

Registered Number: 5441840

Annual Report and Financial Statements 2019

**Allianz Engineering Inspection
Services Limited**

Directors: S C McGinn
C M Little
P J Gennoy (resigned 30.08.2019)

Secretary: R C Jack-Kee

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

Registered No: 5441840

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2019.

Principal activity and review of the business

Allianz Engineering Inspection Services Limited (“the Company”) acts as a provider of engineering inspection services.

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 9. The profit for the year amounted to £2,966k (2018: £1,715k). The profit before tax in the year arose almost entirely from revenue earned from engineering inspection services less associated administration expenses. The increase in profit was driven by increased revenue resulting from a combination of both price rises and increased volumes of business being partly offset by higher expenses incurred in line with the increased business volumes in 2019.

Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax, and net asset value. The profit before tax for the year amounted to £3,756k (2018: £2,220k) and the net assets were £15,148k (2018: £12,182k). The Company does not monitor any non-financial key performance indicators.

Principal risks and uncertainties

The principal risk facing the Company is that a failure to perform its contractual and statutory obligations properly in respect of engineering inspections could give rise to liability claims and criminal prosecution. It manages this risk by ensuring that all inspections are carried out by qualified engineers along with quality control procedures and regular training.

On March 11, 2020 the World Health Organisation confirmed that the outbreak of COVID-19 is a global pandemic and is a new and significant source of uncertainty for the Company in 2020. Preventative actions are being taken by the UK government such as restricting the public on non-essential travel, working from home, closure of businesses, postponing events and public gatherings. This has had an immediate impact to the domestic and global economies and financial markets, creating uncertainty for people and businesses. Consequently, companies like the Allianz Holdings plc Group (the “Group”) (which the Company is a wholly-owned subsidiary of), are assessing the impact of COVID-19 as explained below.

The Company is closely monitoring the situation as it develops to maintain its service to customers and manage both operational and financial 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 will drive our decision making as the Company works 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. A crisis team meets daily ensuring that clear communication and quick decision making is enabled. The key risks this crisis presents are both operational and financial. These risks are being actively monitored and managed on a daily basis. Regular communications are taking place involving the directors of the Company to keep all staff informed throughout the period of uncertainty. The risks have largely come to the fore from late February onwards as new information has emerged and the government response has developed.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Company provides inspection services for customers' plant and machinery in relation to Health and Safety legislation and regulations to keep people safe. We have engaged with government via our trade body 'Safety Assessment Federation' ("SAFed") to manage both the health and safety of employees, and the ongoing service and compliance for customers. Our Engineer Surveyors are deemed by government to be completing 'essential work' and are on the front line prioritising critical industries and vulnerable people.

Some disruption is inevitable and being measured and monitored daily due to staff absences, business closures and an increased risk environment affecting safe access and safe systems of work in third party locations. We are in proactive dialogue with government departments to minimise the impact of this disruption, and to develop post lockdown recovery plans.

The Company is regularly assessing the disruption from risks posed by the COVID-19 pandemic. The operational and financial impacts are being closely monitored in light of these emerging risks. The Company's existing Risk Management framework is designed to cope with stresses and is responding to the current crisis.

The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

Future outlook

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

Brexit

The United Kingdom ("UK") formally left the European Union ("EU") on January 31, 2020. There will now be a period of transition until December 31, 2020 where the UK and EU continue to negotiate, there remains a risk that a trade deal is not reached. This scenario could lead to inflationary pressure driven by exchange rate movements and labour shortages. As a result, the outcome of Brexit remains uncertain and management continue to monitor the potential impacts on the business. With operations based in the UK and minimal risk exposure outside the UK, management feel that the Company is well placed to respond to any potential outcome.

Going concern

The Directors are confident in the Company's ability to continue as a going concern and to meet its financial obligations as they fall due. The business is well placed in managing the principal risks and uncertainties, has a strong financial, trading and capital position and is backed by one of the largest property and casualty insurers in the world.

There is undeniably significant uncertainty surrounding the impact of COVID-19 on the business. However, a prudent assessment indicates that there is ample liquidity to support operations.

Business continuity activity to move to home working has been effected at speed and without any material customer detriment. Key activities have been maintained as noted previously, e.g., frontline service, payments and IT systems. The Company continues to work closely with its suppliers to understand and manage the impact of COVID-19 on our supply chain.

The COVID-19 development has led to significant reductions in market values in the early part of 2020 and heightened volatility. Stock markets have fallen sharply, and the Bank of England and government have taken unprecedented steps in response with base rates reduced to a historic low of 0.1% and broad financial support measures have been introduced to try to support the economy. It is anticipated that the UK will enter a period of recession in 2020 due to this economic shock.

Management are regularly assessing the impact on the financial position with actions in place to respond where appropriate. The effect of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

The Board will continue to monitor the situation closely and take appropriate action as necessary.

Strategic Report (continued)

Section 172 (1) Companies Act 2006 Statement

The Company's board of directors have acted in a way that they consider, 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) of the Companies Act 2006 (the "Act").

The Company's board meets quarterly (with additional ad hoc meetings held if required) and considers matters that it is responsible for under section 172 (1) of the Act. As a consequence of the Allianz Holdings plc group governance structure, certain of the Company's stakeholders, such as those concerning social responsibility and environmental considerations, are deliberated, and actions concerning them determined, at an Allianz Holdings plc group rather than individual subsidiary company level. One of the directors of the Company, S C McGinn, is a member of the Allianz Holdings plc management board (the Allianz Holdings plc group's principal executive board committee) and so is cognisant of those considerations and able to communicate them as appropriate to the Company's board.

Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. When strategic and operational decisions are considered by the board, the broader impacts on stakeholders are taken into account and this approach is embedded within the Group governance structure. Stakeholder considerations are highlighted in the Stakeholder Engagement section of the Directors Report on page 4.

By order of the Board



S C McGinn
Director

June 29, 2020

Directors' Report

The Directors present their report and the audited financial statements for the year ended December 31, 2019.

Directors

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

Results and dividends

The results for the year are set out in the Statement of 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 1.

No interim dividend was paid for the year ended December 31, 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: £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 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.

Stakeholder Engagement

The Board meets quarterly and additional meetings are held as required. During the year the Board reviewed its stakeholders, their likely interests/concerns and the related mechanism for Board engagement.

The Company's stakeholders include customers, employees (in Ireland), suppliers, regulators and government agencies, as well as the wider community.

Customers

Engagement with customers takes place through a number of channels including the use of Customer Satisfaction Surveys and Service Quality Evaluation questionnaires. The results from these are incorporated within management information presented to the regular quarterly Board Meetings.

Employees

The Company's staff are principally provided and employed by Allianz Management Services Limited, the management services company for the Allianz Holdings plc Group, however, the Board applies a specific focus to the Company's engineering inspection staff, as well as the 22 staff employed directly by the Company during the year who were resident in and worked on the Company's business in Ireland. The Board is provided with management information relating to staff health and safety, training, resourcing, attrition, absence, relations and engagement at its meetings. The Board's regard to staff training and resourcing is evidenced by its consideration of potential Engineer Surveyor Apprenticeships during the year.

Suppliers

Suppliers are required to comply with the Allianz Holdings plc Group's Vendor Code of Conduct, which ensures certain standards are met in relation to ethics, labour and the environment. During the year, the Group established a Supplier Relationship Management Team to specifically assist group companies, including the Company, with the management of supplier relationships.

Management engages with suppliers in the ordinary course of business and escalate matters to the Board as required. Due consideration is given to intended supplier arrangements, their suitability and ability to meet the Company's or Group's requirements and the ease with which a productive and mutually-beneficial working relationship can be established and maintained with each supplier.

Regulator & Government Agencies

Relevant guidance, policy statements, reports and other forms of publication issued by the Company's regulator (the Financial Conduct Authority) and Government Agencies (such as the Health and Safety Executive) from time to time are examined and discussed by the board and taken into account when considering matters for approval. These deliberations are appropriately minuted.

Directors' Report (continued)

Community and the environment

As a subsidiary of Allianz Holding plc Group, the Company is acutely aware of the broader impact it has on its various environments, its customers and society in general, and adheres to and participates in the group's corporate social responsibility policies and practices.

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



R C Jack-Kee

Secretary

Allianz Engineering Inspection Services Limited

Company Number: 5441840

June 29, 2020

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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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.

By order of the Board



S C McGinn
Director

June 29, 2020

Independent auditors' report to the members of Allianz Engineering Inspection Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Allianz Engineering Inspection Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 2019 (the "Annual Report"), which comprise: balance sheet as at 31 December 2019; statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Allianz Engineering Inspection Services Limited

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 2019 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 set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Zahid Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 June 2020

Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 £'000	2018 £'000
Revenue	3	85,568	80,731
Administrative expenses	4,5	<u>(81,812)</u>	<u>(78,511)</u>
Profit before tax		3,756	2,220
Income tax expense	7	<u>(790)</u>	<u>(505)</u>
Profit for the year wholly attributable to the equity holders		<u><u>2,966</u></u>	<u><u>1,715</u></u>

There has been no other comprehensive income in the year ended December 31, 2019.

Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at January 1, 2018	-	10,467	10,467
Net profit for the year	-	<u>1,715</u>	<u>1,715</u>
Balance as at December 31, 2018	-	12,182	12,182
Net profit for the year	-	<u>2,966</u>	<u>2,966</u>
Balance as at December 31, 2019	-	<u><u>15,148</u></u>	<u><u>15,148</u></u>

The accounting policies and notes on pages 12 to 17 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2019

	Note	2019 £'000	2018 £'000
Assets			
Deferred expenses	4	4,136	3,896
Trade and other receivables	10	<u>50,908</u>	<u>46,289</u>
Total assets		<u><u>55,044</u></u>	<u><u>50,185</u></u>
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	11	-	-
Retained earnings		<u>15,148</u>	<u>12,182</u>
Total equity		<u><u>15,148</u></u>	<u><u>12,182</u></u>
Liabilities			
Contract liabilities	3	39,106	37,500
Current tax liabilities	7	<u>790</u>	<u>503</u>
Total liabilities		<u><u>39,896</u></u>	<u><u>38,003</u></u>
Total equity and liabilities		<u><u>55,044</u></u>	<u><u>50,185</u></u>

The accounting policies and notes on pages 12 to 17 are an integral part of these financial statements.

These financial statements on pages 9 to 17 were approved by the Board of Directors on June 29, 2020 and signed on its behalf by:



S C McGinn
Director

Statement of Cash Flows

For the year ended December 31, 2019

	<i>Note</i>	<i>2019</i> £'000	<i>2018</i> £'000
Cash flows from operating activities			
Profit before tax		3,756	2,220
Increase in deferred expenses	4	(240)	(257)
Increase in trade and other receivables	10	(4,619)	(3,024)
Increase in contract liabilities	3	<u>1,606</u>	<u>1,961</u>
Cash generated from operations		503	900
Income taxes paid	7	<u>(503)</u>	<u>(900)</u>
Net cash flow from operating activities		<u>-</u>	<u>-</u>
Net cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year		<u><u>-</u></u>	<u><u>-</u></u>

The Company does not have its own bank account, all cash items are dealt with through intercompany accounts.

The accounting policies and notes on pages 12 to 17 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES

1.1. Company and its operations

Allianz Engineering Inspection 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 in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis. The functional and presentational currency is British Pounds.

Going concern

These financial statements are compiled on a going concern basis. For more information on the going concern assessment please refer to Going Concern within the Strategic Report on page 2.

New standards and interpretations adopted by the Company

The following standard has been adopted by the EU and is mandatorily effective from January 1, 2019.

- IFRS 16: Leases replaces IAS 17 Leases. There was no impact on the financial statements as there are no leasing arrangements in place.

1.4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

(a) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

(b) Trade and other receivables

Trade and other receivables are initially recognised and subsequently remeasured 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 “General approach” in determining the ECL. Under this approach, the calculation is based on an appropriate probability of default (“PD”) and a loss given default (“LGD”) to determine 12 month credit losses.

(c) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, all cash items are dealt with through the inter-company accounts.

An ECL provision is calculated as at the Balance Sheet date. The cash and cash equivalents are reported after deduction of any ECL amount.

(d) 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.

(e) Revenue recognition

Revenue relates to the provision of engineering inspection and other special services. Revenue is measured at the value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Inspection fees- the performance obligation is the provision of the inspection services being conducted by engineers, and so revenue is recognised over the contractual period in which inspections are performed, utilising input methods available under IFRS 15. This is appropriate as it reflects the costs incurred of servicing these contracts.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Other special services- the performance obligation is the provision of the service. These are not covered by the longer term inspection contracts. Due to the one off nature of these services, the performance obligation is satisfied immediately and as such, the revenue is recognised in full.

(f) Contract liabilities

Contract liabilities are stated at their cost. The contract liability recognised is the amount of revenue allocated to the inspection period that falls after the Balance sheet date.

(g) Expenses recognition

Expenses incurred during the financial period that vary with and are related to securing new engineering inspection contracts and/or renewing existing engineering inspection contracts, are expensed on a straight line basis over the inspection period.

(h) Deferred expenses

Expenses are deferred to the extent that they relate to an inspection period after the Balance Sheet date.

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 Company does not consider any particular accounting policy or estimate to be susceptible to significant changes in estimates and assumptions.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018
	£'000	£'000
Inspection fees	80,489	75,924
Other special services	<u>5,079</u>	<u>4,807</u>
Total revenue	<u>85,568</u>	<u>80,731</u>

The Company has recognised the following liabilities related to contracts with customers:

Contract liabilities – Engineering inspection services	<u>39,106</u>	<u>37,500</u>
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The contracts entered into by the Company are almost entirely 12 months in duration. As a result, the opening contract liability is earned during the year.

4. ADMINISTRATIVE EXPENSES

Profit for the year has been arrived at after charging/(crediting):

	2019	2018
	£'000	£'000
Management fee paid for the provision of Engineer Surveyors	71,392	70,609
Commission payable to brokers	8,622	8,159
Movement in deferred expenses	(240)	(257)

The remaining expenses are comprised of employee related costs (Note 5).

Notes to the Financial Statements

For the year ended December 31, 2019

4. ADMINISTRATIVE EXPENSES (continued)

Deferred expenses are reconciled below;

	2019 £'000	2018 £'000
Balance at January 1	3,896	3,639
Charged to statement of comprehensive income	(3,896)	(3,639)
Deferred in the year	4,136	3,896
Balance at December 31	<u>4,136</u>	<u>3,896</u>

5. EMPLOYEE RELATED COSTS

	2019 £'000	2018 £'000
Wages and salaries	1,376	-
Social security costs	318	-
Pension costs	344	-
	<u>2,038</u>	<u>-</u>

The pension costs relate to a Group Personal Pension Plan ("GPPP") – this is defined contribution only. It is operated by Aviva.

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

	2019 No.	2018 No.
Engineers	22	-
	<u>22</u>	<u>-</u>

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. Other services supplied pursuant to legislation were £nil (2018: £nil).

	2019 £'000	2018 £'000
Fees payable for the audit of the Company's financial statements	<u>8</u>	<u>11</u>

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2019 £'000	2018 £'000
Current tax:		
In respect of the current year	790	503
In respect of prior years	-	2
Total current income tax expense	<u>790</u>	<u>505</u>

Notes to the Financial Statements

For the year ended December 31, 2019

7. INCOME TAX (continued)

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

	2019	2018
	£'000	£'000
Profit before tax	3,756	2,220
Income tax expense calculated at 19% (2018: 19%)	714	422
Effect of imputed transfer pricing adjustments	76	81
Adjustments recognised in the current year in relation to the current tax of prior years	-	2
Income tax expense recognised in profit or loss	<u>790</u>	<u>505</u>

The tax rate used for the 2019 and 2018 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 2020. Deferred tax on temporary timing differences which are expected to unwind after April 1, 2020 have been recognised at 17%, the rate which was substantially enacted in law as at December 31, 2019. The 17% rate has since been repealed from law in the March Budget resulting in the tax rate for 2020 onwards remaining at 19%. Management have assessed the impact and concluded that it is not significant.

(b) Tax paid for cash flow purposes

	2019	2018
	£'000	£'000
Current tax payable at January 1	503	898
Amounts charged to the income statement	790	505
Tax paid during the year	<u>(503)</u>	<u>(900)</u>
Current tax payable at December 31	<u>790</u>	<u>503</u>

(c) Current tax liabilities

	2019	2018
	£'000	£'000
Current tax liabilities	<u>790</u>	<u>503</u>

The Company expects to utilise the current tax liabilities within 12 months.

8. DIRECTORS' EMOLUMENTS

One Director was remunerated for their role as a Director of the Company. Details of their remuneration have been set out below:

	2019	2018
	£'000	£'000
Emoluments*	363	335

The amounts paid in respect of the highest paid Director are as follows:

Emoluments	363	335
Company pension contributions to defined contribution schemes	-	-
Number of Directors accruing benefits under defined contribution scheme	-	-

* Emoluments include £95k (2018: £74k) of payments received following the exercise of Restricted Stock Units.

S C McGinn and P J Gennoy were not directly remunerated for their roles as Directors of the Company as the amount of time spent performing their duties was incidental to their roles as key management personnel of the Allianz Holdings plc Group.

Notes to the Financial Statements

For the year ended December 31, 2019

9. DIVIDENDS

No interim dividend was paid for the year ended December 31, 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: £nil).

10. TRADE AND OTHER RECEIVABLES

	2019	<i>Restated</i> ¹ 2018
	£'000	£'000
Amounts due from group undertakings	<u>50,908</u>	<u>46,289</u>
Trade and other receivables	<u><u>50,908</u></u>	<u><u>46,289</u></u>

¹Other receivables of £8,289k have been reclassified from other receivables to amounts due from group undertakings. This more accurately reflects the nature of the Company's trading operations through intercompany transactions. The reclassification as at January 1, 2018 was £7,950k.

Trade and other receivables are due within 12 months of the Balance Sheet date. The Company has concluded that the expected credit loss model has made no significant impact on the valuation of receivables reported in the financial statements.

11. SHARE CAPITAL

	2019	2018
	£	£
Ordinary shares of £1.00 each fully paid	<u><u>1</u></u>	<u><u>1</u></u>

12. RISK MANAGEMENT POLICIES

Capital management

The Company provides engineering inspection services 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 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 not directly exposed to market risk.

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 amounts due from related parties. The Company deems this risk to be low as the receivables are due from fellow Allianz SE Group subsidiaries and as such is A rated. All receivables are due within 1 year.

Liquidity risk

Liquidity risk is the risk that funds may not be available to settle obligations when they fall due. The Company is exposed to liquidity risk through its tax payable, deferred expenses and contract liabilities. Contract liabilities and deferred expenses are non-cash items and therefore management consider the associated liquidity risk to be insignificant. Liquidity risk related to tax payable for the Company is deemed insignificant as the Company is financed through intercompany transactions.

Notes to the Financial Statements

For the year ended December 31, 2019

13. 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 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 Allianz Societas Europaea, Königinstrasse 28, 80802 München, Germany.

14. RELATED PARTY TRANSACTIONS

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

	2019	2018
	£'000	£'000
Administration service fees	73,431	67,246
Inspection services	<u>128</u>	<u>195</u>

Year end balances arising from transactions carried out with related parties are as follows:

	2019	<i>Restated¹</i> 2018
	£'000	£'000
Due from related parties at December 31		
Other related party	<u>50,908</u>	<u>46,289</u>

¹ For further details please refer to note 10.

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

15. SUBSEQUENT EVENTS

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. COVID-19 has been classified as a non-adjusting event for accounting purposes. At December 31, 2019, a very limited number of cases had been reported to the World Health Organisation. Since then the spread of the virus has been rapid and the number of reported cases and deaths has increased significantly.

The impact on society is reflected in business closures, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored with management plans in place to mitigate financial and operational risks. However, whilst there is still a significant degree of uncertainty the Company remains in a robust position. The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.