Registered Number: 3947280

Annual Report and Financial Statements 2019

Allianz Management Services Limited

Directors:	J M Dye	
	P J Gennoy	(resigned August 30, 2019)
	F K Dyson	(appointed January 7, 2019)
Secretary:	R C Jack-Kee	
Registered Office:	57 Ladymead, Guildford, Surrey, GU1 1DB	
Registered No:	3947280	

Strategic Report

In accordance with the Companies Act 2006, the Directors present their Strategic report for the year ended December 31, 2019.

Principal activity

Allianz Management Services Limited ("AMS" or " The Company") acts as the management services provider for the Allianz Holdings plc Group ("Group"). The Company employs all 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 top of the expenses re-charged across the Group.

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 12. The profit for the year amounted to £15,358k (2018: £16,675k). The profit before tax in the year was entirely a result of the additional mark-up charged to other Group entities when expenses are re-charged.

The other comprehensive income arising from the impact of assumptions in the pension scheme valuation amounted to £2,116k (2018: £25,718k). For more information regarding the assumptions used, please refer to Note 12.

During the year, an intercompany payable due to Allianz Insurance plc was formalised into a loan through an agreement payable over 10 years. For more information regarding the loan, please refer to Note 18.

Employees

The Company continues to invest in the development of its employees and believes that it will deliver superior returns through investing in market leading technical, customer, distribution and leadership skills. Employees in technical functions continue to undergo development through faculties within our internal Excellence in Technical Academy or the Claims Academy, and there are a range of professional development programmes covering other aspects of the business.

The Company has a comprehensive leadership and management development programme. Managers take part in appropriate programmes which are regularly reviewed.

Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax, pension plan surplus/(deficit) and net asset/(liability) value. The profit before tax for the year amounted to £18,318k (2018: £19,203k), the pension surplus was £65,499k (2018: £20,431k) and net liabilities were £106,128k (2018: £131,634k).

The Company also monitors a number of non-financial key performance indicators relating to employees, energy consumption and corporate social responsibility.

Employees	*2019*	2018
Allianz engagement survey results:		
Inclusive meritocracy index	75.0%	75.0%
Work well index	66.0%	67.0%
Diversity (females in management positions, target by December 2020)	36.8%	34.6%

Strategic Report (continued)

Energy consumption

Greenhouse gas emissions per employee	Achievement: 50% reduction against 2010	Target: Reduction of 33% by 2020
Energy consumption from office buildings per employee	Achievement: 38% reduction against 2010	Target: Reduction of 42% by 2020
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

The Group's corporate responsibility activity is based around making our customers, employees and society more resilient.

The Group's long-term partnership with the International Paralympic Committee and the ParalympicsGB team is part of our commitment to diversity and inclusion that starts with our employees and reaches to the sponsorship of world class athletes. We value diversity of thought in our employees and the seven employee networks which were set up this year to offer support and reflect the views of our workforce, help to shape the inclusion agenda at Allianz UK.

As principal partners of the Saracens Sports Foundation, the Group have supported the creation of their wheelchair rugby programme which has enabled young disabled people to learn new skills and enjoy sport. The Foundation's wider work supports local communities and uses sport as a catalyst for positive change.

Through donating their time, hundreds of our employees have made a difference to many charities and local organisations this year. Taking the opportunity to use 10 hours a year for volunteering, employees have used their professional and practical skills where needed in their local community.

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

Association with mental health charities: Mind (England and Wales); and SAMH (Scotland)	Achievement Since March 2019, raised £360k through employee fundraising and company contributions	Target: Raise £1,000k for Mind by the end of 2021.
Employee volunteering	Achievement: In 2019, 612 employees gave over 250,000 minutes of their time to local communities.	Target: One million volunteering minutes over the three year period to the end of 2021.

Principal risks and uncertainties

The principal risks facing the Company are: (1) potential adverse development in the past service deficit 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 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, Allianz Holdings plc 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 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)
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.

The operational risks from COVID-19 are largely being addressed by increasing homeworking capability and reducing non-priority activity. Work has been prioritised to support supplier payments. Our offices remain open for a small number of key workers who are unable to work from home.

Financial risks which are being assessed and responded to include the increase in spreads on corporate bonds which has driven a positive movement in the pension fund surplus. However, the position is volatile and the Company remains dependent on Allianz Holdings plc for financial support as noted below.

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
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.

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, 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.

Strategic Report (continued)

Going concern (continued)

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 base rate reduction has had a positive impact for the Company. 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.

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").

From the perspective of the board, as a result of the Group governance structure (whereby the Company's board is embedded within the Allianz Holdings plc board and its management board (the principal executive board committee)), the matters that it is responsible for considering under section 172(1) of the Act have been considered to an appropriate extent by the Allianz Holdings plc board and its committees in relation to the Group and the Company. The Company's board has also considered relevant matters where appropriate. Stakeholders are considered within the Group governance structure. In relation to the Company, its principal stakeholders are its employees, 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

Engagement with employees is conducted in a number of different ways to ensure common goals and strategies are achieved and employee views and opinions are made known to the board and the management board. The Company can only achieve its goals and ambitions, and operate in a responsible and considerate manner with a skilled, diverse and engaged workforce. The business seeks to achieve this through many different initiatives, details of which are set out below and in the Employees section of the Directors' Report on page 6.

Various methods of employee engagement are used by the Company and the Group, such as the annual Allianz Engagement Survey ("AES"), which is a valuable employee feedback platform and an indicator of Allianz's corporate culture. Employee engagement is a high priority at Allianz as our people are expected to perform with commitment and integrity delivering excellent outcomes for our customers. Allianz monitors employee engagement and company culture through the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect. 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 and every one of us should act. The Inclusive Meritocracy Index is derived from the responses to a specific series of questions asked in the annual staff engagement survey. The slightly revised and more comprehensive Work Well Index plus covers aspects of the quality of the work environment, practices and opportunities.

Service Clients

As the management services provider for the Group, the Board's engagement with 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 material supplier contracts, either strategic or by reason of size and significance to the Company, are considered by the 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. During the year, a Supplier Relationship Management team was set up in procurement specifically to assist teams across the Group with the management of supplier relationships. By virtue of the aforementioned embedding of the board into the Allianz Holdings plc board, the management board assumes day to day responsibility for implementing procedures to effect material 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.

Local communities and wider society

The Group's business helps communities and the wider society to be more resilient through its insurance products, which enable people and businesses to carry on when the worst happens, but also by helping them to manage potential risks in the first place. The Company's employees engage with the local community and wider society through long-term partnerships with organisations such as the International Paralympic Committee, the ParalympicsGB team and the Saracens Sports Foundation. Employees also donate their time to many different charities and local organisations.

Following the Group's acquisitions of the general insurance businesses of Liverpool Victoria General Insurance Group Limited and Legal & General Insuance Limited, the Group is reviewing its governance processes to enable a consistent governance structure to apply across the Group.

During the year the Directors took the following principal decision:
The Directors approved the formalisation of an intercompany payable due to Allianz Insurance plc to a loan through an agreement payable over 10 years. For more information regarding the loan, please refer to Note 18.

By order of the Board

F K Dyson
Director

April 9, 2020

Directors' Report

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

Stakeholder and Employee Engagement statements

Details on how the board has fulfilled its duties to engage with its stakeholders and employees under The Companies (Miscellaneous Reporting) Regulations 2018 is contained in the Section 172(1) Companies Act 2006 statement on pages 4 to 5 of the Strategic Report.

Directors

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

Results and dividend

The results for the year are set out in the Statement of Comprehensive Income on page 12. 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, 2019 (2018: £nil). The Directors do not recommend the payment of a 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 3.

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.

Directors' responsibility to the auditor

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.

Employees

The Company acknowledges that its employees are the core of its business success and it ensures that its processes, policies and procedures are tailored to ensure it attracts, develops and retains a talented workforce.

Our employment policy continues to include encouraging the employment, training and advancement of disabled persons and we have been granted 'Disability confident Employer' status by the Department for Work and Pensions. Job candidates will be assessed solely on their suitability for that position. The Company is dedicated to ensuring it is able to meet any specific needs for disabled candidates. As part of the Company's commitment, provided a candidate has made it aware they are disabled and meet the minimum requirements of the vacancy, they will be offered an interview for that position.

The Company employs persons regardless of their background or needs and promotes diversity within its workforce and inclusion of all people. We promote the active participation of staff to further improve inclusive working and recognise diversity. Employee learning and development opportunities are provided and such provision is accredited with the Investors in People Gold standard.

The Company aims to ensure that the health, safety and wellbeing of its staff is a core responsibility of its managers. It monitors and reports accidents and puts in place corrective actions to prevent reoccurrences. The Company ensures that where occupational health or risk assessments identify workplace adaptations are required, these are implemented.

The staff are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in the Allianz SE Group's performance as well as contributing to the wellbeing of staff.

Further details of employee-related policy practices and initiatives are detailed in the Strategic Report.

Directors' Report (continued)

Pension Scheme Trustee Indemnity

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

Corporate Governance Report

For the year ended December 31, 2019 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 Allianz Holdings plc which owns the Allianz UK group of companies. The Company is the service company for the Group and is the main employer in the Group.

The board of the Company consists of two Directors, both of whom are executive Directors of the board of Allianz Holdings plc and members of its principal executive committee, the management board. Mr P J Gennoy was a Director of the Company and a member of the management board until his retirement on August 30, 2019. The Allianz Holdings plc 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.

The Company provides management services to other members of the Group. As the Company is a wholly owned subsidiary of Allianz Holdings plc and its Board is embedded in the board of Allianz Holdings plc, its activities are managed through the aforementioned committees and ultimately by the board of Allianz Holdings plc. The two Directors of the Company are therefore fully cognisant of matters relevant and applicable to the Company by virtue of being Directors of the board of Allianz Holdings plc and members of several of the committees. The Board of the Company considers relevant matters where required.

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 Allianz Holdings plc 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 throughout the Group. 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

Allianz Holdings plc 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, 2019.

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 Allianz Holdings plc. 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 Allianz Holdings plc, resulting in the need for the Company to adopt the working practices of Allianz Holdings plc to ensure good governance and customer outcomes.

Directors' Report (continued)

External Impacts

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.

AMS 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.

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.

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

F K Dyson
Director
Allianz Management Services Limited
Company Number: 3947280
April 9, 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

F K Dyson
Director
April 9, 2020

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 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 for the year ended, statement of cash flows for the year ended, 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 Management 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 9, 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.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 April 2020

Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	*2019* *£'000*	*2018* *£'000*
Revenue	3	408,569	418,296
Administrative expenses		(391,245)	(398,893)
Operating profit		17,324	19,403
Net finance income/(expense)	6	994	(200)
Profit before tax		18,318	19,203
Income tax expense	8	(2,960)	(2,528)
Profit for the year attributable to the equity holders		15,358	16,675
Other comprehensive income:			
Items that will not be classified to profit or loss			
Remeasurement of net defined benefit asset		2,549	30,986
Income tax expense	8	(433)	(5,268)
Total other comprehensive income for the year		2,116	25,718
Total comprehensive income for the year		17,474	42,393

Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital *£'000*	*Accumulated losses* *£'000*	*Total* *£'000*
Balance as at January 1, 2018	-	(171,240)	(171,240)
Total comprehensive income	-	42,393	42,393
Foreign currency translation adjustments	-	(1,423)	(1,423)
Prior year dilapidations adjustment	-	(1,364)	(1,364)
Total recognised income and expense for the year	-	39,606	39,606
Balance as at December 31, 2018	-	(131,634)	(131,634)
Balance as at January 1, 2019	-	(131,634)	(131,634)
Total comprehensive income	-	17,474	17,474
Foreign currency translation adjustments	-	8,032	8,032
Total recognised income for the year	-	25,506	25,506
Balance as at December 31, 2019	-	(106,128)	(106,128)

The accounting policies and notes on pages 15 to 38 are an integral part of these financial statements.

Balance Sheet
As at December 31, 2019

	Note	2019 £'000	2018 £'000
Assets			
Intangible assets	10	32,818	32,955
Property, plant & equipment	11	10,809	13,622
Right-of-use assets	13	29,699	-
Defined benefit pension plan surplus	12	65,499	20,431
Deferred tax assets	8	6,741	5,658
Current tax assets	8	6,846	7,694
Receivables	14	44,485	127,309
Cash and cash equivalents	15	9,773	8,960
Total assets		206,670	216,629
Equity and liabilities			
Equity			
Share capital	16	-	-
Accumulated losses		(106,128)	(131,634)
Total equity		(106,128)	(131,634)
Liabilities			
Deferred tax liabilities	8	11,135	-
Payables and other financial liabilities	17	112,292	348,263
Loan from related party	18	162,000	-
Lease liabilities	13	27,371	-
Total liabilities		312,798	348,263
Total equity and liabilities		206,670	216,629

The accounting policies and notes on pages 15 to 38 are an integral part of these financial statements.

These financial statements on pages 12 to 38 were approved by the Board of Directors on April 9, 2020 and signed on its behalf by:

F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2019

	Note	*2019* *£'000*	*2018* *£'000*
Cash flows from operating activities			
Profit before tax		18,318	19,203
Adjustments to reconcile profit before tax to net cash (outflows)/inflows from operating activities			
Depreciation of property, plant and equipment	11	3,567	4,252
Depreciation of right-of-use assets	13	6,452	-
Amortisation of intangible assets	10	6,268	6,144
Dilapidations adjustment	17	(422)	(1,684)
Net finance (income)/costs	6	(994)	200
Increase in pension benefit surplus	12	(41,164)	(101,758)
Decrease/(Increase) in other receivables	14	81,938	(7,832)
(Decrease)/Increase in trade and other payables	17	(235,769)	91,193
Cash flow used in/generated from operations		(161,806)	9,718
Income tax received	8	7,552	3,059
Net cash flow used in/ generated from operating activities		(154,254)	12,777
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,608)	(8,022)
Proceeds from sale of property, plant and equipment	11	1,452	1,589
Proceeds from sale of intangible assets	10	-	2,059
Intangible assets acquired	10	(6,131)	(11,963)
Net cash flow used in investing activities		(9,287)	(16,337)
Cash flows from financing activities			
Interest paid		(406)	-
Repayment of the lease liabilities		(5,272)	-
Proceeds from loans and borrowings		162,000	-
Net cash flow generated from financing activities		156,322	-
Decrease in cash and cash equivalents		(7,219)	(3,560)
Cash and cash equivalents at the beginning of the year		8,960	13,943
Foreign exchange on equity		8,032	(1,423)
Cash and cash equivalents at end of year		9,773	8,960

The accounting policies and notes on pages 15 to 38 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 Management Services Limited (the 'Company') is a private limited company incorporated and domiciled in United Kingdom.

1.2. Statement of Compliance

The financial statements of Allianz Management Services Limited have been prepared in accordance with 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 Pound.

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 Directors' Report on page 6.

New standards and interpretations adopted by the Company

A number of new standards and interpretations adopted by the EU are mandatorily effective from January 1, 2018. The following has been adopted within this set of financial statements:

IFRS 16: Leases (EU effective date January 1, 2019) replaces IAS 17 Leases. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the Balance Sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (to pay rental) are recognised. The only exceptions are short-term and low-value leases. The impact assessment and implementation project has been carried out at Allianz Holdings plc group level.

The Company's lease portfolio is in real estate. The Company has chosen to adopt the modified retrospective approach with option 2 in accordance with IFRS 16 C5(b) upon transition and has applied all available transitional practical expedients in accordance with IFRS 16 C10(a)-(e). The right-of-use assets have been measured at the amount of the lease liability on adoption and the Company has not restated comparative amounts for the year prior to first adoption.

The Company has a small sublease portfolio in real estate. The Company has determined that the sublease portfolio is finance subleases and as such the corresponding right-of-use has been de-recognised and a sublease receivable established.

The following changes in accounting policies apply from January 1, 2019:

- The short term exemption will be used for any leases with a term of less than twelve months.
- The low value exemption will be used for any leases with an underlying asset value of less than £5,000.
- The practical expedient allowing aggregation of the lease and non-lease components has not been adopted.

Key judgements and estimates used in applying IFRS 16 Leases from January 1, 2019:

- The lease term has been determined based on the non-cancellable term of the lease, taking into consideration the options included in the lease. Judgement has been used in determining whether an option is "reasonably certain" to be exercised. Management applied a likelihood percentage to each of the lease options with any likelihood above 75% being deemed "reasonably certain". Factors taken into consideration when concluding on the likelihood percentage include termination penalties, the use of the leased property by the Company and the strategic plan of the Company.
- The Company has been unable to determine the interest rate implicit in its leases. An incremental borrowing rate has been calculated per portfolio of leases with reasonably similar characteristics.
- The extent to which the lease transfers the risks and rewards of ownership has been determined by reference to the term of the sublease compared to the term of the head lease. Where these are substantially the same, the sublease has been classified as a finance lease.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.3. Basis of preparation (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on January 1, 2019 is 1.5%.

The following table shows the operating lease commitments disclosed applying IAS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on accumulated losses as at January 1, 2019

	£'000
Operating lease commitments at December 31, 2018	34,904
Short-term leases and leases of low-value assets	(1,064)
Effect of discounting the above amounts	(2,595)
Finance lease liabilities recognised under IAS 17 at December 31, 2018	31,245
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	(1,717)
Lease liabilities recognised at January 1, 2019	29,528

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

	IFRS 16 on transition *£'000*
Right-of-use asset	32,718
Lease liability	(29,528)
Prepayment	(886)
Dilapidation asset	(2,304)

1.4. Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant 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, plant 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 – 2 to 4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The Company's lease portfolio is in real estate. The Company adopted the modified retrospective approach with option 2 in accordance with IFRS 16 C5(b) upon transition and applied all available transitional practical expedients. On adoption of IFRS 16, right-of-use assets classified under property, plant and equipment are measured at the amount of the lease liability and comparative amounts for the year prior to first adoption have not been restated.

Lease income from operating leases where the group is a lessor 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.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(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. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

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

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.

(c) Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Company as a Lessee

Policy applicable from January 1, 2019 (IFRS 16)

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, Plant 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.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(c) Leases (continued)

Policy Applicable before January 1, 2019 (IAS 17)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee were classified as operating leases prior to the implementation of IFRS 16. Payments made under operating leases (net of any invoices received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Comparative information in these financial statements is stated under this policy.

Company as a Lessor

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.

The Company recognises its subleases under IFRS 16 as finance leases where the terms of the head lease and sublease are substantially the same. It establishes a lease receivable at inception and derecognises the right-of-use asset as a result of the head lease.

(d) Income taxes

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

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.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at 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.

(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. 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 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.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

An expected credit loss ("ECL") provision is calculated as at the Balance Sheet date. The receivable balance is reported after deduction of any ECL amount.

Intercompany balances with fellow subsidiaries within the Allianz Holdings Group, are deemed to have an extremely low credit risk. There is no likelihood of any demand for these intercompany balances to be repaid in the short term but if this was the case, the group has sufficient liquid assets to ensure that any demand could be met. As a result, ECL has been provided for on any intercompany debtor balances.

(g) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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

(h) Provisions

A provision is recognised when the Company has a present legal or constructive obligation, as a result of 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.

Profit-sharing and bonus plans

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.

(i) Financial liabilities

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.

Interest-bearing loans

Interest-bearing loans are stated at amortised cost using the effective interest method.

(j) Retirement and termination benefit costs

The Company sponsors two pension schemes:

- The Allianz Retirement and Death Benefit Funds (“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 IAS 19 and the disclosures given are those required by that standard.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(j) Retirement and termination benefit costs (continued)

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

Termination benefits are payable when employment is terminated by the Group or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group 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.

k) Revenue recognition

Revenue is recognised in full when the performance obligation has been satisfied. The performance obligation for the Company is the re-allocation of expenses incurred on behalf of the Allianz Holdings Group. Revenue is determined based on a flat rate percentage of the expenses re-allocated.

Contract liabilities

Contract liabilities are stated at their cost. The contract liability recognised is equal to the amount of revenue allocated to performance obligations that have not yet been satisfied.

(l) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(m) Dividends

Dividends payable are accounted for as soon as there is an obligation on the Company.

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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

The key actuarial assumptions being the discount rate, RPI 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' financial statements within the next year. Further information on the carrying amounts of the Company's defined benefit obligation and the sensitivity of those amounts to changes in the assumptions are provided in note 12.

Notes to the Financial Statements

For the year ended December 31, 2019

3. REVENUE

Revenue disclosed in the Statement of Comprehensive Income is analysed as follows:

	2019 £'000	2018 £'000
Rendering of services to group undertakings	408,569	418,296

4. PROFIT FOR THE YEAR

This is stated after (charging)/crediting:

	2019 £'000	2018 £'000
Depreciation of plant and equipment	(3,567)	(4,252)
Depreciation of right-of-use asset	(6,452)	-
Amortisation of intangible assets	(6,268)	(6,144)
Total depreciation and amortisation expense	(16,287)	(10,396)
Operating lease payments	(833)	(7,975)
Operating sublease receipts	-	243
Income from subleasing right-of-use assets	16	-
Total lease and sublease interest and expenses	(817)	(7,732)

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

5. EMPLOYEE RELATED COSTS

	2019 £'000	2018 £'000
Wages and salaries	172,255	177,669
Social security costs	21,331	22,055
Other pension costs	27,156	22,800
	220,742	222,524

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

	2019 No.	2018 No.
Management	449	451
Underwriting and claims	3,398	3,406
Finance and administration	368	400
	4,215	4,257

6. NET FINANCE INCOME/(EXPENSE)

	2019	2018
Interest expense on lease liabilities	(406)	-
Net interest income/(expense) on defined benefit obligation	1,400	(200)
	994	(200)

Notes to the Financial Statements

For the year ended December 31, 2019

7. AUDITOR'S 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	*2018*
	£'000	*£'000*
Fees payable for the audit of the Company's financial statements	18	37

8. INCOME TAXES

(a) Income tax recognised in profit or loss

	2019	*2018*
	£'000	*£'000*
Current tax		
In respect of the current year	(6,846)	(7,374)
In respect of prior years	187	(224)
Total current tax	(6,659)	(7,598)
Deferred tax		
In respect of the current year	11,049	11,326
In respect of prior years	(267)	(8)
Adjustments to deferred tax attributable to changes in tax rates and laws	(1,163)	(1,192)
Total deferred tax	9,619	10,126
Total income tax expense recognised in the current year	2,960	2,528

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

	2019	*2018*
	£'000	*£'000*
Profit before tax from continuing operations	18,318	19,203
Income tax expense calculated at 19.0% (2018: 19.0%)	3,480	3,649
Effect of expenses not deductible for tax purposes	551	551
Effect of pension adjustments	(1,207)	(1,184)
Effect of prior year adjustment	187	(224)
Effect of capital allowances and other provisions	88	(9)
Effect of imputed transfer pricing adjustments	(139)	(255)
Income tax expense recognised in profit or loss	2,960	2,528

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. Deferred tax on temporary timing differences which are expected to unwind after 1 April 2020 have been recognised at 17.0%, the rate which was substantially enacted in law as at 31 December 2019. The 17.0% rate has since been repealed from law in the March Budget resulting in the tax rate for 2020 onwards remaining at 19.0%. This will impact the deferred tax position in this company resulting in an increase in the deferred tax liability through the income statement of £7.6m and an increase in the deferred tax asset through other comprehensive income of £7.0m, with a net increase in the overall deferred tax liability position of £0.6m.

Notes to the Financial Statements

For the year ended December 31, 2019

8. INCOME TAXES (continued)

(b) Income tax recognised in other comprehensive income

	2019	*2018*
	£'000	*£'000*
Current tax	-	-
Deferred tax		
- Remeasurement of pension obligation through other comprehensive income	433	5,268
Total income tax recognised in other comprehensive income	433	5,268

(c) Tax paid for cash flow purposes

	2019	*2018*
	£'000	*£'000*
Current tax receivable at January 1	(7,694)	(2,835)
Amounts charged to the income statement	2,960	2,528
Movements in deferred tax asset in the statement of comprehensive income	(9,619)	(10,126)
Other movements	(45)	(320)
Tax received during the year	7,552	3,059
Current tax receivable at December 31	(6,846)	(7,694)

(d) Current tax assets and liabilities

	2019	*2018*
	£'000	*£'000*
Current tax assets	6,846	7,694

(e) Deferred tax balances

(i) Deferred tax assets

	2019	*2018*
	£'000	*£'000*
The balance comprises temporary differences attributable to:		
Defined benefit pension obligations ("DBO Pension")	59,167	59,600
Pension spreading	4,829	7,131
Capital allowances	1,912	2,001
Total deferred tax assets	65,908	68,732
Set-off of deferred tax liabilities pursuant to set-off provisions	(59,167)	(63,074)
Net deferred tax assets	6,741	5,658

Notes to the Financial Statements

For the year ended December 31, 2019

8. INCOME TAXES (continued)

(e) Deferred tax balances (continued)

Movements	*DBO Pension*	*Pension spreading*	*Capital allowances*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
At January 1, 2018	64,868	-	1,993	66,861
(Charged)/credited				
- to profit or loss	-	7,131	8	7,139
- to other comprehensive income	(5,268)	-	-	(5,268)
At December 31, 2018	59,600	7,131	2,001	68,732
At January 1, 2019	59,600	7,131	2,001	68,732
(Charged)/credited				
- to profit or loss	-	(2,302)	(89)	(2,391)
- to other comprehensive income	(433)	-	-	(433)
At December 31, 2019	59,167	4,829	1,912	65,908

(ii) Deferred tax liabilties	*2019*	*2018*
	£'000	*£'000*
The balance comprises temporary differences attributable to:		
Pension contributions	70,302	63,074
Total deferred tax liabilities	70,302	63,074
Set-off of deferred tax liabilities pursuant to set-off provisions	(59,167)	(63,074)
Net deferred tax liabilities	11,135	-

Movements	*Pension contributions*	*Total*
	£'000	*£'000*
At January 1, 2018	45,809	45,809
Credited/(charged)		
- to profit or loss	17,265	17,265
At December 31, 2018	63,074	63,074

Notes to the Financial Statements

For the year ended December 31, 2019

8. INCOME TAXES (continued)

(e) Deferred tax balances (continued)

Movements	*Pension contributions*	*Total*
	£'000	*£'000*
At January 1, 2019	63,074	63,074
Credited		
- to profit or loss	7,228	7,228
At December 31, 2019	70,302	70,302

	2019	*2018*
	£'000	*£'000*
Deferred tax asset	6,741	5,658
Deferred tax liability	11,135	-
Current deferred tax asset	2,413	2,379
	2,413	2,379
Non current deferred tax asset	4,328	3,279
Non current deferred tax liability	(11,135)	-
	(6,807)	3,279

9. DIRECTORS' EMOLUMENTS

J M Dye, P J Gennoy and F K Dyson were not directly remunerated for their roles as directors of the Company as the amount spent performing their duties was incidental to their roles as key management personnel of the Allianz Holdings plc Group.

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

Notes to the Financial Statements

For the year ended December 31, 2019

10. INTANGIBLE ASSETS

	£'000
Cost	
At January 1, 2018	58,678
Additions	11,963
Disposals	(8,289)
At December 31, 2018	62,352
Additions	6,131
Disposals	(45)
At December 31, 2019	68,438
Accumulated amortisation	
At January 1, 2018	29,483
Amortisation during the year	6,144
Disposals	(6,230)
At December 31, 2018	29,397
Amortisation during the year	6,268
Disposals	(45)
At December 31, 2019	35,620
Net book value at December 31, 2018	32,955
Net book value at December 31, 2019	32,818

11. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicle	*Dilapidations*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At January 1, 2018	19,334	-	19,334
Additions	5,049	2,973	8,022
Disposals	(5,334)	-	(5,334)
At December 31, 2018	19,049	2,973	22,022
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	18,006	-	18,006
Accumulated depreciation			
At January 1, 2018	7,893	-	7,893
Provided during the year	3,681	571	4,252
Disposals	(3,745)	-	(3,745)
At December 31, 2018	7,829	571	8,400
As at January 1, 2019	7,829	571	8,400
Adjustment on transition to IFRS 16	-	(571)	(571)
Provided during the year	3,567	-	3,567
Disposals	(4,199)	-	(4,199)
At December 31, 2019	7,197	-	7,197
Net book value At December 31, 2018	11,220	2,402	13,622
Net book value At December 31, 2019	10,809	-	10,809

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION

The Company sponsors two pension schemes:

- The Allianz Retirement and Death Benefits Fund (“ARDBF”) – this is defined benefit only. It is operated jointly by a subsidiary 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.

Group Personal Pension Plan
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 £28.9m during 2019 (2018: £27.1m).

Allianz Retirement and Death Benefits Fund
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 trustees 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 (eg investment and contribution policies). The ARDBF is funded by the Company based on an actuarial valuation with an effective date of 31 March 2017. At that date, the market value of the assets in the ARDBF was £1.0bn. 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 IAS 19 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, deficit contributions of £44.4m payable annually until March 31, 2022 and a final payment of £11.1m in 2022.

The next actuarial valuation of the ARDBF will take place 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 2019 was £44.4m (2018: £100.0m). Company contributions to the ARDBF over 2020 are expected to be £44.4m (based on the current recovery plan).

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION (continued)

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 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.

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 +" 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, 2019 of around £6.3m.

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION (continued)

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 Group's 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.
Volatility in asset values	The Group 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 Group 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 Group is also exposed to adverse changes in pension regulation.

The following table sets out the key IAS 19 assumptions used for the ARDBF, the unfunded post-retirement medical healthcare arrangement and the unfunded top-up pension benefit arrangement.

Assumptions	*2019*	*2018*	*2017*
Discount rate	2.1% pa	2.7% pa	2.4% pa
RPI inflation	3.0% pa	3.3% pa	3.2% pa
Life expectancy of male aged 60 at the balance sheet date	27.1 years	27.3 years	27.4 years
Life expectancy of male age 60 at the balance sheet date plus 20 years	28.6 years	28.8 years	28.9 years
Life expectancy of female aged 60 at the balance sheet date	29.2 years	29.4 years	29.4 years
Life expectancy of female age 60 at the balance sheet date plus 20 years	30.8 years	30.9 years	31.0 years

- Discount rate – In line with December 31, 2018, as at December 31, 2019 the Group continue to adopt the LCP Treasury Model to derive the discount rate. However, the small alteration previously applied to the universe of bonds in 2018 has been removed.
- RPI inflation rate – At December 31, 2019, the inflation assumption is taken from published Bank of England estimates for future price inflation, as implied by the swap markets and reflects the duration of the pension liabilities. An inflation risk premium of 0.2% pa is deducted from this "breakeven" measure of future RPI inflation. At December 31, 2018, the Group used an inflation assumption based on the gilt markets, and a "term dependent" forward rate inflation risk premium is used to derive the inflation assumption. This change in approach has broadly no impact on the resulting single equivalent market-implied inflation assumption.
- Life expectancies (for both male and female, current and future) – The Group have updated the mortality assumption as at December 31, 2019 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 £15.5m.

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION (continued)

Other IAS19 assumptions used include:

Assumptions	*2019*	*2018*	*2017*
Pension increases in deferment for ARDBF membership	3.0% pa	3.3% pa	3.2% pa
Pension increases in deferment for legacy AGF Scheme membership	1.9% pa	2.2% pa	N/A
Pension increases in payment (RPI, up to maximum of 5% pa)	2.9% pa	3.1% pa	3.1% pa
Pension increases in payment (RPI, up to maximum of 2.5% pa)	2.0% pa	2.1% pa	2.1% pa
Pension increases in payment (RPI, minimum of 3% up to maximum of 4% pa)	3.4% pa	3.5% pa	N/A
Pension increases in payment (RPI, minimum of 3% up to maximum of 5% pa)	3.6% pa	3.7% pa	N/A
Pension increases in payment (CPI, up to a maximum of 3% pa)	1.8% pa	2.0% pa	1.9% pa
Real long-term healthcare inflation	2.5% pa	2.5% pa	2.5% pa

At December 31, 2019, the weighted average duration of the defined benefit obligation of the ARDBF was 17.7 years (2018: 16.7 years).

At December 31, 2018, 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 Group have adopted a consistent approach at December 31, 2019.

The actual return on the ARDBF assets over the year was a gain of £109.8m (2018: loss of £1.0m). The current allocation of the ARDBF assets is as follows:

	2019	*2018*	*2017*
	£'m	*£'m*	*£'m*
Asset with a quoted market price in an active market			
Equity instruments	12.1	14.1	-
Debt instruments	1,156.2	1,060.3	863.1
Other	11.9	11.4	6.2
Sub-total	1,180.2	1,085.8	869.3
Assets without a quoted market price in an active market			
Equity instruments	-	-	-
Debt instruments	77.5	49.1	31.3
Property	84.2	119.9	100.3
Other	-	-	-
Sub-total	161.7	169.0	131.6
Total	1,341.9	1,254.8	1,000.9

Approximately £0.02m within the fair value of ARDBF assets are invested directly in the Company's own financial instruments or any property occupied by, or assets used by, the Company.

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION (continued)

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/(asset) and its components over 2018 and 2019.

	Defined benefit obligation		*Fair value of scheme assets*		*Net benefit liability / (asset)*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
	£'m	*£'m*	*£'m*	*£'m*	*£'m*	*£'m*
Balance at January 1	1,234.4	1,113.0	(1,254.8)	(1,000.9)	(20.4)	112.1
Included in profit or loss						
Current service cost	-	-	-	-	-	-
Interest cost/(income)	32.5	30.4	(33.9)	(30.2)	(1.4)	0.2
Past service cost	-	10.0	-	-	-	10.0
Settlement cost/(credit)	-	201.0	-	(215.5)	-	(14.5)
Total expense/(income) included in profit or loss	32.5	241.4	(33.9)	(245.7)	(1.4)	(4.3)
Included in OCI						
Re-measurement loss/(gain):						
- Actuarial loss/(gain) arising from:						
- demographical assumptions[1]	(15.5)	(1.1)	-	-	(15.5)	(1.1)
- financial assumptions	100.0	(66.5)	-	-	100.0	(66.5)
- experience adjustments[2]	(11.1)	5.4	-	-	(11.1)	5.4
- Return on plan assets excluding interest income on assets	-	-	(75.9)	31.2	(75.9)	31.2
Total loss/(gain) included in OCI	73.4	(62.2)	(75.9)	31.2	(2.5)	(31.0)
Other						
Contributions by the employer	-	-	(44.9)	(100.2)	(44.9)	(100.2)
Benefits paid	(63.9)	(57.8)	63.9	57.8	-	-
Total other	(63.9)	(57.8)	19.0	(42.4)	(44.9)	(100.2)
Administration costs	-	-	3.7	3.0	3.7	3.0
Balance at December 31	1,276.4	1,234.4	(1,341.9)	(1,254.8)	(65.5)	(20.4)
Represented by						
Net defined benefit asset					(65.5)	(20.4)

[1]Due to update in mortality assumption.

[2]Due to pension increases being lower than expected.

Notes to the Financial Statements

For the year ended December 31, 2019

12. PENSIONS BENEFIT OBLIGATION (continued)

The following sensitivities have been calculated to show the movement in the defined benefit obligation in isolation 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.

	Increase in assumption at 31 Dec 2019 £'m	*Decrease in assumption at 31 Dec 2019 £'m*
Discount rate (0.5% pa movement)	(104.0)	119.0
RPI and CPI inflation assumptions (0.25% pa movement)	41.0	(39.0)
Life expectancy (one-year movement)	54.0	(54.0)

13. LEASES

Leases agreements where the Company is lessee
Disclosure required by IFRS 16

Right-of-use assets

	2019 £'000
Cost	
At January 1, 2019	32,718
Additions	4,166
Modification to the lease	(733)
At December 31, 2019	36,151
Accumulated depreciation	
At January 1, 2019	-
Charge for the year	6,452
At December 31, 2019	6,452
Carrying amount	
At December 31, 2019	29,699

The Company leases several assets including buildings, plants and motor vehicles. The average lease term is 8.9 years.

Amounts recognised in profit or loss

	2019 £'000
Depreciation expense on right-of-use assets	6,452
Interest expense on lease liabilities	406
Expenses relating to short-term leases	833
Variable lease payments not included in measurement of lease liabilities	61

At December 31, 2019, the Company is committed to £1,000k for short-term leases.

The total cash outflow for leases amounted to £6,572k for the year ended December 31, 2019.

Notes to the Financial Statements

For the year ended December 31, 2019

13. LEASES (continued)

Lease liabilities

Lease liabilities included in the Balance Sheet:

	2019
	£'000
Analysed as:	
Non-current	22,670
Current	4,701
	27,371

Disclosure required by IFRS 16

	2019
Maturity analysis - contractual undiscounted cash flows	*£'000*
Year 1	5,063
Year 2	4,630
Year 3	4,443
Year 4	4,083
Year 5	3,636
Onwards	6,874
	28,729

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.

Operating lease arrangements

Leases agreements where the Company is lessee

Disclosure required by IAS 17

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018
	£'000
Not later than one year	6,337
After one year but not more than five years	18,977
After five years	9,590
	34,904

Lease agreements where the Company is lessor

The Company sublets space in certain properties. On adoption of IFRS 16, the Company has recognised these agreements as finance subleases. The subleases relate to properties located throughout Great Britain. There are no individually significant lease arrangements or purchase options attached to these properties. The net investment in sub-leases amounted to £15.2k as at December 31, 2019 and will be realised within 1 year.

Notes to the Financial Statements

For the year ended December 31, 2019

13. LEASES (continued)

Impairment of finance lease receivables

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the directors of the Company consider that none of the finance lease receivables are impaired.

14. RECEIVABLES

	2019	*2018*
	£'000	*£'000*
Amounts owed by group undertakings	34,900	119,254
Prepayments	1,847	2,073
Finance sublease receivable	15	-
Other receivables	7,723	5,982
	44,485	127,309

Total other receivables approximate to fair value. The maximum exposure is limited with reference to the Group counterparty exposure limits. All other receivables are due within 12 months of the Balance Sheet date. The Company's maximum exposure to credit risk is the value of other receivables and cash.

The Company has concluded that the expected credit loss model has made no material impact on the valuation of receivables reported in the financial statements.

15. CASH AND CASH EQUIVALENTS

	2019	*2018*
	£'000	*£'000*
Cash at bank and in hand	9,773	8,960

The Company has concluded that the expected credit loss model has made no material impact on the valuation of cash & cash equivalents reported in the financial statements.

16. SHARE CAPITAL

	2019	*2018*
	£	£
Ordinary shares of £1 each	1	1

Notes to the Financial Statements

For the year ended December 31, 2019

17. PAYABLES AND OTHER FINANCIAL LIABILITIES

	2019	*2018*
	£'000	*£'000*
Amounts owed to group undertakings	42,016	266,492
Accruals & deferred income	25,948	33,923
Other payables	39,873	43,191
Dilapidations provision	4,455	4,657
	112,292	348,263

Trade and other payables approximate to fair value. The Company manages its liquidity risk to ensure, as far as possible that it will always have sufficient liquidity to settle its liabilities as they fall due. All of the liabilities are payable within 12 months of the Balance Sheet date.

18. LOANS FROM RELATED PARTY

	2019	*2018*
	£'000	*£'000*
Secured borrowing at amortised cost:		
Loan from related party	162,000	-
	162,000	-
Non-current	145,800	-
Current	16,200	-
	162,000	-

Amounts repayable to related party, Allianz Insurance plc, 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 following loan is guaranteed by Allianz Societas Europaea ("Allianz SE") and the guarantee shall cover the loan amount owed under the facility agreement from the Company to Allianz Insurance plc. The Company irrevocably and unconditionally undertakes that for such payments Allianz SE is required to make to Allianz Insurance plc, under the guarantee, it shall reimburse Allianz SE in accordance with the guarantee agreement.

19. RISK MANAGEMENT POLICIES

Capital management

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.

Notes to the Financial Statements

For the year ended December 31, 2019

19. RISK MANAGEMENT POLICIES (continued)

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 GBP.

At December 31, the largest currency exposures were:

	2019	*2018*
	£'000	*£'000*
Euro		
Assets	1,032	1,049
Liabilities	685	147,899

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

	2019		*2018*	
	Profit/(loss)	*Equity*	*Profit/(loss)*	*Equity*
	£'000	*£'000*	*£'000*	*£'000*
Currency rate risk				
10% increase in Euro exchange rate	-	35	-	(14,685)
10% decrease in Euro exchange rate	-	(35)	-	14,685

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 receivables and cash and cash equivalents.

The Company deems the risk associated with its 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 immaterial 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 property plant and equipment, right of use asset, deferred tax liability, payables and other financial liabilities, loans and lease liability.

The Company considers the liquidity risk associated with the right of use asset and lease liability to be immaterial 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 property, plant and equipment to be immaterial as these are motor vehicles which are readily tradeable should the Company need to raise cash in order to meet its obligations as they fall due.

The Company considers the liquidity risk associated with the deferred tax liability to be immaterial 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, this is 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 18. The Company is exposed to liquidity risk associated with the payables and other financial liabilities.

Notes to the Financial Statements

For the year ended December 31, 2019

19. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)

Although the Company does not have sufficient liquid assets to meet the current payables and other financial liabilities, the Company is able to draw down from the liquid assets held elsewhere in the Group in order to meet its liabilities as the 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.

20. 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.

21. RELATED PARTY TRANSACTIONS

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

	2019	*2018*
	£'000	*£'000*
Provision of services	368,075	371,909
Deficit funding contribution to the ARDBF	44,350	98,320
Contribution to the GPPP	28,900	27,103
Pension transfer in	-	14,500

	2019	*2018*
	£'000	*£'000*
Loans from related party at December 31		
Other related parties	162,000	-
Total	162,000	-

Amounts payable to related party, Allianz Insurance plc, 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 following loan is guaranteed by Allianz SE and the guarantee shall cover the loan amount owed under the facility agreement from the Company to Allianz Insurance plc.

	2019	*2018*
	£'000	*£'000*
Due from related parties at December 31		
Parent	-	47,319
Other related parties	34,900	71,935
Total	34,900	119,254

Notes to the Financial Statements

For the year ended December 31, 2019

21. RELATED PARTY TRANSACTIONS (continued)

	2019	*2018*
	£'000	*£'000*
Due to related parties at December 31		
Parent	33,307	-
Other related parties	8,709	266,492
Total	42,016	266,492

AMS acts as the management services provider for the Group. The Company employs all 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. Management services are provided on a cost-plus basis, allowing a margin of 5% (2018 – 5%).

All other transactions were made on normal commercial terms and conditions and at market rates.

The amounts outstanding are unsecured and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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

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:

	2019	*2018*
	£'000	*£'000*
Salaries and other short term employee benefits	1,067	1,035
Total	1,067	1,035

22. DIVIDENDS

No dividend was paid during the year ended December 31, 2019 (2018: £nil).

23. 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.