Registered Number: 2071488

Annual Report and Financial Statements 2019

Allianz Properties Limited

Directors:	J M Dye	
	F K Dyson	(appointed 07.01.19)
	S J Robertson	(resigned 20.12.19)
Secretary:	R C Jack-Kee	
Registered Office:	57 Ladymead, Guildford, Surrey, GU1 1DB	
Registered No:	2071488	

Strategic Report

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

Principal activity
The principal activity of the Company continued to be the management of a portfolio of investment properties.

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 8. The profit for the year amounted to £1,402k (2018: £8,332k). The profit for the year arose from investment income, fair value losses (2018: gains) and associated property expenses.

As part of a de-risking strategy that aims to reduce income concentration, one property was sold in the year, with a further two single-let properties held for sale a similar amount of capital has been invested in three multi-let assets. Transactions resulted in a realised loss of £2,877k (2018: £1,650k).

Key performance indicators
The key performance indicators monitored by the Company are profit before tax, net asset value and the performance of its investment portfolio. The profit before tax for the year is £2,779k (2018: £10,558k) and at the year-end the Company had £195,540k of net assets (2018: £194,138k).

The total return of the portfolio in 2019 was 3.4%, the portfolio outperformed the market benchmark but is lower than the 2018 return of 6.6%. The return is mainly attributed to the income component. The capital value dropped slightly due to the weak sentiment in the retail sector. The transaction costs from the purchase of a multi-let industrial estate and the voids caused by a refurbishment project also affected the overall performance for the year. Given the quality of the portfolio, we expect the portfolio to continue to outperform the market index in the coming year.

Principal risks and uncertainties
The principal risk facing the Company is that poor performance of its investment properties might have a material impact on the asset valuation and rental income in the financial statements. The Company manages this risk by investing in high quality properties and regularly reviewing and valuing its properties.

On March 11, 2020 the World Health Organisation confirmed that the outbreak of COVID-19 is a global pandemic and is a new and significant source of uncertainty for the Company in 2020. Preventative actions are being taken by the UK government such as restricting the public on non-essential travel, working from home, closure of businesses, postponing events and public gatherings. This has had an immediate impact to the domestic and global economies and financial markets, creating uncertainty for people and businesses. Consequently, companies like the Allianz Holdings plc Group (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 manage both operational and economic risk. There is close alignment and interaction to ensure the Company is operating in accordance with government advice and benefiting from the wider Allianz SE Group response.

Our values 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

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. 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 risk from COVID-19 is the extent to which the capability of the outsourced property management function is affected. To date, there has been no noticeable impact to the service provided.

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, the estimated impact has been described in note 18.

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

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

Going concern
The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.
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.

The Company continues to work closely with its suppliers to understand and manage the impact of COVID-19 on our supply chain.

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

Management are regularly assessing the impact on the financial position with actions in place to respond where appropriate. The impact of COVID-19 is continuing to evolve, the estimated impact has been described in note 18.

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

Strategic Report (continued)

Section 172 (1) Companies Act 2006 Statement

The Company's board of directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172 (1) of the Companies Act 2006 (the 'Act').

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. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Allianz Holdings plc Group Board has considered matters set out in s172 (1) of the Act (for the group and for the Company) is set out in the Allianz Holdings plc group Annual Report, which does not form part of this report.

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

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

By order of the Board

F K Dyson
Director
June 29, 2020

Directors' Report

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

Directors

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

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 8. A review of the Company's business activities can be found on page 1 of 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 final dividend for the year ended December 31, 2019 (2018: £nil).

Future outlook

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

Going concern

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

Directors' responsibility to the auditors

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

Auditors

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

By order of the Board

R C Jack-Kee
Secretary
Allianz Properties Limited
Company Number: 2071488
June 29, 2020

Statement of Directors’ Responsibilities in Respect of the Strategic Report, Directors’ Report and 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

June 29, 2020

Independent auditors' Report

to the members of Allianz Properties Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 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: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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.

Independent Auditors' Report

to the members of Allianz Properties Limited (continued)

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

R Hawkins.

Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2020

Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 £'000	2018 £'000
Investment income	3	10,279	11,758
Net fair value (losses)/gains	4	(3,016)	1,990
Realised losses	10	(2,676)	(1,650)
Additional costs relating to prior year sales		(201)	-
Total revenue		4,386	12,098
Property expenses		(1,607)	(1,540)
Profit before tax		2,779	10,558
Income tax expense	7(a)	(1,377)	(2,226)
Profit for the year wholly attributable to the equity holders		1,402	8,332

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

Statement of Changes in Equity

For the year ended December 31, 2019

	Capital contribution *£'000*	*Share capital* *£'000*	*Retained earnings* *£'000*	*Total* *£'000*
Balance as at January 1, 2018	38,990	120,510	26,306	185,806
Profit for the year	–	–	8,332	8,332
Balance as at December 31,2018	38,990	120,510	34,638	194,138
Profit for the year	–	–	1,402	1,402
Balance as at December 31, 2019	38,990	120,510	36,040	195,540

The accounting policies and notes on pages 11 to 20 are an integral part of these financial statements.

Balance Sheet
As at December 31, 2019

	Note	2019 £'000	2018 £'000
Assets			
Investment properties	10	182,165	182,905
Deferred tax assets	7(d)	1,725	1,448
Investment properties held for sale	10	11,580	4,000
Amounts due from related undertakings	17	1,216	6,181
Trade receivables	12	2,599	5,615
Cash and cash equivalents		1,096	–
Total assets		200,381	200,149
Equity and liabilities			
Equity attributable to equity holders of the parent			
Capital contribution		38,990	38,990
Share capital	14	120,510	120,510
Retained earnings		36,040	34,638
Total equity		195,540	194,138
Liabilities			
Trade and other payables		3,187	3,792
Amounts due to related undertakings	17	–	251
Current tax liabilities	7(c)	1,654	1,968
Total liabilities		4,841	6,011
Total equity and liabilities		200,381	200,149

The accounting policies and notes on pages 11 to 20 are an integral part of these financial statements.

These financial statements on pages 8 to 20 were approved by the Board of Directors on June 29, 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		2,779	10,558
Unrealised net fair value losses/(gains) on investment property	4	3,016	(2,514)
Realised losses on disposal of investment property		2,877	1,650
Realised losses on disposal of available for sale assets	4	–	524
Changes in working capital			
Decrease in amounts due from related undertakings	17	4,965	11,523
(Decrease)/increase in amounts due to related undertakings	17	(251)	251
Decrease/(increase) in other receivables		3,016	(4,208)
(Decrease)/increase in trade and other payables		(605)	309
Cash used in operating activities		15,797	18,093
Income tax paid	7(b)	(1,968)	(2,128)
Net cash inflow from operating activities		13,829	15,965
Cash flows from investing activities			
Purchase of investment properties	10	(16,532)	(49,175)
Proceeds from disposal of investment properties		–	20,197
Proceeds from disposal of held for sale properties	10	4,000	13,013
Costs incurred in the disposal of investment properties		(201)	–
Net cash outflow from investing activities		(12,733)	(15,965)
Net movement in cash and cash equivalents		1,096	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		1,096	–

The notes on pages 11 to 20 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 Properties Limited ("the Company") is a private limited company incorporated and domiciled in England and Wales

1.2. Statement of compliance

The financial statements of Allianz Properties Limited have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee 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 except for Investment properties which are stated at their fair value.

The functional and presentational currency is British Pounds.

Going concern

These financial statements are compiled on a going concern basis. For more information on the going concern assessment please refer to page 1.

New standards and interpretations adopted by the Company

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

- IFRS 16: Leases replaces IAS 17 Leases. The Company has determined that there will be no impact on the financial statements.

1.4. Summary of significant accounting policies

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

(a) Investment properties

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

Investment properties are initially measured at cost. Subsequently, at each Balance Sheet date such properties are carried at fair value as assessed by qualified external valuers. Fair value is the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. An investment property is derecognised when either its use changes or it has been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Gains or losses arising from changes in the fair values are recognised in the Statement of Comprehensive Income in the period in which they arise.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the net book value and the fair value of the item at the date of transfer is recognised as a fair value gain in equity and is subsequently treated under the normal policies for investment properties.

(b) Leases

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

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

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) Income taxes

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

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

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

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

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

(d) Trade receivables

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

An expected credit loss (“ECL”) provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the “General approach” in determining the ECL. Under this approach, the calculation is based on an appropriate probability of default and a loss given default to determine 12 month credit losses.

(e) Cash and cash equivalents

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

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 expected credit loss (ECL) provision is calculated as at the Balance Sheet date. The cash and cash equivalents are reported after deduction of any ECL amount.

(f) 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.

(*g*) Revenue *recognition*

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

Rental income from property is recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(h) Investment income

Interest income includes dividends receivable, which are included on the date the shares become quoted ex dividend. Interest income is recognised in the Statement of Comprehensive Income as it accrues, taking into account the effective yield of the assets or an applicable floating rate. Interest income includes the amortisation of any discount or premium.

(i) Realised gains and losses recorded in the Statement of Comprehensive Income

Realised gains and losses on investment properties are calculated as the difference between the net sales proceeds and the original or amortised cost. Realised gains and losses are recognised in the Statement of Comprehensive Income when the sale transaction occurred.

(j) Unrealised gains and losses recorded in the Statement of Comprehensive Income

Unrealised gains and losses relating to investment properties are recognised immediately in the Statement of Comprehensive Income.

2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following is the critical judgements, estimations and assumptions that the Directors have made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Investment Property

An all risk yield investment method of valuation has been adopted for estimating the fair value of the investment properties. Judgement is applied in determining the significant unobservable inputs, these being rental growth, voids, occupancy rates, rent free periods and equivalent yields. Further details concerning the valuation techniques can be found on page 18.

3. INVESTMENT INCOME

Rental income relates to operating leases.

	2019	*2018*
	£'000	*£'000*
Rental income	10,251	11,486
Interest income	28	272
Total	10,279	11,758

4. NET FAIR VALUE (LOSSES)/GAINS RECORDED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2019	*2018*
	£'000	*£'000*
Investment properties - unrealised (losses)/gains	(3,016)	2,514
Available for sale financial asset	–	(524)
Total	(3,016)	1,990

5. EMPLOYEE RELATED COSTS

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

Notes to the Financial Statements

For the year ended December 31, 2019

6. AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by Allianz Management Services Limited. Other services supplied pursuant to legislation were £nil (2018: £nil).

	2019	2018
	£'000	£'000
Fees payable for the audit of the Company's financial statements	7	10

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2019	2018
	£'000	£'000
Current income tax:		
In respect of the current year	1,654	1,968
In respect of prior years	–	289
Total current income tax expense recognised in the current year	1,654	2,257

	2019	2018
Deferred tax:	£'000	£'000
In respect of the current year	(244)	(27)
Adjustment to deferred tax attributable to changes in tax rates and laws	(33)	(4)
Total deferred tax expense recognised in the current year	(277)	(31)
Total income tax expense recognised in the current year	1,377	2,226

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

	2019	2018
	£'000	£'000
Profit before tax	2,779	10,558
Income tax expense calculated at 19% (2018: 19%)	528	2,006
Effect of unrealised movement on investment properties	295	(508)
Effect of capital losses	547	413
Effect of prior year adjustment	–	289
Effect of imputed transfer pricing adjustments	7	26
Income tax expense recognised in profit or loss	1,377	2,226

The tax rate used for the 2019 and 2018 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax will be 19% for 2020. Deferred tax on temporary timing differences which are expected to unwind after April 1, 2020 have been recognised at 17%, the rate which was substantially enacted in law as at December 31, 2019. The 17% rate has since been repealed from law in the March Budget resulting in the tax rate for 2020 onwards remaining at 19%. Management have assessed the impact and concluded that it is not significant.

Notes to the Financial Statements

For the year ended December 31, 2019

7. INCOME TAX (continued)

(b) Tax paid for cash flow purposes

	2019	2018
	£'000	£'000
Current tax payable at January 1	1,968	1,839
Amounts charged to the Statement of Comprehensive Income	1,377	2,226
Movements in deferred tax liability in the Statement of Comprehensive Income	277	31
Tax paid during the year	(1,968)	(2,128)
Current tax payable at December 31	1,654	1,968

(c) Current tax liabilities

	2019	2018
	£'000	£'000
Current tax liabilities	1,654	1,968

(d) Deferred tax balances

	2019	2018
	£'000	£'000
The balance comprises temporary differences attributable to:		
Investment properties	1,725	1,448
Total deferred tax assets	1,725	1,448

Movements	2019	2018
	£'000	£'000
Opening balance	1,448	1,417
Credited to Statement of Comprehensive Income	277	31
Closing balance	1,725	1,448

8. DIRECTORS' EMOLUMENTS

J M Dye and F K Dyson were not directly remunerated for their roles as Directors of Allianz Properties Limited as the amount of time spent performing their duties was incidental to their roles as key management personnel of the Allianz Holdings plc Group.

S J Robertson was not remunerated for his role as Director of Allianz Properties Limited as the amount of time spent performing his duties was incidental to his role as an employee of the Allianz Holdings plc Group.

9. DIVIDENDS

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

Notes to the Financial Statements

For the year ended December 31, 2019

10. INVESTMENT PROPERTIES

	2019	*2018*
	£'000	*£'000*
Balance as at January 1	182,905	157,065
Additions	16,532	49,175
Disposals	–	(21,849)
Net fair value (losses)/gains	(5,692)	2,514
Transfer to investment properties held for sale	(11,580)	(4,000)
Balance as at December 31	182,165	182,905

	2019	*2018*
Investment properties held for sale	*£000*	*£000*
Balance as at January 1	4,000	–
Net fair value gains	2,676	–
Realised losses	(2,676)	–
Transfer from investment properties	11,580	4,000
Disposals of investment properties	(4,000)	–
Balance as at December 31	11,580	4,000

Two properties are classified as investment properties held for sale. The properties were marketed in the later months of 2019. One sale completed in January 2020 for £7,450k. The other property is still on the market.

11. OPERATING LEASE COMMITMENTS

Leases as lessor

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

	2019	*2018*
	£'000	*£'000*
No later than one year	9,750	9,859
After one year but no more than 5 years	31,331	30,875
After 5 years	7,838	8,808
Total	48,919	49,542

During the year £10,251k (2018: £11,486k) was recognised as rental income by the Company.

12. TRADE RECEIVABLES

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.

	2019	*2018*
	£'000	*£'000*
Trade receivables	2,599	5,615

Notes to the Financial Statements

For the year ended December 31, 2019

13. CAPITAL CONTRIBUTION

The Capital Contribution relates to a loan from the previous parent, Allianz (UK) Limited, this was waived prior to the acquisition by Allianz Insurance plc.

14. SHARE CAPITAL

	2019	*2018*
	£'000	*£'000*
120,510,002 ordinary shares of £1 each	120,510	120,510

15. RISK MANAGEMENT POLICIES

Capital management

The Company manages a portfolio of property investments based in the United Kingdom. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

Financial Risk

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is exposed to market risk through its investment property insofar as investment property valuations will affect the value of the Company's assets and income.

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 other receivables, amounts due from related undertakings and cash and cash equivalents. The Company deems the risk associated with amounts due from Group undertakings to be low as the amounts are due from fellow Allianz SE Group subsidiaries and as such are highly rated. The Company manages credit risk for other receivables by limiting the amount of exposure with each counterparty. The cash balances are held with a financial institution with a high credit rating. All amounts due from related parties are due within 1 year and cash can be drawn upon immediately.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its investment properties, trade and other payables and current tax liabilities. Liquidity risk for the Company is mitigated as the Company largely finances through intercompany transactions.

Notes to the Financial Statements

For the year ended December 31, 2019

15. RISK MANAGEMENT POLICIES (continued)

Fair value hierarchy

The following table shows a three-level fair value hierarchy for financial assets depending on the inputs used to determine fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices in active markets for identical assets.

Level 2: valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: if one or more of the significant inputs is not based on observable market data.

	Fair value as at December 31	*Level 1*	*Level 2*	*Level 3*
2019	*£'000*	*£'000*	*£'000*	*£'000*
Investment properties	193,745	–	–	193,745
Total	193,745	–	–	193,745

	Fair value as at December 31	*Level 1*	*Level 2*	*Level 3*
2018	*£'000*	*£'000*	*£'000*	*£'000*
Investment properties	186,905	–	–	186,905
Total	186,905	–	–	186,905

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

	Fair value as at January 1	*Addition*	*Disposal*	*Unrealised gains*	*Fair value as at December 31*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2019					
Investment properties	186,905	16,532	(4,000)	(5,692)	193,745
Total	186,905	16,532	(4,000)	(5,692)	193,745
2018					
Investment properties	157,065	49,175	(21,849)	2,514	186,905
Equity securities	13,536	–	(13,536)	–	–
Total	170,601	49,175	(35,385)	2,514	186,905

Sensitivity to changes in unobservable inputs

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

Notes to the Financial Statements

For the year ended December 31, 2019

15. RISK MANAGEMENT POLICIES (continued)

Sensitivity to changes in unobservable inputs (continued)

Significant unobservable inputs:

Rental growth	Factored into the yield applied (location/sector specific)
Voids	0-12 months
Occupancy rate	Approximately 88.76%
Rent free	0-15 months upon re-letting
Equivalent yields applied	4.45% - 8.85%

Sensitivity analysis changes in key unobservable inputs:

	Net equivalent yield (NEY)	Estimated realisable value (ERV) £'000	Portfolio valuation £'000
Base portfolio	5.65%	12,267	193,745
+5% ERV	5.65%	12,880	201,809
-5% ERV	5.65%	11,653	185,690
+5% NEY	5.93%	12,267	184,090
-5% NEY	5.36%	12,267	204,304
-5% NEY, -5% ERV	5.36%	11,653	195,800
+5% NEY, +5% ERV	5.93%	12,880	191,752
-5% NEY, +5% ERV	5.36%	12,880	212,927
+5% NEY, -5% ERV	5.93%	11,653	176,543

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

16. ULTIMATE PARENT UNDERTAKING

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

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

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

17. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group undertakings in the normal course of business. Surplus cash is transferred to the immediate parent and can be subsequently drawn upon, during the year net cash of £4,965k (2018: £11,523k) was received from the parent.

Notes to the Financial Statements

For the year ended December 31, 2019

17. RELATED PARTY TRANSACTIONS (continued)

Year end balances arising from transactions carried out w ith related parties are as follow s:

	2019	*2018*
Due from related parties as at December 31	*£'000*	*£'000*
Parent	1,216	6,181

	2019	*2018*
Due to related parties as at December 31	*£'000*	*£'000*
Fellow subsidiary	–	251

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

18. SUBSEQUENT EVENTS

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. COVID-19 has 0been 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 w orking and cancellations of sporting and other events. This is expected to lead to an economic dow nturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored w ith management plans in place to mitigate financial and operational risks. How ever, w hilst 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 the time of w riting the fall in value of the property portfolio has been estimate to be just under £6m.