Registered Number: 02071488

Annual Report and Financial Statements 2022

Allianz Properties Limited

Contents

Company Information

Directors	F K Dyson (ceased 29 May 2023)
	C J Holmes
	U Lange (appointed 30 May 2023)
Company secretary	C M Twemlow
Registered office	57 Ladymead
	Guildford
	Surrey
	GU1 1DB
Registered number	02071488
Independent Auditors	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	7 More London Riverside
	London
	SE1 2RT

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

The principal activity of Allianz Properties Limited ("the Company") is the management of a portfolio of investment properties.

Business review

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 9. The loss for the year wholly attributable to the equity holder amounted to £15,714k (2021: £27,239k profit).The loss for the year arose mainly from fair value losses on investment properties partly being offset by investment income.

Key performance indicators

The key performance indicators monitored by the Company are profit before tax, total equity and the performance of its investment portfolio. The loss before tax for the year was £19,384k (2021: £32,410k profit), which represented a significant decrease driven by the decreased value of the portfolio and at the year end the Company had £192,398k of total equity (2021: £208,112k).

The total return of the portfolio in 2022 was -8.9% (2021: 17.4%), in line with the market benchmark, the MSCI Quarterly Universe. During the first half of the year, the capital value of the portfolio increased by 13.6%, driven by a strong increase in valuations for the industrial sector. During the second half of the year, however, the fund suffered a 22.8% decline in capital values due to a sharp increase in borrowing costs and economic slowdown. Further repricing in real estate asset values is expected in 2023 but the portfolio is expected to outperform the market benchmark due to the overweight position in industrial property.

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of its investment property portfolio has a significant impact on the asset valuation and rental income received. The Company manages this risk by investing in high quality properties and regularly reviewing the portfolio.

During the year, the property portfolio decreased in value by £22,050k (2021: £21,410k increase). For more details, please refer to note 10.

Future Outlook

No changes in the principal activity are anticipated in the foreseeable future.

The commercial property market started 2023 on a relatively weak note as capital declines in the first two months of the year weighed on performance. All property capital values fell by 1.2% on the MSCI Monthly Index for the three months to March, while the income return was unchanged at 1.4%, resulting in an All Property total return of 0.2% for the quarter.

The commercial property market is expected to continue to weaken over the remainder of 2023 due to rising borrowing costs and slowing economic activity. There will continue to be variation in performance by sector and asset quality, with essential retail and industrial segments expected to outperform offices due to the ongoing uncertainty in occupational markets and increased capital expenditure costs driven by inflation and tighter ESG requirements.

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern.

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 (1) Companies Act 2006 Statement

Section 172 (1) of the Companies Act 2006 requires the Directors of a Company to act in a way that promotes the success of the company for the benefit of its members as a whole. The Directors of the Company are committed to promoting a healthy corporate culture and understand that striving to achieve the Company's strategic aims will ultimately increase the value of the Company, its parent, the Allianz Holdings plc ("AZH") Group ("the Group") and the wider Allianz SE Group.

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 2006 in the decisions taken during the year.

The Company is a wholly owned subsidiary of Allianz Insurance plc ("AZI") which is itself a wholly owned subsidiary of the Group of companies, which is one of the largest general insurers in the UK measured by gross written premium.

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 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. The Company's Directors are also directors of the Group Board and ensure that Group-wide strategy and stakeholder considerations are communicated to the Company's Board.

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and direction of the Group, including the impact on broader stakeholders of the Group, when making decisions. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business.

The Company's key stakeholders are its shareholder, property tenants, suppliers, service providers. Employees working on its business (who are employed by another entity within the Group) as well as wider stakeholders such as the local communities in which it operates and environmental considerations. The Company's Board meets as required. When strategic and operational matters are considered by the Company's Board, the Directors, in compliance with their S172(1) duties, have regard to the Company's relevant stakeholders and their interests as well as the long term consequences of their decisions on the Company and the wider Group.

During 2022 the Company's Board met to approve the annual report and financial statements for the year ended 31 December 2021.

On behalf of the Board

U Lange

Director

6 July 2023

Directors' Report for the Year Ended 31 December 2022

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

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Results for the year;
- Principal activities of the Company;
- Business review and Future prospects and
- Stakeholders.

Directors

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

F K Dyson (ceased 29 May 2023)

C J Holmes

U Lange (appointed 30 May 2023)

Directors' liabilities

A qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

Results and dividends

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 9. A review of the Company's business activities and any likely future developments can be found in the Strategic Report on page 2.

No interim dividend was paid for the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: £nil).

Future outlook

The future outlook for the Company is outlined in the Strategic Report on page 2.

Going concern

The going concern assessment for the Company is outlined in the Strategic Report on page 2.

Directors' responsibility to the stakeholders

Details on how the Board has had regard to the need to foster the Company's business relationships with its 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.

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.

Independent Auditors

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been 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
6 July 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

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

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

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

Directors' confirmations

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

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

On behalf of the Board

U Lange

Director

6 July 2023

Independent auditors' report to the members of Allianz Properties Limited

Report on the audit of the financial statements

Opinion

In our opinion, Allianz Properties Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 Statement of Financial Position as at 31 December 2022; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Allianz Properties 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 2022 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 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.

Independent auditors' report to the members of Allianz Properties Limited (continued)

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

- Discussions with management and the group's internal auditors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, and;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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. 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.

Lee Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 July 2023

Statement of Profit and Loss and Other Comprehensive Income
For the year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Investment income	3	10,155	10,263
Net fair value (losses)/gains	4	(26,209)	25,740
Realised losses	10	(1,222)	(1,647)
Total (expense)/income		**(17,276)**	**34,356**
Interest expenses		(75)	(5)
Property expenses		(2,033)	(1,941)
(Loss)/profit before tax		(19,384)	32,410
Income tax credit/(expense)	7.1	3,670	(5,171)
(Loss)/profit and other comprehensive income for the year wholly attributable to the equity holders		(15,714)	27,239

There has been no other comprehensive income in the year ended 31 December 2022 (2021: £nil).

The accounting policies and notes on pages 13 to 23 are an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2021	120,510	60,363	180,873
Profit and other comprehensive income for the year	-	27,239	27,239
At 31 December 2021	**120,510**	**87,602**	**208,112**
Loss and other comprehensive income for the year	-	(15,714)	(15,714)
At 31 December 2022	**120,510**	**71,888**	**192,398**

The accounting policies and notes on pages 13 to 23 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022

	Note	2022	2021
Assets		**£'000**	**£'000**
Investment properties	10	190,150	207,550
Deferred tax assets	7.4	3,148	-
Investment properties held for sale	10	4,000	8,650
Trade receivables	12	3,301	6,021
Total assets		200,599	222,221
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	13	120,510	120,510
Retained earnings		71,888	87,602
Total equity		192,398	208,112
Liabilities			
Trade and other payables		2,280	3,150
Amounts due to related undertakings	16	1,834	4,330
Deferred tax liabilities	7.4	2,561	4,356
Current tax liabilities	7.3	1,526	2,273
Total liabilities		8,201	14,109
Total equity and liabilities		200,599	222,221

These financial statements on pages 9 to 23 were approved by the Board of Directors on 6 July 2023 and signed on its behalf by:

U Lange

Director

Allianz Properties Limited

Registered Number: 02071488

The accounting policies and notes on pages 13 to 23 are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
(Loss)/profit before tax		(19,384)	32,410
Net fair value losses/(gains)	4	26,543	(26,195)
(Increase)/decrease in lease incentives	4&10	(334)	455
Realised losses	10	1,222	1,647
Changes in working capital			
Decrease in amounts due to related undertakings	16	(2,496)	(8,189)
Decrease/(increase) in Trade receivables	12	2,720	(2,372)
(Decrease)/increase in trade and other payables		(870)	186
Cash generated from/(used in) operating activities		7,401	(2,058)
Income tax paid	7.2	(2,020)	(690)
Net cash inflow/(outflow) from operating activities		5,381	(2,748)
Cash flows from investing activities			
Purchase of investment properties	10	(13,890)	(1,132)
Proceeds from disposal of held for sale properties	10	8,509	3,815
Net cash (outflow)/inflow from investing activities		(5,381)	2,683
Net movement in cash and cash equivalents		-	(65)
Cash and cash equivalents at the beginning of the year		-	65
Cash and cash equivalents at the end of the year		-	-

The accounting policies and notes on pages 13 to 23 are an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2022

1. ACCOUNTING POLICIES

1.1. Company and its operations

Allianz Properties Limited ("the Company") is a private company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom.

1.2. Statement of compliance

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis except for Investment properties which are stated at their fair value (further details are disclosed in accounting policy (a). The functional and presentational currency is British Pounds.

Going concern

These financial statements are prepared on a going concern basis. The Directors going concern assessment has been outlined in the Strategic report on page 2.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 January 2022. The accounting policies have been consistently applied unless a new policy has been implemented.

New standards and interpretations not yet adopted by the Company

New standards and interpretations which are not mandatorily effective have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early; instead it will apply the standards from the effective date as determined by the date of UK Endorsement Board ("UKEB").

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) Investment properties

Property held for long-term rental yields and for capital appreciation is classified as investment property.

Investment properties are initially measured at cost. Subsequently, at each Balance Sheet date such properties are carried at fair value as assessed by qualified external valuers. Fair value is the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Properties are treated as acquired when the Company assumes control of the property. An investment property is derecognised when either its use changes or it has been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

(b) Leases

Where the Company acts as lessor, it determines whether each lease is a finance or operating lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the Balance Sheet based on their nature.

(c) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income tax charge. Current tax and deferred tax shall be recognised outside profit and loss if the tax relates to items that are recognised, in the same or different period, outside profit and loss.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.4. Summary of significant accounting policies (continued)

(c) Income taxes (continued)
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with adjustments to tax payable in respect of prior years.

Deferred 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 Statement of Financial Position 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 Statement of Financial Position date.

Deferred 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 Statement of Financial Position 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.

(d) Trade and other receivables
Trade receivables are initially recognised and subsequently re-measured at amortised cost after taking into account any impairment losses. Trade 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").

(e) 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.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Rental income from property is recognised in the Statement of profit and loss and other comprehensive income on a straight line basis over the term of the lease. Interest income is recognised in the Statement of profit and loss and other comprehensive income as it accrues.

Interest income is recognised in the Statement of profit and loss and other comprehensive income as it accrues, taking into account the effective yield of the assets or an applicable floating rate.

Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on a same straight-line basis within rental income.

(g) Realised gains and losses recorded in the Statement of profit and loss and other comprehensive Income

Realised gains and losses on investment properties are calculated as the difference between the net sales proceeds and the original or amortised cost. Realised gains and losses are recognised in the Statement of profit and loss and other comprehensive income when the sale transaction occurs.

(h) Unrealised gains and losses recorded in the Statement of profit and loss and other comprehensive income

Unrealised gains and losses relating to investment properties are recognised immediately in the Statement of profit and loss and other comprehensive income.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

Investment Property

An all risk yield investment method of valuation has been adopted for estimating the fair value of the investment properties. Judgement and estimation is applied in determining the significant unobservable inputs, these being rental growth, voids, occupancy rates, rent free periods and equivalent yields. Further details concerning the valuation techniques can be found on page 21.

3. INVESTMENT INCOME

	2022	2021
	£'000	£'000
Rental income	10,132	10,261
Interest income	23	2
Total	10,155	10,263

Rental income relates to operating leases.

4. NET FAIR VALUE (LOSSES)/GAINS

	2022	2021
	£'000	£'000
Investment properties	(26,543)	26,195
Movement in lease incentive	334	(455)
Total	(26,209)	25,740

5. EMPLOYEE RELATED COSTS

The Company has no employees and as such incurs no employee related costs.

6. 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. The Company's audit fees are borne by Allianz Management Services Limited ("AMS"). Other services supplied pursuant to legislation were £nil (2021: £nil).

	2022	2021
	£'000	£'000
Fees payable for the audit of the Company's financial statements	46	43

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7. INCOME TAX

7.1 Income tax recognised in profit or loss

	2022	2021
	£'000	£'000
Current taxation		
In respect of the current year	1,526	1,584
In respect of prior years	(253)	59
Total current tax	1,273	1,643
Deferred tax		
In respect of the current year	(1,778)	2,268
In respect of prior year	(2,603)	215
Adjustment to deferred tax attributable to changes in tax rates and laws	(562)	1,045
Total deferred tax	(4,943)	3,528
Total income tax (credit)/expense recognised in the current year	(3,670)	5,171

The tax assessed on the year is lower (2021: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%).

The differences are reconciled below:

	2022	2021
	£'000	£'000
(Loss)/profit before tax	**(19,384)**	**32,410**
Income tax (credit)/expense calculated at 19% (2021: 19%)	(3,683)	6,158
Effect of unrealised movement on investment properties	3,433	(2,309)
Effect of prior year adjustment	(2,856)	273
Effect of changes in statutory tax rate	(562)	1,045
Effect of imputed transfer pricing adjustments	(2)	4
Income tax expense recognised in profit or loss	(3,670)	5,171

7.2 Tax paid for cash flow purposes

	2022	2021
	£'000	£'000
Current tax payable at 1January	2,273	1,320
Amounts charged to the income statement	(3,670)	5,171
Movements in deferred tax liability in the income statement	4,943	(3,528)
Tax paid during the year	(2,020)	(690)
Current tax payable at 31 December	1,526	2,273

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7. INCOME TAX (CONTINUED)

7.3 Current tax liabilities

	2022	2021
	£'000	£'000
Current tax liabilities	1,526	2,273

7.4 Deferred tax balances

(i) Deferred tax assets

	2022	2021
	£'000	£'000
The balance comprises temporary differences attributable to:		
Capital allowances	3,148	-
Total deferred tax assets	3,148	-

Movements	2022	2021
	£'000	£'000
Opening balance	-	-
Credited to profit or loss	3,148	-
Closing balance	3,148	-

(ii) Deferred tax liabilities

	2022	2021
	£'000	£'000
The balance comprises temporary differences attributable to:		
Investment properties	(2,561)	(3,919)
Capital allowances	-	(437)
Total deferred tax liabilities	(2,561)	(4,356)

Movements	2022	2021
	£'000	£'000
Opening balance	(4,356)	(828)
Credited/(charged) to profit or loss	1,795	(3,528)
Closing balance	(2,561)	(4,356)

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7. INCOME TAX (CONTINUED)

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2022 £'000	2021 £'000
Deferred tax asset	3,148	-
Deferred tax liability	2,561	4,356
Current deferred tax asset	277	-
Non-current deferred tax asset	2,871	-
Non-current deferred tax liability	2,561	4,356

8. DIRECTORS' EMOLUMENTS

The remuneration of C Holmes and F K Dyson was paid by AMS. This is a Group Services company and makes no recharge to the Company for such costs. The aforementioned individuals provided services to the Company and other companies within the Allianz UK Group and it is not possible to make an appropriate apportionment of an individual's remuneration in respect of their role as a Director of the Company. Accordingly, no remuneration is being disclosed for such individuals.

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9. DIVIDENDS

No interim dividend was paid during the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

10. INVESTMENT PROPERTIES

	2022	2021
	£'000	£'000
At 1 January	207,550	190,990
Additions	13,890	1,132
Net fair value (losses)/gains	(27,624)	24,533
Transfer to investment properties held for sale	(4,000)	(8,650)
Lease incentive movement	334	(455)
At 31 December	190,150	207,550

Held for sale	2022	2021
	£'000	£'000
At 1 January	8,650	3,800
Net fair value gains	1,081	1,662
Realised losses	(1,222)	(1,647)
Transfer to investment properties held for sale	4,000	8,650
Disposals of investment properties	(8,509)	(3,815)
At 31 December	4,000	8,650
Total	194,150	216,200

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10. INVESTMENT PROPERTIES (CONTINUED)

Included within the investment properties balance are tenant lease incentive balances totalling £1,342k (2021:£1,008k).

At each Balance Sheet date the portfolio valuation is assessed by qualified external valuers, for more information refer to note 14.

One property is classified as investment properties held for sale (2021: one property), as contracts were exchanged in the year but completion took place post year end. The property was sold in January 2023 for £4,000k. Terms and conditions contained in the sale contract require the Company to ensure that insurance cover is in place until completion and ensure compliance with all Money Laundering Regulations. The Company is also required to submit all relevant documentation in advance of completion. Should completion take place after the completion date, the Company is entitled to retain the benefits of ownership and any associated rental income arising. There was no fair value gain or loss recognised upon transferring the property to held for sale.

11. OPERATING LEASE COMMITMENTS

Leases as lessor

The properties are let under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:

	2022	2021
	£'000	£'000
No later than 1 year	9,891	8,678
After 1 year but no more than 5 years	28,543	24,384
After 5 years	6,068	4,133
Total	44,502	37,195

12. TRADE RECEIVABLES

	2022	2021
	£'000	£'000
Trade receivables	3,301	6,021

The Company has concluded that the ECL model has made no significant impact on the valuation of receivables reported in the financial statements. All balances are due within 1 year of the Balance Sheet date.

13 EQUITY

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	120,510,002	120,510,002	120,510,002	120,510,002

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14. RISK MANAGEMENT POLICIES

Capital management

The Company's capital risk is determined with reference to the requirements of the Group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At 31 December 2022 the Company had £192,398k (2021: £208,112k) of total capital employed.

The Company manages a portfolio of property investments based in the United Kingdom. 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 income generated and 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 rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is exposed to market risk through its investment property insofar as investment property valuations will affect the value of the Company's assets and income. The Company manages this risk by investing in high quality properties and regularly reviewing the portfolio.

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 receivables. The Company manages credit risk for trade receivables by limiting the amount of exposure with each counterparty. All receivables are due within 1 year of the Statement of Financial Position date.

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 investment properties, trade and other payables, amounts due to related undertakings, deferred tax liabilities and current tax liabilities. Liquidity risk for the Company is mitigated as the Company largely finances through intercompany transactions. All trade and other payables, apart from the related party loan, are payable within one year of the Balance Sheet date. The total amount of the loan from related party is to be repaid up to and including 31 December 2026.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14. RISK MANAGEMENT POLICIES (CONTINUED)

Fair value hierarchy

A three-level fair value hierarchy for financial assets is used by the Company depending on the inputs used to determine fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices in active markets for identical assets.
Level 2: valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.
Level 3: if one or more of the significant inputs is not based on observable market data.

The investment properties and investment properties held for sale are all classified as level 3 (2021: level 3).

Reconciliation of opening and closing balances for level 3 fair value measurement:

	Fair value as at 1 January	Additions	Disposals	Gains/ (losses)/ lease incentives	Transfer from Investment Properties	Fair value as at 31 December
	£'000	£'000	£'000	£'000	£'000	£'000
2022						
Investment properties	207,550	13,890	-	(27,290)	(4,000)	190,150
Investment properties held for sale	8,650	-	(8,509)	(141)	4,000	4,000
Total	216,200	13,890	(8,509)	(27,431)	-	194,150
2021						
Investment properties	190,990	1,132	-	24,077	(8,650)	207,550
Investment properties held for sale	3,800	-	(3,815)	16	8,650	8,650
Total	194,790	1,132	(3,815)	24,093	-	216,200

Sensitivity to changes in unobservable inputs

An all risk yield investment method of valuation has been adopted for estimating the fair value of the investment properties, whereby the rental income stream is capitalised at an appropriate capitalisation rate based on current comparable rental and investment transactions. In considering the evidence, the net initial and, where known, equivalent and reversionary yields, have been used to inform the valuation, capitalising the net income to achieve an appropriate net initial yield, reversionary yield on the Market Rent, and equivalent yield on the full income stream. A 5% sensitivity has been disclosed but is just indicative, the actual valuations could fluctuate by a wider margin.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14. RISK MANAGEMENT POLICIES (CONTINUED)

Sensitivity to changes in unobservable inputs (continued)

Significant unobservable inputs:

Rental growth	Factored into the yield applied (location/sector specific)
Voids	0-18 months
Occupancy rate	Approximately 97.31%
Rent free	0-12 months upon re-letting
Equivalent yields applied	5.01% - 7.67%

Sensitivity analysis changes in key unobservable inputs:

	Net equivalent yield (“NEY”)	Estimated realisable value (“ERV”) £’000	Portfolio valuation £’000
Base portfolio	5.98%	12,494	193,975
+5% ERV	6.00%	13,119	201,419
-5% ERV	5.96%	11,870	186,576
+5% NEY	6.28%	12,494	184,700
-5% NEY	5.68%	12,494	204,226
-5% NEY, -5% ERV	5.65%	11,870	196,388
+5% NEY, +5% ERV	6.30%	13,119	191,748
-5% NEY, +5% ERV	5.70%	13,119	212,110
+5% NEY, -5% ERV	6.25%	11,870	177,698

The Company is unaware of any restrictions on the realisability of any of the investment properties or the remittance of income or proceeds of disposal.

15. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, Allianz SE, is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which Allianz SE Group financial statements are drawn up and of which the Company is a member.

Copies of the Allianz SE Group financial statements are available on request from the ultimate parent’s registered address, Allianz SE, Königinstrasse 28, 80802 München, Germany.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group related parties in the normal course of business.

On 1 October 2021 AZI granted to the Company an unsecured sterling term loan facility of a total principal amount not exceeding £47,000k, comprising the amount utilised at that date of £7,000k and available facility amount of £40,000k.

Amounts repayable to related party, AZI, are to be repaid up to and including 31 December 2026 and carry interest at the Bank of England base rate +0.50%. The interest is payable quarterly and charged on the outstanding loan balance.

	2022	2021
Due to related parties as at 31 December	**£'000**	**£'000**
Other related parties	-	690
Parent	1,334	40
	1,334	730

	2022	2021
Loans from related party at 31 December	**£'000**	**£'000**
Loan facility advance from related party	3,600	7,000
Loan advance repayments to related party	(3,100)	(3,400)
	500	3,600

Analysed as:

Current	-	-
Non-current	500	3,600

The Company considers its key management personnel to be the Directors only. Further information is disclosed in note 8.

17. SUBSEQUENT EVENTS

Following the balance sheet date, the investment property held for sale disclosed in note 10 was sold for £4,000k in January 2023.