounds and abilities. As part of this, we have been granted 'Disability confident Employer' status by the Department for Work and Pensions. Provided a candidate has made the Group aware that they are disabled and meet the minimum requirements of a vacancy, they will be offered an interview for that position. The Group is dedicated to ensuring it is providing reasonable workplace adjustments to meet specific needs for candidates and employees with disabilities at any point. The Company promotes diversity within its workforce and inclusion of all people. We promote the active participation of employees in staff networks to further improve inclusive working and recognise diversity.

Allianz and the Company consults the expertise of membership organisations in the diversity and inclusion field and has signed up publicly to selected initiatives that promote diversity and inclusion. This includes a commitment to the aims of the Race at Work Charter across the Group. Employee learning and development opportunities are provided including support for achieving professional qualifications through apprenticeship standards or direct study.

#### Employee engagement and consultation

Employees are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in the Allianz SE Group's performance.

Eligible employees also participate in a performance related bonus scheme which is linked to both the UK Group's and the individual's performance to incentivise achievement of the Company's strategic objectives.

## Directors' Report (continued)

### Employee engagement and consultation (continued)

Throughout the Company, consultative procedures are in operation to enable management and staff to discuss matters of mutual interest. Staff are kept informed about the affairs of the Company through departmental channels, team briefings or via consultative bodies and information disseminated electronically including via regular employee newsletters and ongoing intranet news. Under the procedural agreement with the recognised trade union, the Company holds regular meetings on topics raised by both parties; this is in addition to the normal negotiating processes. Information regarding how the Board engages with and has regard to employee interests in decision-making is included in the section 172 statement on page 3 of the strategic report.

### Pension Scheme Trustee Indemnity

The Company, as principal employer of the ARDBF, has granted a qualifying pension scheme indemnity provision (as referred to in section 236 of the Companies Act 2006) in respect of each of the directors of Allianz Pension Fund Trustees Limited. Such indemnity is of indefinite duration, and shall continue to be granted in respect of a director even after the Director has ceased to hold such office.

### Streamlined Energy & Carbon Reporting ("SECR")

The Company fulfils the statutory requirements for SECR which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 and SECR Regulations, 'Large' companies are required to report their annual emissions in their Directors' report.

The SECR statement has been prepared in line with the requirements of the SECR regulations and the relevant areas of the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard.

A 'Dual Reporting' methodology has been used to indicate emissions using UK electricity grid average emission factors (known as the 'Location based' method), and also emissions using supplier specific generation emission factors (the 'Market Based' method).

#### 'Location based' Method

The total energy consumption for 2020 was 17,689,860.13 kWh equating to 4,003.048 tCO<sub>2</sub>e  
Carbon intensity: Emissions of tCO<sub>2</sub>e/full-time equivalent during 2020 was 0.87 tCO<sub>2</sub>e

However, the Company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin ("REGO") certificates. Through this strategy, within the above 2020 total energy consumption, the company has sourced a total of 3,493,309.20 kWh of REGO backed (zero emission) electricity equating to 100% of total electricity use.

#### 'Market Based' Method

The total energy consumption for 2020 was 17,689,860.13 kWh equating to 2,703.548 tCO<sub>2</sub>e  
Carbon intensity: Emissions of tCO<sub>2</sub>e/full-time equivalent during 2020 was 0.59 tCO<sub>2</sub>e

Energy Efficiency actions taken during 2020:  
LED lighting upgrades completed at three office locations.

### Corporate Governance Report

For the year ended December 31, 2020 the Company did not apply a corporate governance code. In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, this report gives the reasons why no such code was applied and explains what arrangements for corporate governance were applied.

#### *Corporate Structure*

The Company is a wholly owned subsidiary of the Group. The Company is a service Company for the Group and, alongside Liverpool Victoria General Insurance Group Limited ("LVGIG"), employs the Group staff. The services provided in connection with employees are overseen by the Chief Human Resources Officer, who is a Director of the Company and there is a Group-wide approach where applicable.

The Board consists of three Directors. The Chief Human Resources Officer was appointed as a Director of the Company on July 1, 2020. Two of the Directors are executive Directors of the AZH Board. All three Directors are members of the AZH Board's principal executive committee, the Management Board. The Group Board, together with several committees to which it has delegated its activities, determine the overarching way of doing business and the values, governance and controls to be applied by each Group Company, including the Company, particularly in relation to the Company's employees.



## Directors' Report (continued)

### Corporate Governance Report (continued)

As the Directors are either a member of the AZH Board, a member of the Management Board or both, they are fully cognisant of the matters applicable to the Company.

#### *Corporate Governance Code*

Given the corporate structure described above, the Company did not apply a specific corporate governance code as it operates in accordance with the internal rules, codes, values, governance and controls established by the Group and its committees and which are cascaded down to, and adopted by, each Group Company. It is not unusual for large corporate Groups to adopt a common corporate and governance approach as this helps to ensure a consistency of ethos, values and conduct of business. The Group adopts the principle of top-down Group policies, codes and governance in order that its customers will receive the same high levels of service, customer centricity, honesty and integrity no matter which Group Company they are doing business with.

#### *Application of Corporate Governance*

AZH and a number of other Companies within the Group, including some of the regulated insurance companies applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles") (which was published by the Financial Reporting Council in December 2018) to its business during its financial year ending on December 31, 2020.

The Company provides management services to the Group to enable it to operate efficiently in a legal and compliant manner and to follow the policies, codes, values and governance stipulated by the Group. Although not formally adopted by the Company, the Wates Principles have therefore instructed and influenced the way in which the Company has conducted business, been governed and has engaged with its various stakeholders. This is because the business of the Company is inextricably linked with that of the Group and other Companies within the Group, resulting in the need for the Company to adopt the working practices of the Group to ensure good governance and customer outcomes.

#### *External Impacts*

The Company is acutely aware of the broader impact it has on its various environments, its customers and society in general. Sustainability is a key objective of the business, informing what it does and in particular the goods and services it procures. Positive employee engagement is fundamental to achieving other key objectives, whether that might be in relation to policies and codes of conduct or encouragement to participate in social and environmental matters important to the business or the employees themselves. Social responsibility and volunteering is actively encouraged. Details of these initiatives can be found in the Strategic Report.

Good and effective governance underpins and drives a number of key business objectives including: growth and profitability, employee engagement, product performance, co-operative arrangements with third party stakeholders and suppliers, and sustainability.

Allianz's day to day operations will have an impact on the environment, including the consumption of resources and energy. Further information can be found in the Strategic Report in accordance with the SECR reporting requirements.

### **Directors' responsibility to the auditors**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will have been deemed to be re-appointed as auditors at the end of 28 days beginning with the day on which copies of these report and financial statements are sent to members.

By order of the Board



C M Twemlow  
Company Secretary  
April 7, 2021

## Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and 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 International accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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 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.

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



F K Dyson  
Director

April 7, 2021

# Independent Auditors' Report

## To the Members of Allianz Management Services Limited

# Report on the audit of the financial statements

## Opinion

In our opinion, Allianz 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 and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

## 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.

## **Independent Auditors' Report**

### **To the Members of Allianz Management Services Limited (Continued)**

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

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

Based on 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 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 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 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 Strategic Report, the Directors' Report and 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK Companies Act (2006) requirements and UK Employment law requirements, 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

## Independent Auditors' Report To the Members of Allianz Management Services Limited (Continued)

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 management bias in accounting estimates and judgemental areas of financial statements such as the valuation of the defined benefit pension obligation. Audit procedures performed included:

- Discussing with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the Company's legal function, including consideration of known or suspected;
- Evaluating management's internal controls designed to prevent and detect irregularities;
- Assessing matters reported on the Company's whistleblowing helpline and fraud report and the results of management's investigation of such matters;
- Engaging our PwC pension experts to examine the methodologies and assumptions used by management's experts in valuing the defined benefit pension obligation;
- Reviewing relevant meeting minutes including those of the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Reviewing the letter of support provided from the parent company; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or 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.

## 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.



Matthew Nichols (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

7 April 2021

## Statement of Comprehensive Income

For the year ended December 31, 2020

		2020	<i>Restated<sup>(1)</sup></i> 2019
	Note	£'000	£'000
Revenue	3	435,831	412,169
Administrative expenses	4	(420,064)	(394,845)
Other gains		2,077	-
<b>Operating profit</b>		<u>17,844</u>	<u>17,324</u>
Finance income	12	102,900	1,400
Finance cost	6	(1,125)	(406)
<b>Profit before tax</b>		<u>119,619</u>	<u>18,318</u>
Income tax expense	8(a)	(32,145)	(2,960)
<b>Profit for the year wholly attributable to the equity holders</b>		<u>87,474</u>	<u>15,358</u>
<b>Other comprehensive (expense)/ income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
(Loss)/gain on pension fund		(58,936)	2,549
Tax on loss/(gain) on pension fund	8(b)	18,159	(433)
Total other comprehensive (expense) / income for the year, net of tax		<u>(40,777)</u>	<u>2,116</u>
<b>Total comprehensive income for the year wholly attributable to the equity holders</b>		<u><u>46,697</u></u>	<u><u>17,474</u></u>

<sup>(1)</sup> For details concerning the restatement, please refer to note 3

## Statement of Changes in Equity

For the year ended December 31, 2020

	<i>Share capital</i> £'000	<i>Retained losses</i> £'000	<i>Total equity</i> £'000
<b>Balance as at January 1, 2019</b>	-	(131,634)	(131,634)
Foreign currency translation adjustments	-	8,032	8,032
Gain on pension fund	-	2,549	2,549
Tax on gain on pension fund	-	(433)	(433)
Net profit for the year	-	15,358	15,358
<b>Balance as at December 31, 2019</b>	<u>-</u>	<u>(106,128)</u>	<u>(106,128)</u>
Foreign currency translation adjustments	-	(123)	(123)
Capital injection	44,350	-	44,350
Loss on pension fund	-	(58,936)	(58,936)
Tax on loss on pension fund	-	18,159	18,159
Net profit for the year	-	87,474	87,474
<b>Balance as at December 31, 2020</b>	<u><u>44,350</u></u>	<u><u>(59,554)</u></u>	<u><u>(15,204)</u></u>

The accounting policies and notes on pages 16 to 41 are an integral part of these financial statements.

## Balance Sheet

As at December 31, 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
Intangible assets	10	23,950	32,818
Property and equipment	11	401	10,809
Right of use asset	13	30,200	29,699
Defined benefit pension plan surplus	12	150,919	65,499
Deferred tax assets	8(e)	7,995	6,741
Current tax assets	8(d)	5,799	6,846
Trade and other receivables	14	32,567	44,485
Cash and cash equivalents	15	2,187	9,773
<b>Total assets</b>		<u>254,018</u>	<u>206,670</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	44,350	-
Retained losses		(59,554)	(106,128)
<b>Total equity</b>		<u>(15,204)</u>	<u>(106,128)</u>
<b>Liabilities</b>			
Deferred tax liability	8(e)	28,675	11,135
Lease liabilities	13	28,511	27,371
Loan from related party	19	145,800	162,000
Provisions for other liabilities and charges	18	4,184	4,455
Trade and other payables	17	62,052	107,837
<b>Total liabilities</b>		<u>269,222</u>	<u>312,798</u>
<b>Total equity and liabilities</b>		<u>254,018</u>	<u>206,670</u>

The accounting policies and notes on pages 16 to 41 are an integral part of these financial statements.

These financial statements on pages 13 to 41 were approved by the Board of Directors on April 7, 2021 and signed on its behalf by:



F K Dyson  
Director

## Statement of Cash Flows

For the year ended December 31, 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		119,619	18,318
<i>Adjusted for non-cash items</i>			
Gain on disposal of property and equipment		(2,077)	-
Depreciation of property and equipment	11	2,926	3,567
Depreciation of right-of-use asset	13	5,881	6,452
Amortisation of intangible assets	10	7,249	6,268
Lease prior year adjustment		(105)	(220)
Write off of intangible assets	10	5,882	-
Interest paid	6	1,125	406
Net finance income	12	(102,900)	(1,400)
<i>Changes in working capital</i>			
Increase in pension benefit surplus	12	(41,431)	(41,164)
Decrease in other receivables	14	11,918	81,938
Decrease in trade and other payables	17	(45,785)	(235,769)
Decrease in provisions for other liabilities and charges	18	(271)	(202)
Cash flow (used in)/generated from operations		(37,969)	(161,806)
Income tax received	8(c)	3,321	7,552
<b>Net cash flow used in from operating activities</b>		<b>(34,648)</b>	<b>(154,254)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	11	(3,533)	(4,608)
Proceeds from sale of property and equipment	11	13,093	1,452
Intangible assets capitalised	10	(4,263)	(6,131)
<b>Net cash flow generated/ (used) in investing activities</b>		<b>5,297</b>	<b>(9,287)</b>
<b>Cash flows from financing activities</b>			
Interest paid	6	(1,125)	(406)
Capital injection	16	44,350	-
Repayment of the lease liabilities		(5,137)	(5,272)
Repayment of loan obligations	19	(16,200)	-
Proceeds from loans and borrowings		-	162,000
<b>Net cash flow generated from financing activities</b>		<b>21,888</b>	<b>156,322</b>
<b>Decrease in cash and cash equivalents</b>		<b>(7,463)</b>	<b>(7,219)</b>
Cash and cash equivalents at the beginning of the year		9,773	8,960
Foreign exchange on equity		(123)	8,032
<b>Cash and cash equivalents at end of year</b>		<b>2,187</b>	<b>9,773</b>

The accounting policies and notes on pages 16 to 41 are an integral part of these financial statements.



# Notes to the Financial Statements

For the year ended December 31, 2020

## 1. ACCOUNTING POLICIES

### 1.1. Company and its operations

Allianz Management Services Limited (the "Company") is a private limited company incorporated and domiciled in England and Wales.

### 1.2. Statement of Compliance

The financial statements of the Company have been prepared and approved by the Directors in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006.

### 1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

- Pension benefit obligation- held at fair value.
- Lease liability- please refer to accounting policy c.

The functional and presentational currency is British Pounds.

### Going concern

These financial statements are prepared on a going concern basis. For more information on the going concern assessment please refer to Going Concern within the Strategic Report on page 3.

### UK-adopted international accounting standards

On December 31, 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board ("UKEB").

### New standards and interpretations adopted by the Company

There are no new standards and interpretations that are mandatorily effective from January 1, 2020.

### 1.4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out in the following paragraphs:

#### *(a) Property and equipment*

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property and equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the Balance Sheet date, of each asset evenly over its expected useful life as follows:

Equipment and motor vehicles	–	4 years
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The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *(b) Intangible assets*

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

Computer software	-	3 to 5 years
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The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Costs associated with the development of software for internal use are capitalised only if the software is technically feasible for sale or in use on completion and the Company has both the interest and sufficient resources to complete the development.

# Notes to the Financial Statements

For the year ended December 31, 2020

## 1. ACCOUNTING POLICIES (continued)

### 1.4. Summary of significant accounting policies (continued)

#### **(c) Company as a Lessee**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or incentives received at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove and restore the underlying asset and the site on which it is located.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the asset's useful life or end of the lease term, in line with the Company's policy for Property and Equipment. The Company applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments and increasing the carrying amount to reflect interest on the lease liability. The carrying amount will also be adjusted to reflect any reassessment or lease modifications specified in the standard.

The lease term is determined as the non-cancellable period of a lease, together with options to extend or terminate which the Company deems as reasonably certain.

The Company has elected to not recognise right of use assets and lease liabilities for short-term leases and leases of low-value assets. The lease payments are recognised as an expense on a straight-line basis over the lease term.

#### **(d) Income taxes**

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the Balance Sheet date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each Balance Sheet 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 deferred income tax asset to be utilised.

Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the financial statements as though the payment has been made to the relevant tax authorities.

#### **(e) Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

# Notes to the Financial Statements

For the year ended December 31, 2020

## 1. ACCOUNTING POLICIES (continued)

### 1.4 Summary of significant accounting policies (continued)

#### *(e) Impairment of assets (continued)*

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *(f) Trade and other receivables*

Trade and other receivables are initially recognised and subsequently re-measured at amortised cost after taking into account any impairment losses. Trade and other receivables shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

An expected credit loss ("ECL") provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL.

The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

#### *(g) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand with an original maturity of three months or less at the date of placement, free of any encumbrances.

An ECL provision is assessed as at the Balance Sheet date and the carrying amount of the cash and cash equivalents balance is reported after deduction of any ECL.

The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the cash and cash equivalents multiplied by a 1 year PD, an appropriate LGD and tenor.

#### *(h) Provisions for other liabilities and charges*

A provision is recognised when the Company has a present legal or constructive obligation, as a result of a past event, which it is probable, will result in an outflow of resources and when a reliable estimate of the amount of the obligation can be made. If the effect is material, the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment for the time value of money and, where appropriate, the risk specific to the liability. The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

The Company recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

# Notes to the Financial Statements

For the year ended December 31, 2020

## ACCOUNTING POLICIES (continued)

### 1.4. Summary of significant accounting policies (continued)

#### *(i) Trade and other payables*

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are initially recognised and subsequently measured at cost because they are expected to be settled within twelve months and their carrying value is a reasonable approximation of fair value.

#### *(j) Interest-bearing loans*

Interest-bearing loans are stated at cost.

#### *(k) Retirement and termination benefit costs*

The Company sponsors two pension schemes:

- The Allianz Retirement and Death Benefit Fund ("ARDBF") – this is defined benefit only. It is operated jointly by the Company and a trustee board.
- A Group Personal Pension Plan ("GPPP") – this is defined contribution only. It is operated by Aviva.

The Company became the Principal Employer to the ARDBF on September 1, 2005. Since that date, the Company has accounted for pensions in accordance with IAS19 and the disclosures given are those required by that standard.

For the ARDBF, the cost of providing benefits is determined using the projected unit credit method. For the GPPP, the cost of providing benefits is determined as the contributions payable during the year.

Contributions payable to the ARDBF do not affect the measurement of the defined benefit liability or asset recognised on the Company Balance Sheet on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of ARDBF liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the ARDBF or modify benefits.

Termination benefits are payable when employment is terminated by the Company or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

#### *(l) Revenue recognition*

Revenue recognised relates to a mark-up charged on the expenses the Company handles on behalf of the Group. Revenue is measured at the fair value of the consideration received. Revenue is recognised when the performance obligation has been satisfied.

The Company has one performance obligation within its revenue stream:

- Re-allocation of expenses across the Group - The performance obligation is the re-allocation of expenses incurred on behalf of the Group. Revenue relates to a flat rate percentage mark-up on the expenses re-allocated. This obligation is satisfied when the expenses are recharged and as such the revenue is recognised immediately.

#### *(m) Foreign currency translation*

The Company's presentational currency is British Pounds. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Statement of Comprehensive Income, unless required to be taken to equity.

## 2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

The critical judgements, estimations and assumptions that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

#### *Assumptions used to determine the carrying amount of the defined benefit obligation*

The key actuarial assumptions are the discount rate, CPI inflation and life expectancy. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's defined benefit obligation and the sensitivity of those amounts to changes in the assumptions are provided in note 12.

### 3. REVENUE

	2020	Restated <sup>(1)</sup> 2019
	£'000	£'000
Rendering of services to related parties	<u>435,831</u>	<u>412,169</u>

<sup>(1)</sup> The Company employs the majority of the Group staff and administers the payroll for one other Group Company. The staff costs incurred by the Company are subsequently recharged across the Group. In 2019, some of these expenses were excluded from both the Company's revenue and administrative expenses. In addition, the administrative expenses relating to the payroll administered on behalf of another Group entity were included in the Company's administrative expenses and revenue. These have been restated to better reflect the nature of the arrangement as the Company acts as an agent and therefore should not incur the expense nor allocate this across the Group. The revenue has been restated from £408,569k to £412,169k and administrative expenses have been restated from £391,245k to £394,845k. There was no impact on retained earnings.

### 4. ADMINISTRATIVE EXPENSES

	2020	Restated <sup>(1,2)</sup> 2019
	£'000	£'000
Depreciation of plant and equipment	2,926	3,567
Depreciation of right of use asset	5,881	6,452
Amortisation of intangible assets	7,249	6,268
Short term lease payments	499	833
Information and communication	64,853	69,291
Consultancy and marketing Costs	18,909	20,426
Facilities and rates	13,407	15,900
Employee related costs	221,047	214,384
Donations	10,038	468
Other expenses	75,255	57,256
	<u>420,064</u>	<u>394,845</u>

<sup>(1)</sup>Refer to note 3

<sup>(2)</sup>Refer to note 5

## Notes to the Financial Statements

For the year ended December 31, 2020

### 5. EMPLOYEE RELATED COSTS

	2020	Restated <sup>(1,2)</sup> 2019
	£'000	£'000
Wages and salaries	179,169	175,855
Social security costs	22,439	21,331
Other pension costs	19,439	17,198
	<u>221,047</u>	<u>214,384</u>

<sup>(1)</sup>Refer to note 3

<sup>(2)</sup>During the year, it was determined that the 2019 other pension costs included employee contributions. The 2019 other pension costs have been restated from £27,156k to £17,198k to reflect the true pension cost to the Company.

The average monthly number of employees during the year was made up as follows:

	2020 No.	2019 No.
Management	450	449
Underwriting and claims	3,311	3,398
Finance and administration	410	368
	<u>4,171</u>	<u>4,215</u>

### 6. FINANCE COST

	2020	2019
	£'000	£'000
Interest expense on lease liabilities	365	406
Interest on loan	760	-
	<u>1,125</u>	<u>406</u>

### 7. AUDITORS' REMUNERATION

The total remuneration payable by the company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. Other services supplied pursuant to legislation were £nil (2019: £nil).

	2020	2019
	£'000	£'000
Fees payable for audit of the Company's financial statements	<u>33</u>	<u>18</u>

## Notes to the Financial Statements

For the year ended December 31, 2020

### 8. INCOME TAX EXPENSE

*(a) Income tax recognised in profit or loss*

	2020	2019
	£'000	£'000
<b>Current tax</b>		
In respect of the current year	(6,717)	(6,846)
In respect of prior years	4,418	187
Total current tax	<u>(2,299)</u>	<u>(6,659)</u>
<b>Deferred tax</b>		
In respect of the current year	30,087	11,049
In respect of prior years	(2,862)	(267)
Adjustments to deferred tax attributable to changes in tax rates and laws	7,219	(1,163)
Total deferred tax	<u>34,444</u>	<u>9,619</u>
Total income tax expense recognised in the current year	<u><u>32,145</u></u>	<u><u>2,960</u></u>

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2020	2019
	£'000	£'000
Profit before tax from continuing operations	<u>119,619</u>	<u>18,318</u>
Income tax expense calculated at 19.0% (2019: 19.0%)	22,728	3,480
Effect of expenses not deductible for tax purposes	551	551
Effect of pension adjustments	5,611	(1,207)
Effect of prior year adjustment	4,418	187
Effect of reversal of timing differences	(3,063)	-
Effect of capital allowances and other provisions	1,807	88
Effect of imputed transfer pricing adjustments	93	(139)
Income tax expense recognised in profit or loss	<u><u>32,145</u></u>	<u><u>2,960</u></u>

## Notes to the Financial Statements

For the year ended December 31, 2020

### 8. INCOME TAX EXPENSE (continued)

#### (a) Income tax recognised in profit or loss (continued)

The tax rate used for the 2020 and 2019 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax will be 19% for 2021.

#### (b) Income tax recognised in other comprehensive (expense)/income

	2020	2019
	£'000	£'000
Deferred tax	<u>(18,159)</u>	<u>433</u>
Total income tax recognised in other comprehensive (expense)/income	<u><u>(18,159)</u></u>	<u><u>433</u></u>

#### (c) Tax paid for cash flow purposes

	2020	2019
	£'000	£'000
<b>Current tax receivable at January 1</b>	(6,846)	(7,694)
Amounts charged to the income statement	32,145	2,960
Movements in deferred tax asset in the statement of comprehensive income	(34,444)	(9,619)
Other movements	25	(45)
Tax received during the year	<u>3,321</u>	<u>7,552</u>
<b>Current tax receivable at December 31</b>	<u><u>(5,799)</u></u>	<u><u>(6,846)</u></u>

#### (d) Current tax assets

	2020	2019
	£'000	£'000
Current tax assets	<u>5,799</u>	<u>6,846</u>

#### (e) Deferred tax balances

	2020	2019
	£'000	£'000
<b>The balance comprises temporary differences attributable to:</b>		
Defined benefit pension obligation ("DBO Pension")	77,326	59,167
Pension spreading	2,660	4,829
Tax losses	3,063	-
Capital allowances	<u>2,272</u>	<u>1,912</u>
Total deferred tax assets	<u>85,321</u>	<u>65,908</u>
Set-off deferred tax liabilities pursuant to set-off provisions	<u>(77,326)</u>	<u>(59,167)</u>
Net deferred tax assets	<u><u>7,995</u></u>	<u><u>6,741</u></u>



## Notes to the Financial Statements

For the year ended December 31, 2020

### 8. INCOME TAX EXPENSE (continued)

#### (e) Deferred tax balances (continued)

Movements	DBO Pension £'000	Tax losses £'000	Pension spreading £'000	Capital allowances £'000	Total £'000
<b>At January 1, 2019</b>	59,600	-	7,131	2,001	68,732
Charged					
- to profit or loss	-	-	(2,302)	(89)	(2,391)
- to other comprehensive income	(433)	-	-	-	(433)
<b>At December 31, 2019</b>	59,167	-	4,829	1,912	65,908
Credited/(charged)					
- to profit or loss	-	3,063	(2,169)	360	1,254
- to other comprehensive expense	18,159	-	-	-	18,159
<b>At December 31, 2020</b>	77,326	3,063	2,660	2,272	85,321

#### (ii) Deferred tax liabilities

	2020 £'000	2019 £'000
<b>The balance comprises temporary differences attributable to:</b>		
Pension contributions	106,001	70,302
Total deferred tax liabilities	106,001	70,302
Set-off of deferred tax liabilities pursuant to set-off provisions	(77,326)	(59,167)
Net deferred tax liabilities	28,675	11,135

Movements	Pension contributions £'000	Total £'000
<b>At January 1, 2019</b>	63,074	63,074
Charged to profit or loss	7,228	7,228
<b>At December 31, 2019</b>	70,302	70,302
Changed to profit or loss	35,699	35,699
<b>At December 31, 2020</b>	106,001	106,001

	2020 £'000	2019 £'000
Deferred tax asset	7,995	6,741
Deferred tax liability	(28,675)	(11,135)

## Notes to the Financial Statements

For the year ended December 31, 2020

### 8. INCOME TAX EXPENSE (continued) (e) *Deferred tax balances (continued)*

	2020	2019
Current deferred tax asset	5,721	2,413
Non current deferred tax asset	2,274	4,328
Non current deferred tax liability	(28,675)	(11,135)

The UK Government announced its intention in the budget of March 3, 2021 to legislate to increase the rate of corporation tax from 19% to 25% with effect from April 1, 2023. This legislation is expected to be substantively enacted by summer 2021. If the deferred tax balance less amounts expected to reverse within one year is re-measured using a rate of 25% at December 31, 2020, the deferred tax asset would increase to £2,992k and the liability would increase to £37,730k.

### 9. DIRECTORS' EMOLUMENTS

J M Dye, F K Dyson and J A Harrison were not directly remunerated for their roles as Directors of the Company as the amount of time they spent performing their duties was incidental to their roles as key management personnel of the Group.

The Company pays the Directors' emoluments on behalf of the Group.

### 10. INTANGIBLE ASSETS

<b>Cost</b>	<b>£'000</b>
At January 1, 2019	62,352
Additions	6,131
Disposals	(45)
At December 31, 2019	68,438
Additions	4,263
Disposals	(8,232)
At December 31, 2020	64,469
<b>Accumulated amortisation</b>	
At January 1, 2019	29,397
Amortisation during the year	6,268
Disposals	(45)
At December 31, 2019	35,620
Amortisation during the year	7,249
Disposals	(2,350)
At December 31, 2020	40,519
Net book value at December 31, 2019	32,818
Net book value at December 31, 2020	23,950

## Notes to the Financial Statements

For the year ended December 31, 2020

### 11. PROPERTY AND EQUIPMENT

	<i>Motor Vehicles</i>	<i>Dilapidations</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>			
At January 1, 2019	19,049	2,973	22,022
Adjustment on transition to IFRS 16	-	(2,973)	(2,973)
Additions	4,608	-	4,608
Disposals	(5,651)	-	(5,651)
At December 31, 2019	<u>18,006</u>	<u>-</u>	<u>18,006</u>
Additions	3,533	-	3,533
Disposals	(20,648)	-	(20,648)
At December 31, 2020	<u>891</u>	<u>-</u>	<u>891</u>
<b>Accumulated depreciation</b>			
At January 1, 2019	7,829	571	8,400
Adjustments on transition to IFRS 16	-	(571)	(571)
Provided during the year	3,567	-	3,567
Disposals	(4,199)	-	(4,199)
At December 31, 2019	<u>7,197</u>	<u>-</u>	<u>7,197</u>
Provided during the year	2,926	-	2,926
Disposals	(9,633)	-	(9,633)
At December 31, 2020	<u>490</u>	<u>-</u>	<u>490</u>
Net book value At December 31, 2019	<u>10,809</u>	<u>-</u>	<u>10,809</u>
Net book value At December 31, 2020	<u>401</u>	<u>-</u>	<u>401</u>

In October 2020, the Company sold the majority of its fleet of motor vehicles and has subsequently entered into a leasing arrangement for the aforementioned fleet. For further details please see note 13.

# Notes to the Financial Statements

For the year ended December 31, 2020

## 12. DEFINED BENEFIT PENSION PLAN SURPLUS

### The Company sponsors two pension schemes:

- The ARDBF – this is defined benefit only. It is operated jointly by the Company and a trustee board.
- A GPPP – this is defined contribution only. It is operated by Aviva.

The Company became the principal Employer to the ARDBF on September 1, 2005.

### GPPP

The assets of the GPPP are held separately in independently administered funds. The cost of providing benefits in the GPPP is determined as the contributions payable by the Company during the year, which was £30.2m during 2020 (2019: £28.9m).

### ARDBF

The ARDBF is a Registered Scheme under the provisions of Schedule 36 of the Finance Act 2004 and is a funded pension scheme providing benefits for some of its employees with each member's pension at retirement based on pensionable service and final pensionable pay.

The ARDBF is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the ARDBF is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Company must agree with the trustee of the ARDBF the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The trustee board of the ARDBF is required by law to act in the best interests of members and is responsible for setting certain policies (e.g. investment and contribution policies). The ARDBF is currently being funded by the Company based on an actuarial valuation with an effective date of March 31, 2017. At that date, the market value of the assets in the ARDBF was £1,036m. Based on the assumptions used for funding purposes, the value of the assets was sufficient at that date to cover 80% of the value of the benefits that members had accrued and so deficit contributions were agreed. The assumptions used are set out in the "Statement of Funding Principles" document agreed by the trustee board and Company, but the key assumptions were:

- Investment return of 2.05% pa
- RPI inflation of 3.4% pa.

These assumptions used for funding purposes are different from those used in this disclosure for IAS19 purposes.

The AGF Pension and Life Assurance Scheme ("the AGF Scheme") merged into the ARDBF in April 2018. Reflecting the overall funding level of both the ARDBF and the transferring AGF Scheme membership at March 31, 2017, the trustee board and the Company agreed a recovery plan including additional deficit contributions of £40.0m in February / March 2018, £60.0m paid in April 2018 and deficit contributions of £44.4m payable annually until March 31, 2022 with a final payment of £11.1m in 2022.

The more recent actuarial valuation is currently underway with an effective date of March 31, 2020. As part of this valuation a new recovery plan may be agreed.

The total amount of Company contributions paid into the ARDBF during 2020 was £44.4m (2019: £44.4m). Company contributions to the ARDBF over 2021 are expected to be £44.4m (based on the current recovery plan).

## Notes to the Financial Statements

For the year ended December 31, 2020

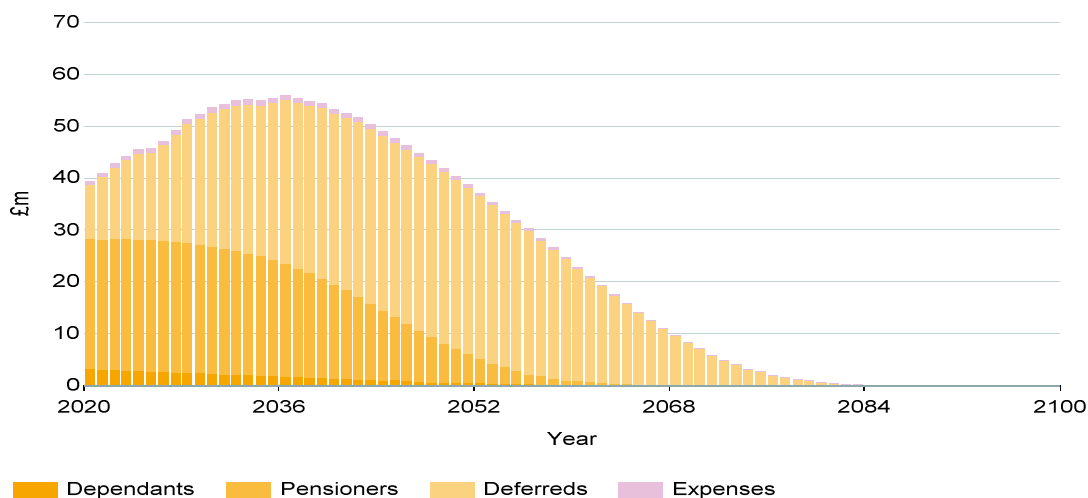
### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

#### ARDBF (continued)

An approximate split of the defined benefit obligation by member status is as follows:

Deferred members	50%
Pensioner members	50%
	100%

The chart below illustrates the expected future cashflows for the ARDBF.



Based on the Company's interpretation of the rules, any surplus is recognised on the Balance Sheet and there is no additional liability arising from a minimum funding requirement under IFRIC14. This is on the basis that:

- Under IFRIC14 paragraph 11, a refund is available to the Company if the entity has an unconditional right to a refund assuming gradual settlement of the fund liabilities over time until all members have left the fund. The Company's interpretation is that the Company does have such a right.
- IFRIC14 paragraph 12 clarifies that if the entity's right to a refund of a surplus depends on the occurrence or non-occurrence of events not wholly within its control, the entity does not have an unconditional right and shall not recognise an asset. The 2015 exposure draft of IFRIC14 further clarified that if the trustees of the fund have the power to wind up the fund, or augment benefits, without the company's consent, then the Company would not have an unconditional right. A layman's reading of the rules is that the trustees of the ARDBF do not appear to have the power to wind-up the ARDBF or augment benefits without the Company's consent.

The assets of the ARDBF are held in separate trustee administered funds. In consultation with the Company, the trustee board periodically reviews the investment strategy of the ARDBF with the aim of meeting benefit payments as they fall due and maintaining the funding position at an appropriate level subject to an appropriate level of risk. These broad principles have led to the investment strategy below. There is no exact matching of assets and liabilities in the form of insurance policies or derivatives.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

#### ARDBF (continued)

The approximate split of the ARDBF assets at the reporting date is as follows:

Growth assets	9%
Matching Assets	91%
	100%

A significant part of the assets of the ARDBF are invested so as to mitigate fluctuations in the ARDBF's funding levels due to changes in the value of the liabilities. This is primarily achieved through the use of 'liability driven investments' ("LDI"), whose main goal is to hedge movements in the liabilities due to changes in interest rate and inflation expectations. Currently, the LDI portfolio targets a high hedging level for interest rates and inflation expectations on a gilts-based funding measure, as opposed to the IAS 19 accounting measure.

The ARDBF's approach to LDI involves the use of fixed-interest and index-linked government bonds – currently, there is no use of derivatives (such as interest rate, inflation and longevity swaps) or annuities. Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the trustees, their advisers and the ARDBF's LDI manager, who periodically assess the position.

The liability figures in this disclosure also include figures in respect of a small unfunded post-retirement medical healthcare arrangement and a small unfunded top-up pension benefit arrangement provided to certain senior employees, with a combined IAS 19 defined benefit liability at December 31, 2020 of around £6.5m.

The ARDBF, unfunded post-retirement medical healthcare arrangement and unfunded top-up pension benefit arrangement expose the Company to a number of risks:

Risk	Detail
Uncertainty in benefit payments	The value of the Company liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will primarily depend on the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live. In particular, the ultimate impact of Covid-19 on life expectancy is uncertain at this stage.
Volatility in asset values	The Company is exposed to future movements in the values of assets held in the ARDBF to meet future benefit payments.
Uncertainty in cash funding	Movements in the values of the obligations or assets may result in the Company being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. In addition the Company is also exposed to adverse changes in pension regulation.

On June 30, 2020, the Trustee of the ARDBF and the Company jointly agreed to change the indexation of certain members' future benefits to be linked to the CPI measure of inflation rather than the RPI measure. The agreement changed the indexation for the pre-retirement increases to the affected members' pensions with immediate effect. The indexation for future increases in payment to the affected members' pensions will be reflected at the next annual pension increase date (April 2021). This change in indexation results in a past service credit of £101.2m being recognised at June 30, 2020, based on assumptions as at this date.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

#### ARDBF (continued)

To allow for this event, the defined benefit obligation has been remeasured as at June 30, 2020. The following table sets out the key IAS19 assumptions used for the ARDBF, the unfunded post-retirement medical healthcare arrangement and the unfunded top-up pension benefit arrangement.

Assumptions	December 31, 2020	June 30, 2020	December 31, 2019	December, 31 2018
Discount rate	1.3% pa	1.5% pa	2.1% pa	2.7% pa
RPI inflation	2.9% pa	2.8% pa	3.0% pa	3.3% pa
CPI inflation	2.3% pa	2.0% pa	1.9% pa	2.2% pa
Life expectancy of male aged 60 at the balance sheet date	27.1 years	27.1 years	27.1 years	27.3 years
Life expectancy of male aged 60 at the balance sheet date plus 20 years	28.6 years	28.7 years	28.6 years	28.8 years
Life expectancy of female aged 60 at the balance sheet date	29.7 years	29.3 years	29.2 years	29.4 years
Life expectancy of female aged 60 at the balance sheet date plus 20 years	31.1 years	30.8 years	30.8 years	30.9 years

- Discount rate – In line with December 31, 2019, as at December 31, 2020 the Company continue to adopt the LCP Treasury Model to derive the discount rate.
- RPI inflation rate – The RPI inflation assumption is set by reference to swap market rates and reflects the duration of the pension liabilities. An inflation risk premium of 0.3% pa (0.2% pa at 2019 year-end) is deducted from the swap rate at both June 30, 2020 and December 31, 2020.
- CPI inflation rate – At June 30, 2020, the CPI inflation assumption is set as the RPI assumption less a deduction of 0.8% pa (deduction of 1.1% pa at 2019 year-end).
- These changes to the inflation assumptions have been driven by market reaction to the UK Statistics Authority's September 2019 announcement that the RPI inflation measure would change to be equal to CPIH inflation from no later than 2030. When combined, the change in the inflation assumptions results in a decrease in the defined benefit obligations of approximately £15m at June 30, 2020.
- Following further announcements in November 2020 clarifying that RPI will effectively become CPIH from 2030 onwards, the CPI inflation assumption was set as the RPI assumption less an average deduction of 0.6% pa at December 31, 2020. This led to an increase in the defined benefit obligation of approximately £30m at December 31, 2020.
- Life expectancies (for both male and female, current and future) – The Company have updated the mortality assumption as at December 31, 2020 to reflect the latest available industry wide data for future improvement projections. This change leads to a decrease in the defined benefit obligations of approximately £2m.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

#### ARDBF (continued)

Other IAS19 assumptions used include:

Assumptions	December 31, 2020	June 30, 2020	December 31, 2019	December 31, 2018
Pension increases in deferment for ARDBF membership	2.9% pa / 2.3% pa	2.8% pa / 2.0% pa	3.0% pa	3.3% pa
Pension increases in deferment for legacy AGF Scheme membership	2.3% pa	2.0% pa	1.9% pa	2.2% pa
Pension increases in payment (RPI, up to maximum of 5% pa)	2.8% pa	2.7% pa	2.9% pa	3.1% pa
Pension increases in payment (RPI, up to maximum of 2.5% pa)	N/A	N/A	2.0% pa	2.1% pa
Pension increases in payment (RPI, minimum of 3% up to maximum of 4% pa)	3.4% pa	3.4% pa	3.4% pa	3.5% pa
Pension increases in payment (RPI, minimum of 3% up to maximum of 5% pa)	3.6% pa	3.5% pa	3.6% pa	3.7% pa
Pension increases in payment (CPI, up to a maximum of 5% pa)	2.3% pa	2.1% pa	N/A	N/A
Pension increases in payment (CPI, up to a maximum of 2.5% pa)	1.8% pa	1.7% pa	N/A	N/A
Pension increases in payment (CPI, up to a maximum of 3% pa)	2.0% pa	1.8% pa	1.8% pa	2.0% pa
Real long-term healthcare inflation	2.5% pa	2.5% pa	2.5% pa	2.5% pa

At December 31, 2020, the weighted average duration of the defined benefit obligation of the ARDBF was 17.3 years (2019: 17.7 years).

At December 31, 2018 (and 2019), the Company made an allowance on the balance sheet to make provision for the estimated costs of removing Guaranteed Minimum Pension ("GMP") inequalities as c.0.8% of total IAS19 liabilities. The Company have adopted a consistent approach at December 31, 2020.

Following a further judgment issued on November 20, 2020, the Company have also included an additional reserve to allow for the impact of GMP equalisation in respect of historical individual transfer payments from the fund (where not already allowed for) of £1.0m.



## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

The actual return on the ARDBF assets over the year was a gain of £155.2m (2019: gain of £109.8m). The current allocation of the ARDBF assets is as follows:

	2020	2019	2018
	£'m	£'m	£'m
Assets with a quoted market price in an active market			
Equity instruments	-	12.1	14.1
Debt instruments	1,221.0	1,156.2	1,060.3
Other	71.4	11.9	11.4
Sub-total	<u>1,292.4</u>	<u>1,180.2</u>	<u>1,085.8</u>
Assets without a quoted market price in an active market			
Debt instruments	104.2	77.5	49.1
Property	83.9	84.2	119.9
Sub-total	<u>188.1</u>	<u>161.7</u>	<u>169.0</u>
Total	<u><u>1,480.5</u></u>	<u><u>1,341.9</u></u>	<u><u>1,254.8</u></u>

None of the ARDBF assets are invested directly in the Company's own financial instruments or any property occupied by, or assets used by, the Company.

In respect of the ARDBF, the unfunded post-retirement medical healthcare arrangement and the unfunded top-up pension benefit arrangement combined, the following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/(assets) and its components over 2019 and 2020.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

	Defined benefit obligation		Fair value of scheme assets		Net benefit liability/(asset)	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Balance at January 1	1,276.4	1,234.4	(1,341.9)	(1,254.8)	(65.5)	(20.4)
<b>Included in profit or loss</b>						
Interest cost/(income)	22.7	32.5	(25.2)	(33.9)	(2.5)	(1.4)
Past service credit	(100.4)	-	-	-	(100.4)	-
<b>Total (income)/expense included in profit or loss</b>	<b>(77.7)</b>	<b>32.5</b>	<b>(25.2)</b>	<b>(33.9)</b>	<b>(102.9)</b>	<b>(1.4)</b>
<b>Included in OCI</b>						
Re-measurement loss/(gain): <i>Actuarial loss/(gain) arising from:</i>						
- demographic assumptions <sup>1</sup>	18.5	(15.5)	-	-	18.5	(15.5)
- financial assumptions	207.8	100.0	-	-	207.8	100.0
- experience adjustments <sup>2</sup>	(37.3)	(11.1)	-	-	(37.3)	(11.1)
- Return on plan assets excluding interest income on assets	-	-	(130.0)	(75.9)	(130.0)	(75.9)
<b>Total loss/(gain) included in OCI</b>	<b>189.0</b>	<b>73.4</b>	<b>(130.0)</b>	<b>(75.9)</b>	<b>59.0</b>	<b>(2.5)</b>
<b>Other</b>						
Contributions by the employer	-	-	(44.7)	(44.9)	(44.7)	(44.9)
Benefits paid	(58.1)	(63.9)	58.1	63.9	-	-
<b>Total other</b>	<b>(58.1)</b>	<b>(63.9)</b>	<b>13.4</b>	<b>19.0</b>	<b>(44.7)</b>	<b>(44.9)</b>
<b>Administration costs</b>	<b>-</b>	<b>-</b>	<b>3.2</b>	<b>3.7</b>	<b>3.2</b>	<b>3.7</b>
<b>Balance at December 31</b>	<b>1,329.6</b>	<b>1,276.4</b>	<b>(1,480.5)</b>	<b>(1,341.9)</b>	<b>(150.9)</b>	<b>(65.5)</b>
<b>Represented by</b>						
Net defined benefit asset					(150.9)	(65.5)

<sup>1</sup>Due to update in mortality assumption and change in the commutation factors set by the Trustee of the ARDBF.

<sup>2</sup>Due to pension increases being lower than expected and experience as a result of updating to the 2020 valuation membership data.

The following sensitivities have been calculated to show the movement in the defined benefit obligation due to changes in assumptions, and assuming no other changes in market conditions at the accounting date and holding all other assumptions constant. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the ARDBF.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

	Increase in assumption at December 31, 2020 £'m	Decrease in assumption at December 31, 2020 £'m
Discount rate (0.5% pa movement)	(109)	124
RPI and CPI inflation assumption (0.25% pa movement) <sup>(1)</sup>	45	(43)
Life expectancy (one-year movement)	(56)	(56)

<sup>(1)</sup> Including a consistent movement in the pension increase assumptions

### 13. LEASES

#### Lease agreements where the Company is lessee

Right-of-use assets	Property		Motor vehicles		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<i>Cost</i>						
At January 1,	36,151	32,718	-	-	36,151	32,718
Additions	-	4,166	6,923	-	6,923	4,166
Modification to the lease	(646)	(733)	-	-	(646)	(733)
At December 31,	<u>35,505</u>	<u>36,151</u>	<u>6,923</u>	<u>-</u>	<u>42,428</u>	<u>36,151</u>
<i>Accumulated depreciation</i>						
At January 1,	6,452	-	-	-	6,452	-
Modification to the lease	(105)	-	-	-	(105)	-
Charge for the year	5,341	6,452	540	-	5,881	6,452
At December 31,	<u>11,688</u>	<u>6,452</u>	<u>540</u>	<u>-</u>	<u>12,228</u>	<u>6,452</u>
<i>Carrying amount</i>						
At December 31	<u><u>23,817</u></u>	<u><u>29,699</u></u>	<u><u>6,383</u></u>	<u><u>-</u></u>	<u><u>30,200</u></u>	<u><u>29,699</u></u>

Amounts recognised in profit and loss:

	Property		Motor vehicles		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Depreciation expense on right of use asset	5,341	6,452	540	-	5,881	6,452
Interest expense on lease liabilities	362	406	3	-	365	406
Expenses relating to short term leases	499	833	-	-	499	833
Variable lease payments not included in measurement of lease liabilities	-	61	-	-	-	61

## Notes to the Financial Statements

For the year ended December 31, 2020

### 13. LEASES (continued)

At December 31, 2020, the Company is committed to £985k for short-term leases (2019: £1,000k). The total cash outflow for leases amounted to £6,403k for the year ended December 31, 2020. (2019: £6,572k)

Lease liabilities:

	Property		Cars		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current	4,606	5,063	2,904	-	7,510	5,063
Non current	17,607	22,308	3,394	-	21,001	22,308
<b>Total lease liabilities</b>	<b>22,213</b>	<b>27,371</b>	<b>6,298</b>	<b>-</b>	<b>28,511</b>	<b>27,371</b>

Maturity analysis – contractual undiscounted cash flows:

	Property		Cars		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Year 1	4,606	5,063	2,904	-	7,510	5,063
Year 2	4,351	4,630	2,004	-	6,355	4,630
Year 3	3,968	4,443	1,192	-	5,160	4,443
Year 4	3,519	4,083	217	-	3,736	4,083
Year 5	3,171	3,636	-	-	3,171	3,636
Onwards	3,573	6,874	-	-	3,573	6,874
<b>Total</b>	<b>23,188</b>	<b>28,729</b>	<b>6,317</b>	<b>-</b>	<b>29,505</b>	<b>28,729</b>

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

### 14. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts due from related parties	20,570	34,900
Prepayments	2,142	1,847
Finance sublease receivable	7	15
Other receivables	9,848	7,723
	<b>32,567</b>	<b>44,485</b>

Trade and other receivables approximate to fair value. All other receivables are due within 12 months of the Balance Sheet date.

The Company has concluded that the ECL model has made no significant impact on the valuation of receivables reported in the financial statements.

### 15. CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and cash equivalents	2,187	9,773

## Notes to the Financial Statements

For the year ended December 31, 2020

### 15. CASH AND CASH EQUIVALENTS (continued)

The company has concluded that the ECL model has made no significant impact on the valuation of cash and cash equivalents reported in the financial statements.

### 16. SHARE CAPITAL

	2020	2019
	£	£
Ordinary shares of £1 each fully paid at January 1	1	1
Capital injection	<u>44,350,000</u>	<u>-</u>
Ordinary shares of £1 each fully paid at December 31	<u>44,350,001</u>	<u>1</u>

The Company received a capital injection of £44,350,000 during the year.

### 17. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Amounts due to related parties	3,429	42,016
Accruals and deferred income	7,949	25,948
Other payables	<u>50,674</u>	<u>39,873</u>
	<u>62,052</u>	<u>107,837</u>

Trade and other payables approximate to fair value. All of the liabilities are payable within 12 months of the Balance Sheet date.

### 18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Dilapidation
	£'000
<b>At January 1, 2019</b>	4,657
Utilised in the year	<u>(202)</u>
<b>At December 31, 2019</b>	4,455
Utilised in the year	<u>(271)</u>
<b>At December 31, 2020</b>	<u>4,184</u>

	2020	2019
	£'000	£'000
Current	720	-
Non current	3,464	4,455

The Company leases operational properties located throughout Great Britain. Within most of the agreements is a condition requiring the Company to make restorations upon the termination of a lease.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 19. LOAN FROM RELATED PARTY

	2020	2019
	£'000	£'000
Loan from related party	<u>145,800</u>	<u>162,000</u>
	<u>145,800</u>	<u>162,000</u>
Analysed as:		
Non-current	129,600	145,800
Current	<u>16,200</u>	<u>16,200</u>
	<u>145,800</u>	<u>162,000</u>

Amounts repayable to related party, Allianz Insurance plc ("AZI"), are to be repaid over 10 years, up to and including September 30, 2029 and carry interest at the Bank of England base rate +0.25%. The interest is payable quarterly and charged on the outstanding loan balance.

The loan is guaranteed by Allianz SE and the guarantee shall cover the loan amount owed under the facility agreement from the Company to AZI. The Company irrevocably and unconditionally undertakes that for such payments Allianz SE is required to make to AZI, under the guarantee, it shall reimburse Allianz SE in accordance with the guarantee agreement.

### 20. RISK MANAGEMENT POLICIES

#### Capital management

The Company's capital risk is determined with reference to the requirements of the Allianz Holdings plc group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2020 the Company had -£15,204k (2019: -£106,128k) of total capital employed. The Company is the recipient of a letter of support from Allianz Holdings plc.

The Company provides management services to the Allianz Holdings plc group. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

#### Financial Risk

The key financial risk is that proceeds from the realisation of assets are insufficient to meet obligations as they fall due. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk.

#### Market risk

Market risk is the risk that changes in market prices such as interest rate risks, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income.

Currency risk is the risk that fluctuations in exchange rates may lead to a material change in the value of currency denominated assets or liabilities. Currency risk is small but the Company is exposed to market risk due to invoices received in currencies other than British Pounds.

At December 31, the largest currency exposures were:

	2020	2019
	£'000	£'000
<b>Euros</b>		
Assets	1,752	1,032
Liabilities	6,364	685

## Notes to the Financial Statements

For the year ended December 31, 2020

### 20. RISK MANAGEMENT POLICIES (continued)

#### Market risk (continued)

The table below shows the sensitivity of the Company's profit or loss before tax and equity to changes in market risk factors.

	2020		2019	
	Profit/(loss) £'000	Equity £'000	Profit/(loss) £'000	Equity £'000
<b>Currency rate risk</b>				
10% increase in Euro exchange rate	-	(461)	-	35
10% decrease in Euro exchange rate	-	461	-	(35)

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its trade and other receivables and cash and cash equivalents.

The Company deems the risk associated with its trade and other receivables to be low as a large proportion of receivables are due from fellow Allianz SE Group subsidiaries and as such are A rated. Despite the other receivables being unrated, the Company deems the associated risk to be insignificant because these amounts are due from many separate counterparties and all receivables are due within 1 year. The Company deems the risk associated with its cash and cash equivalents to be low as the cash balances are held with a financial institution with an A+ credit rating.

#### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its right of use asset, deferred tax liability, trade and other payables, provisions for other liabilities and charges, loans and lease liability.

The Company considers the liquidity risk associated with the right of use asset and lease liability to be insignificant as these are related balances which unwind over the same lease term. The Company has sufficient liquid assets to meet the lease liabilities as they fall due.

The Company considers the liquidity risk associated with the deferred tax liability to be low as this is partially offset by a deferred tax asset and the Company has sufficient liquid assets to meet the remaining obligation as it falls due. The Company has a loan from a fellow Allianz Holdings plc Group Company, repayable over 10 years. The Company considers the liquidity risk of the loan to be low as the Company has sufficient liquid assets to meet the current liability as it falls due. The loan is guaranteed by Allianz SE as disclosed in note 19. The Company is exposed to liquidity risk associated with the trade and other payables and provisions for other liabilities and charges.

Although the Company does not have sufficient liquid assets to meet its liabilities, the Company is able to draw down from the liquid assets held elsewhere in the Group in order to meet its liabilities as they fall due. The Group has sufficient assets to meet the Company's liabilities and therefore the Company deems the liquidity risk to be low.

The Company is also exposed to risk relating to the Allianz Holdings Group pension fund; these risks are disclosed in note 12.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 21. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Allianz Holdings plc, a company registered in England and Wales.

The ultimate parent undertaking, Allianz Societas Europaea, is incorporated in Germany and is the parent of the largest group of undertakings for which Allianz SE group accounts are drawn up and of which the Company is a member.

Copies of the Allianz SE Group accounts are available on request from Allianz Societas Europaea, Königinstrasse 28, 80802 München, Germany.

### 22. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group undertakings and key management personnel in the normal course of business. Details of transactions carried out during the year with related parties are as follows:

	2020	Restated <sup>(1)</sup> 2019
	£'000	£'000
Provision of services	435,830	371,675
Interest on loan	759	58
Deficit funding contribution to the ARDBF	44,350	44,350
Contribution to the GPPP	30,185	28,900
Loan repaid	16,200	-
Capital injection received	44,350	-
Lease payments	1,180	1,180
<b>Loans from related party at December 31</b>		
Other related parties	<u>145,800</u>	<u>162,000</u>
	<u>145,800</u>	<u>162,000</u>

<sup>(1)</sup>Refer to note 3

Amounts payable to related party, AZI, are to be repaid over 10 years, up to and including September 30, 2029 and carry interest at the Bank of England base rate +0.25%. The interest is payable quarterly and charged on the outstanding loan balance. The loan is guaranteed by Allianz SE and the guarantee shall cover the loan amount owed under the facility agreement from the Company to AZI.

	2020	2019
	£'000	£'000
<b>Due from related parties at December 31</b>		
Parent	7,255	-
Other related parties	<u>13,315</u>	<u>34,900</u>
<b>Total</b>	<u>20,570</u>	<u>34,900</u>

	2020	2019
	£'000	£'000
<b>Due to related parties at December 31</b>		
Parent	-	33,307
Other related parties	<u>3,429</u>	<u>8,709</u>
<b>Total</b>	<u>3,429</u>	<u>42,016</u>

The Company acts as the management services provider for the Group. The Company employs Group staff, acts as sponsoring employer for the ARDBF and incurs costs on behalf of Group entities which are subsequently re-charged across the Group. Management services are provided on a cost-plus basis, allowing a margin of 5% (2019: 5%).

The Company's pension fund obligations have been guaranteed by its immediate parent undertaking Allianz Holdings plc.



## Notes to the Financial Statements

For the year ended December 31, 2020

### 22. RELATED PARTY TRANSACTIONS (continued)

#### Compensation of key management personnel

The key management personnel of the Company include all Directors. The summary of compensation for key management personnel for the year is as follows:

	2020 £'000	2019 £'000
Salaries and other short term employee benefits	1,187	1,067
	<u>1,187</u>	<u>1,067</u>

### 23. SHARE BASED PAYMENTS

#### Allianz SE Equity Incentive scheme

Members of the Allianz Holdings plc Management Board and other executives participate in the Allianz SE Equity Incentive scheme. The Company is the main employing entity for the Allianz Holdings plc Group. The scheme comprises Restricted Stock Units ("RSUs").

RSUs constitute the right to receive the value of an Allianz SE share equivalent to the stock market price at the time of exercise. RSUs are subject to a vesting period of four years and Allianz SE exercises them uniformly for all participants.

The fair value of the RSUs (equal to the market price of one Allianz SE share less expected future dividends) is expensed over the respective vesting periods.

The fair value is remeasured at each reporting period. The amount charged to the Statement of Comprehensive Income was £1,800k (2019: £2,900k). The liability recorded in the financial statements in respect of the RSUs as at December 31, 2020 was £5,600k (2019: £5,300k).

RSUs are allocated annually. The number of RSUs allocated to an individual is based upon a combination of Allianz SE performance against Plan, Group performance against Plan and individual performance against predefined targets, the same rules that apply throughout the Allianz SE Group. During 2020, RSUs were allocated to members of the Management Board and other executives.

RSU plan awards granted, forfeited and exercised as of December 31, 2020

Grant Date	Vesting period years	RSUs granted	RSUs forfeited	RSUs exercised	RSUs transferred in
March 2016	4	15,510	1,452	14,058	-
March 2017	4	15,190	1,205	2,475	368
March 2018	4	8,129	372	615	178
March 2019	4	13,925	-	-	51
March 2020	4	10,767	-	-	451

#### Employee Share Purchase Plan ("ESPP")

During the year, the Company offered employees the opportunity to participate in an ESPP. The ESPP allows employees to purchase shares in Allianz SE by contributing a fixed monthly amount. The Company adds £1 for every £3 contributed by the employees. The terms of the scheme specify a qualifying period of employment and employees must contribute for the entirety of the plan to receive the matching amount. The maximum amount that can be invested is 8% of annual gross base salary (excluding any variable payments), up to a maximum investment of the British Pounds equivalent of €11,500. At the end of the plan period, there is a restriction period during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. At the end of the plan period, the total (employee contribution plus matching amount) for each employee is used to purchase shares in Allianz SE and these are held in trust on behalf of the employee. As such, this transaction is a cash-settled share based payment and the vesting period has been completed by December 31, 2020. The total expense recognised in the year was £189k (2019:nil) and the corresponding provision held at year end is £189k (2019:nil).

## Notes to the Financial Statements

For the year ended December 31, 2020

### 23. SHARE BASED PAYMENTS (continued)

#### Employee Share Purchase Plan (“ESPP”) (continued)

During the year, the Company offered employees the opportunity to claim a free share in Allianz SE. The Company incurred the cost and a share in Allianz SE was purchased and held in trust on behalf of the employees that claimed the free share. As such, this transaction is a cash-settled share based payment. The cost of each share is determined as the average closing share price over the five trading days following the period the employees could claim the share. The terms of the scheme specify a qualifying period of employment and as such, the vesting period has been completed by December 31, 2020. There is a restriction period attached to the free share during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. The total expense recognised in the year was £699k (2019:nil).

### 24. DIVIDENDS

No interim dividend was paid for the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil).

### 25. SUBSEQUENT EVENTS

There have been no subsequent events after the Balance Sheet date.