

Registered Number: 5441840

Annual Report and Financial Statements 2020

**Allianz Engineering Inspection  
Services Limited**

**Directors:** J A Harrison (appointed 17.07.2020)  
C M Little  
S C McGinn

**Secretary:** R C Jack-Kee

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

**Registered No:** 5441840

## Strategic Report

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

### Principal activity

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

### Business review

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

The results for the year are set out in the Statement of Comprehensive Income on page 9. The profit for the year amounted to £6,500k (2019: £2,966k). The profit before tax in the year arose almost entirely from revenue earned from engineering inspection services less associated administrative expenses. The increase in profit was driven by increased revenue and decrease in administrative expenses. The revenue benefitted from price rises despite a slight reduction in volume of business primarily due to careful management of work load to ensure a COVID-19 safe environment. The reduction in expenses is driven by a reduction in management fee from Allianz Management Services Limited (“AMS”) largely resulting from delays in recruitment and travel restrictions.

### Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax and net asset value. The profit before tax for the year amounted to £8,043k (2019: £3,756k) and the net assets were £5,648k (2019: £15,148k). The Company monitors a number of non-financial key performance indicators including the level of completed and overdue inspections and health and safety statistics.

### Principal risks and uncertainties

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

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

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

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

The Company is responding to the COVID-19 situation using well established business resilience and crisis management procedures. The key risks this crisis presents are both operational and financial. These risks are being actively monitored and managed on a daily basis. Regular communications are taking place to keep all staff informed throughout the period of uncertainty.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

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

Some disruption has been inevitable and is measured and monitored daily due to staff absences, travel restrictions, business closures and an increased risk environment affecting safe access and safe systems of work in third party locations.

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, but the financial impact on the Company has been and continues to be insignificant.

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

### Going concern

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

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

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

The Company is a wholly owned subsidiary of Allianz Holdings plc and acts as a provider of engineering inspection services. As a consequence of the Allianz Holdings plc Group (the Group") governance structure, some strategic decisions and stakeholder interests (such as those concerning social responsibility and environmental considerations, large group suppliers and employees) are deliberated, and actions concerning them determined, on a Group-wide basis by the Board of Allianz Holdings plc and its Committees rather than at a subsidiary Board level. One of the Company's Directors is also a member of the Group Management Board and so is aware of those considerations and able to communicate them as appropriate to the Company's Board.

The Allianz Holdings plc Board and Management Board have oversight of the Group including the Company; however, the Company's Board meets quarterly to discuss matters relevant to the Company and its stakeholders. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. When strategic and operational decisions are considered by the Board, the broader impacts on stakeholders are taken into account and this approach is embedded within the Group governance structure.

### Stakeholder Engagement

The Company's stakeholders include customers, its direct employees (in Ireland), employees of the Group who work on its business, suppliers, the Company's regulator and government agencies, as well as the wider community.

## Strategic Report (continued)

### Stakeholder Engagement (continued)

#### *Customers*

Engagement with customers takes place through a number of channels including the use of Customer Satisfaction Surveys and Service Quality Evaluation questionnaires. Feedback is also sought from customers using the Top Down Net promoter Score ("TDNPS"). The TDNPS is an important indicator of customer-centric culture across the Group. The results from the feedback received are incorporated within management information presented to the regular quarterly Board Meetings.

#### *Employees*

The Group's staff are mostly employed by AMS, however, the Board applies a specific focus to the engineering inspection staff, as well as the 25 staff employed directly by the Company during the year who were resident in and worked on the Company's business in Ireland. The Board is provided with management information relating to staff health and safety, training, resourcing, attrition, absence, relations and engagement at its meetings. The Board's regard to staff training and resourcing is evidenced by its consideration of potential Engineer Surveyor Apprenticeships during the year. In addition, during 2020, the Board paid particular regard to the impact of the COVID-19 pandemic on all of its staff. In particular, its engineer surveyors who have been required to continue working throughout the pandemic. The Group also operates other means of engaging with and seeking the feedback of employees across all areas of its business, such as the annual Allianz Employee Engagement survey.

#### *Suppliers*

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

#### *Regulator and Government Agencies*

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

#### *Community and the environment*

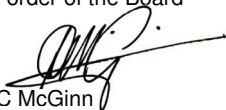
As a subsidiary of the Group, the Company is acutely aware of the broader impact it has on its various environments, its customers and society in general, and adheres to and participates in the Group's corporate social responsibility policies and practices.

#### *Principal decisions*

During the year the Board received regular updates regarding health and safety matters, quality reviews, customer satisfaction, trading, legal and regulatory updates including actions required in relation to Brexit and the impact of the COVID-19 crisis on the Company and employees working within its business. In particular a survey was carried out in relation to Engineer Surveyor wellbeing and support during the COVID-19 pandemic. This enabled the Board to receive feedback on the impact on surveyors and their families given that these roles were classified as essential workers and continued to carry out inspections throughout most of the year. The Board noted the steps taken by the business and support offered.

In November 2020, the Board approved the payment of an interim dividend of £16,000k to its sole shareholder, Allianz Holdings plc. The Directors considered the impact of paying the dividend on its wider stakeholders as well as the interests of its shareholder who require dividends to be paid in order to ensure the long term success of the Allianz Holdings plc group as a whole. After considering these factors, together with other considerations when paying a dividend, the Directors concluded that the payment of the dividend would promote the success of the Company for the benefit of its member.

By order of the Board



S C McGinn  
Director

July 20, 2021

## Directors' Report

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

### Directors

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

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

### Results and dividends

The results for the year are set out in the Strategic Report on page 1.

An interim dividend of £16,000k was paid on November 6, 2020, for the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil).

### 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.

### Stakeholder Engagement Statements

Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and others stakeholders and the effect of that regard on principal decisions taken by the Company's Board is contained within the section 172 statement on page 2.

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

The Company has monitored and discloses its SECR in accordance with the Companies and Limited Liability Partnerships Regulations 2018 and the accompanying government guidance. Further details of the Company's SECR are included within the financial statements of Allianz Holdings plc.

### 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



C M Twemlow  
Secretary

Company Number: 5441840

July 20, 2021

## Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

By order of the Board



S C McGinn  
Director

July 20, 2021

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the statement of cash flows, and 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

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

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

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

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

## Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, such as those established by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered



those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries which may impact the financial performance and position of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- enquiry of management around actual and potential litigation and claims;
- enquiry of management to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reading correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable law and regulations;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### **Use of this report**

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

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Zahid Khan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 July 2021

## Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020 £'000	2019 £'000
Revenue	3(a)	87,620	85,568
Administrative expenses	4,5	<u>(79,577)</u>	<u>(81,812)</u>
<b>Profit before tax</b>		8,043	3,756
Income tax expense	7	<u>(1,543)</u>	<u>(790)</u>
<b>Profit for the year wholly attributable to the equity holders</b>		<u><u>6,500</u></u>	<u><u>2,966</u></u>

There has been no other comprehensive income in the year ended December 31, 2020 (2019: £nil).

## Statement of Changes in Equity

For the year ended December 31, 2020

	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance as at January 1, 2019</b>	-	12,182	12,182
Profit for the year	-	<u>2,966</u>	<u>2,966</u>
<b>Balance as at December 31, 2019</b>	-	15,148	15,148
Dividend paid	-	(16,000)	(16,000)
Profit for the year	-	<u>6,500</u>	<u>6,500</u>
<b>Balance as at December 31, 2020</b>	-	<u><u>5,648</u></u>	<u><u>5,648</u></u>

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

**Balance Sheet**

As at December 31, 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
Deferred expenses	4	3,788	4,136
Amounts due from related parties	13	<u>42,417</u>	<u>50,908</u>
<b>Total assets</b>		<u><u>46,205</u></u>	<u><u>55,044</u></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	10	-	-
Retained earnings		<u>5,648</u>	<u>15,148</u>
<b>Total equity</b>		<u><u>5,648</u></u>	<u><u>15,148</u></u>
<b>Liabilities</b>			
Contract liability	3(b)	38,908	39,106
Accruals and other payables		113	-
Current tax liabilities	7	<u>1,536</u>	<u>790</u>
<b>Total liabilities</b>		<u><u>40,557</u></u>	<u><u>39,896</u></u>
<b>Total equity and liabilities</b>		<u><u>46,205</u></u>	<u><u>55,044</u></u>

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

These financial statements on pages 9 to 17 were approved by the Board of Directors on July 20, 2021 and signed on its behalf by:



S C McGinn  
Director

## Statement of Cash Flows

For the year ended December 31, 2020

	<i>Note</i>	<i>2020</i> £'000	<i>2019</i> £'000
<b>Cash flows from operating activities</b>			
Profit before tax		8,043	3,756
Decrease/(increase) in deferred expenses	4	348	(240)
Increase in amounts due from related parties	13	(7,509)	(4,619)
(Decrease)/increase in contract liability	3	(198)	1,606
Increase in accruals and other payables		113	-
<b>Cash generated from operations</b>		<b>797</b>	<b>503</b>
Income taxes paid	7	(797)	(503)
<b>Net cash flow from operating activities</b>		<b>-</b>	<b>-</b>
<b>Net movement in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

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

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

## Notes to the Financial Statements

For the year ended December 31, 2020

### 1. ACCOUNTING POLICIES

#### 1.1. Company and its operations

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

#### 1.2. Statement of compliance

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

#### 1.3. Basis of preparation

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

#### Going concern

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

#### UK-adopted international accounting standards

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

#### New standards and interpretations adopted by the Company

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

#### 1.4. Summary of significant accounting policies

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

##### *(a) Income taxes*

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

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.

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.

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

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

An expected credit loss ("ECL") provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

##### *(c) Revenue recognition*

Revenue relates to the provision of engineering inspection and other special services. Revenue is measured at the value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The company receives payments from customers based on an invoicing schedule, as established in our contracts.

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

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

## Notes to the Financial Statements

For the year ended December 31, 2020

### 1. ACCOUNTING POLICIES (continued)

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

##### (d) Contract liability

Contract liability is stated at cost. The contract liability recognised is the amount of revenue allocated to the inspection period that falls after the Balance sheet date. Contract liability is recognised as revenue as (or when) the Company performs under the contract.

##### (e) Administrative Expenses

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

##### (f) Deferred expenses

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

##### (g) Retirement benefit costs

The Company sponsors a Group Personal Pension Plan ("GPPP") which is a defined contribution scheme only operated by Aviva. The cost of providing benefits is determined as the contributions payable during the year.

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

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company does not consider any particular accounting policy or estimate to be susceptible to significant changes in estimates and assumptions.

### 3. REVENUE

#### 3 (a) Disaggregation of revenue from contracts with customers

The Company derive revenue through provision of engineering inspection and other special services categorised in the following performance obligations;

	2020	2019
	£'000	£'000
Inspection fees	82,539	80,489
Other special services	5,081	5,079
Total revenue	<u>87,620</u>	<u>85,568</u>

#### 3 (b) Liabilities related to contracts with customers

The Company has recognised the following liability related to contracts with customers;

	2020	2019
	£'000	£'000
Inspection fees	<u>38,908</u>	<u>39,106</u>

Revenue recognised during the year that was included in the contract liability balance at the beginning of the year:

	2020	2019
	£'000	£'000
Inspection fees	<u>39,106</u>	<u>37,500</u>

## Notes to the Financial Statements

For the year ended December 31, 2020

### 4. ADMINISTRATIVE EXPENSES

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Management fee	69,244	71,392
Commission payable to brokers	8,092	8,622
Employee related costs	1,893	2,038
Deferred expenses	348	(240)
	<u>79,577</u>	<u>81,812</u>

Deferred expenses are reconciled below;

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Balance at January 1,	4,136	3,896
Charged to statement of comprehensive income	(4,136)	(3,896)
Deferred in the year	<u>3,788</u>	<u>4,136</u>
Balance at December 31,	<u>3,788</u>	<u>4,136</u>

### 5. EMPLOYEE RELATED COSTS

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	1,512	1,376
Social security costs	177	318
Pension costs	<u>204</u>	<u>344</u>
	<u>1,893</u>	<u>2,038</u>

The pension costs relate to a GPPP operated by Aviva. 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.

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

	<i>2020</i>	<i>2019</i>
	<i>No.</i>	<i>No.</i>
Engineers	<u>25</u>	<u>22</u>
	<u>25</u>	<u>22</u>

### 6. AUDITORS' REMUNERATION

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

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Fees payable for the audit of the Company's financial statements	<u>8</u>	<u>8</u>

## Notes to the Financial Statements

For the year ended December 31, 2020

### 7. INCOME TAX

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

	2020	2019
	£'000	£'000
<b>Current tax:</b>		
In respect of the current year	1,536	790
In respect of prior years	7	-
Total income tax expense recognised in the year	<u>1,543</u>	<u>790</u>

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

	2020	2019
	£'000	£'000
Profit before tax	8,043	3,756
Income tax expense calculated at 19% (2019: 19%)	1,528	714
In respect of prior years	7	-
Effect of imputed transfer pricing adjustments	8	76
Income tax expense recognised in profit or loss	<u>1,543</u>	<u>790</u>

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

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

	2020	2019
	£'000	£'000
Current tax payable at January 1,	790	503
Amounts charged to the income statement	1,543	790
Tax paid during the year	<u>(797)</u>	<u>(503)</u>
Current tax payable at December 31,	<u>1,536</u>	<u>790</u>

#### (c) Current tax liabilities

	2020	2019
	£'000	£'000
Current tax liabilities	<u>1,536</u>	<u>790</u>

### 8. DIRECTORS' EMOLUMENTS

One Director was remunerated for their role as a Director of the Company. Their remuneration for the year was £383k (2019: £363k). Included in the emoluments is payments received following the exercising of Restricted Stock Units during the year of £90k (2019: £95k). The Director did not receive any company pension contributions to defined contribution schemes during the year (2019: £nil).

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

### 9. DIVIDENDS

An interim dividend of £16,000k was paid on November 6, 2020, for the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil).



## Notes to the Financial Statements

For the year ended December 31, 2020

### 10. SHARE CAPITAL

	2020	2019
	£	£
Ordinary shares of £1 each fully paid	<u>1</u>	<u>1</u>

### 11. RISK MANAGEMENT POLICIES

#### Capital management

The Company's capital risk is determined with reference to the requirements of the Allianz Holdings plc group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2020 the Company had £5,648k (2019: £15,148k) of total capital employed.

The Company provides engineering inspection services. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

#### Financial Risk

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

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is not directly exposed to market risk.

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its amounts due from related parties. The Company deems this risk to be low as the receivables are due from fellow Allianz Societas Europaea ("Allianz SE") Group subsidiaries and as such are AA- rated. All receivables are due within 1 year.

#### Liquidity risk

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

### 12. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, Allianz SE, is incorporated in Germany and is the parent of the largest 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 SE, Königinstrasse 28, 80802 München, Germany.

## Notes to the Financial Statements

For the year ended December 31, 2020

### 13. RELATED PARTY TRANSACTIONS

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

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Administration service fees	69,244	73,431
Inspection services	<u>154</u>	<u>128</u>

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

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
<b>Due from related parties at December 31</b>		
Other related party	<u>42,417</u>	<u>50,908</u>

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

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

### 14. SHARE BASED PAYMENTS

During the year, the Company offered employees the opportunity to participate in an Employee Share Purchase Plan ("ESPP"). The ESPP allows employees to purchase shares in Allianz SE by contributing a fixed monthly amount. The Company adds £1 for every £3 contributed by the employees. The terms of the scheme specify a qualifying period of employment and employees must contribute for the entirety of the plan to receive the matching amount. The maximum amount that can be invested is 8% of annual gross base salary (excluding any variable payments), up to a maximum investment of the British Pounds equivalent of €11,500. At the end of the plan period, there is a restriction period during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. At the end of the plan period, the total (employee contribution plus matching amount) for each employee is used to purchase shares in Allianz SE and these are held in trust on behalf of the employee. As such, this transaction is a cash-settled share based payment and the vesting period has been completed by December 31, 2020. The total expense recognised in the year was £2k (2019:nil) and the corresponding provision held at year end is £2k (2019:nil).

During the year, the Company offered employees the opportunity to claim a free share in Allianz SE. The Company incurred the cost and a share in Allianz SE was purchased and held in trust on behalf of the employees that claimed the free share. As such, this transaction is a cash-settled share based payment. The cost of each share is determined as the average closing share price over the five trading days following the period the employees could claim the share. The terms of the scheme specify a qualifying period of employment and as such, the vesting period has been completed by December 31, 2020. There is a restriction period attached to the free share during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. The total expense recognised in the year was £1k (2019:nil).

### 15. SUBSEQUENT EVENTS

There have been no subsequent events after the balance sheet date.