

Registered Number: 05441840

Annual Report and Financial Statements 2021

**Allianz Engineering Inspection
Services Limited**

Directors: G A Gibson (appointed July 31, 2021)
J A Harrison
N S O Hobbs (appointed November 2, 2021)
C M Little (resigned July 31, 2021)
S C McGinn (resigned November 2, 2021)

Secretary: R C Jack-Kee (resigned February 1, 2021)
C M Twemlow (appointed February 1, 2021)

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

Registered Number: 05441840

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2021.

Principal activities

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

Business review

The results for the year are set out in the Statement of Comprehensive Income on page 10. The profit for the year amounted to £6,990k (2020: £6,500k). 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 a small increase in revenue, supported by on-going careful management of distribution costs and administrative expenses. The revenue benefitted from price rises despite a slight reduction in the volume of business, primarily due to on-going careful management of work load to ensure a Coronavirus ('COVID-19') safe environment. Expense performance is driven by operational efficiencies allied with continuing COVID-19 related management of travel costs. The impact of COVID-19 is noted in principal risks and uncertainties below.

Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax and total equity. The profit before tax for the year amounted to £8,640k (2020: £8,043k) and the total equity was £12,638k (2020: £5,648k). The Company monitors two non-financial key performance indicators. The level of up to date inspections and the maintenance of its technical accreditation by the regulator UKAS (United Kingdom Accreditation Service). In 2021, the Company achieved an average of 99.58% of up to date inspections (2020: 99.63%) and obtained its technical UKAS accreditation in April 2021 (2020: also achieved in April).

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.

The COVID-19 pandemic had minimal impact on the way in which the business operated. During the periods of lockdowns, company engineers were classed as key workers by the Government and business interruption was minimal. Through the shared governance of the Allianz Holdings plc Group ("the Group"), any operational risk is deemed to be minimal and has been addressed by increasing homeworking capability and reducing non-priority activity. The financial risk continues to be minimal. For further information on capital management and risk management, please see note 12.

Future outlook

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

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.

Strategic Report (continued)

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.

As a result of the governance structure of the Group, of which the Company is a part, some strategic decisions and stakeholders interests (such as employees, community and the environment), are considered on a Group-wide basis by the board of Allianz Holdings plc or its committees (the “Group Board”) rather than at a subsidiary board level.

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

The Company’s Board meets at least quarterly. Additional ad hoc meetings are held as required. The Board considers all decisions put to it from the perspective of the Company and has regard to the Company’s stakeholders and their interests. The Directors also consider the long term consequences of decisions on the Company and the wider Group.

Stakeholder Engagement

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

Customers

Engagement with customers takes place through a number of channels including the use of Customer Satisfaction Surveys and Service Quality Evaluation questionnaires. 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 Board.

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 24 staff employed directly by the Company during the year who were resident in and worked on the Company’s business in Republic of 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 approval of an Engineer Surveyor Apprentice scheme which has been launched to teach the skills and qualifications required to support client safety. In addition, during 2021, the Board paid particular regard to the impact of the COVID-19 pandemic on all of its staff, in particular its engineer surveyors who were 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.

Strategic Report (continued)

Stakeholder Engagement (continued)

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 by creating a framework of best practice controls and governance, and by supporting the business in managing significant supplier relationships and driving value throughout the life of supplier contracts. 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, staff training, top risks, trading, legal and regulatory updates including actions required in relation to the impact of the COVID-19 crisis on the Company and employees working within its business. The Board approved an Engineer Surveyor Apprenticeship Scheme for which enhanced funding had been secured. The Board continues to receive reports on the progress of the scheme which aims to develop the skills and qualifications of the Engineer Surveyor apprentices required to support client safety.

During the year the Board also approved entry into a new Intra-Group Framework Agreement amongst the companies in the Group. The Directors reviewed the agreement and noted that it would support the provision of personnel services provided to the Company and also other services provided by Group companies to the Company as well as outsourced and other services provided to the Company through a contract with one Group company and external suppliers. These services were of importance to the Company and would allow the Company to continue to meet the needs of its stakeholders. The Board considered that the agreement would promote the success of the Company for the benefit of its shareholder and approved entry into the agreement by the Company.

By order of the Board



G A Gibson
Director

December 19, 2022

Directors' Report

The Directors present their report and the audited financial statements for the year ended December 31, 2021.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1.

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

Results and dividends

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

No interim dividend was paid during the year ended December 31, 2021 (2020: £16,000k). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: £nil).

Future outlook

The future outlook for the Company is outlined in the Strategic Report on page 1.

Rising inflation in the wider economy particularly driven by rising energy costs could also present business challenges due to impacts on our customers and general upward pressure on the Company's costs. The Company also recognises that in response to sanctions applied following the Russian military invasion of Ukraine, there is a risk of state sponsored cyber-attacks targeted at the UK. Through monitoring of emerging threats and identification of incidents, our organisational structure enables a coordinated response to cyber events within our local and global Crisis Management framework.

Going concern

The going concern assessment for the Company is outlined in the Strategic Report on page 1.

Streamlined Energy and Carbon Reporting ("SECR")

The Company fulfils the statutory requirements for SECR which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 and SECR Regulations, 'Large' companies' are required to report their annual emissions in their Directors' report. It should be noted that the information disclosed relates to several entities within the Group as this is the lowest level of granularity for which the data is collected. Information relating to the Company alone is not available and identical disclosure has been made by all Companies meeting the reporting requirement.

The SECR statement has been prepared in line with the requirements of the SECR regulations and the relevant areas of the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard.

A 'Dual Reporting' methodology has been used to indicate emissions using UK electricity grid average emission factors (known as the 'Location based' method), and also emissions using supplier specific generation emission factors (the 'Market Based' method).

'Location Based' Method

The total energy consumption for 2021 was 16,645,135.03 kWh (2020: 17,689,860.13 kWh) equating to 3,532.599 tCO₂e (2020: 4,003.048 tCO₂e).

Carbon intensity: Emissions of tCO₂e/full-time equivalent during 2021 was 0.831 tCO₂e (2020: 0.87 tCO₂e).

However, the Company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin ("REGO") certificates. Through this strategy, within the above 2021 total energy consumption, the Company has sourced a total of 4,768,921.54 kWh (2020: 3,493,309.20) of REGO backed (zero emission) electricity equating to 92.44% (2020: 100%) of total electricity use.

'Market Based' Method

The total energy consumption for 2021 was 16,645,135.03 kWh (2020: 17,689,860.13 kWh) equating to 2,503.965 tCO₂e (2020: 2,703.548 tCO₂e).

Carbon intensity: Emissions of tCO₂e/full-time equivalent during 2021 was 0.589 tCO₂e (2020: 0.87 tCO₂e).

Directors' Report (continued)

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

Energy Efficiency actions taken during 2021:

- 2021 - AZ Manchester – new building with LED lighting + dimming controllers and PiR switching. Building is BREEAM Excellent and EPC-A with electricity from renewable sources + PV panels providing on site electricity, energy efficient AC and lifts, High performance glazing coatings.
- 2021 - AZ Lancaster – replaced old lighting with LED panels and PiR switching.

Type	Current reporting year 2021	Comparison reporting year 2020
Total energy consumption (kWh)	16,645,135.03 kWh	17,689,860.13 kWh
Associated Carbon Emissions (tCO ₂ e)	3,532.599 tCO ₂ e	4,003.048 tCO ₂ e
Metric - Emissions of tCO ₂ e per Full-Time Equivalent	0.831 tCO ₂ e	0.870 tCO ₂ e

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.

Directors' responsibility to the auditors

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

Independent Auditors

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

By order of the Board



C M Twemlow

Company Secretary

December 19, 2022

Allianz Engineering Inspection Services Limited

Registered Number: 05441840

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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

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

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

By order of the Board



G A Gibson
Director

December 19, 2022

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 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2021 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income, Statement of Cash Flows and 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those established by the Financial Conduct Authority ("FCA"), 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 and relevant tax legislation. 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 to identify any instances of non-compliance with laws and regulations;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulation;
- Reviewing minutes of meetings of those charged with governance;
- 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. 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 December 2022

Statement of Comprehensive Income

For the year ended December 31, 2021

		<i>2021</i>	<i>2020</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
Revenue	3(a)	87,814	87,620
Administrative expenses	4	<u>(79,174)</u>	<u>(79,577)</u>
Profit before tax		8,640	8,043
Income tax expense	7	<u>(1,650)</u>	<u>(1,543)</u>
Profit and total comprehensive income for the year wholly attributable to the equity holders		<u><u>6,990</u></u>	<u><u>6,500</u></u>

There has been no other comprehensive income in the year ended December 31, 2021 (2020: £nil).

Statement of Changes in Equity

For the year ended December 31, 2021

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance as at January 1, 2020	-	15,148	15,148
Dividend paid	-	(16,000)	(16,000)
Profit and total comprehensive income for the year	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Balance as at December 31, 2020	-	5,648	5,648
Profit and total comprehensive income for the year	<u>-</u>	<u>6,990</u>	<u>6,990</u>
Balance as at December 31, 2021	<u><u>-</u></u>	<u><u>12,638</u></u>	<u><u>12,638</u></u>

The accounting policies and notes on pages 13 to 20 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2021

	Note	2021 £'000	2020 £'000
Assets			
Deferred expenses	4	3,843	3,788
Receivables	10	<u>51,582</u>	<u>42,417</u>
Total assets		<u><u>55,425</u></u>	<u><u>46,205</u></u>
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	11	-	-
Retained earnings		<u>12,638</u>	<u>5,648</u>
Total equity		<u><u>12,638</u></u>	<u><u>5,648</u></u>
Liabilities			
Contract liability	3(b)	39,474	38,908
Accruals and other payables		127	113
Amounts due to related parties	14	785	-
Current tax liabilities	7	<u>2,401</u>	<u>1,536</u>
Total liabilities		<u><u>42,787</u></u>	<u><u>40,557</u></u>
Total equity and liabilities		<u><u>55,425</u></u>	<u><u>46,205</u></u>

The accounting policies and notes on pages 13 to 20 are an integral part of these financial statements.

These financial statements on pages 10 to 20 were approved by the Board of Directors on December 15, 2022 and signed on its behalf by:



G A Gibson
Director

Allianz Engineering Inspection Services Limited
Registered Number: 05441840

Statement of Cash Flows

For the year ended December 31, 2021

		<i>Restated⁽¹⁾</i>
		<i>2021</i>
	<i>Note</i>	<i>2020</i>
		<i>£'000</i>
		<i>£'000</i>
Cash flows from operating activities		
Profit before tax		8,640
(Increase)/decrease in deferred expenses	4	(55)
Increase in receivables	10	(9,165)
Increase/(decrease) in contract liability	3(b)	566
Increase in accruals and other payables		14
Cash generated from operations		<u>-</u>
Net cash flow from operating activities		<u>-</u>
Net movement in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the year		<u>-</u>
Cash and cash equivalents at the end of the year		<u><u>-</u></u>

⁽¹⁾ The tax payable is settled by a related party through an intercompany recharge. Previously this had been included as tax paid but given that the Company does not have a bank account it was deemed more appropriate to present solely in the amounts due from related parties. The tax paid in 2020 of £797k is now included within the "Increase in receivables" line item above of £8,306k (previously reported in 2020 as £7,509k).

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 13 to 20 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES

1.1. Company and its operations

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

1.2. Statement of compliance

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

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis. 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 1.

UK-adopted international accounting standards

On December 31, 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its Company financial statements on 1 January, 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from January 1, 2021. The accounting policies have been consistently applied unless a new policy has been implemented.

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) Receivables

Receivables are initially recognised and subsequently re-measured at amortised cost after taking into account any impairment losses. 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").

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(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.

(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 meets the performance obligation.

(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. The only expenses that are deferred relate to commission.

(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.

(h) 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.

Notes to the Financial Statements

For the year ended December 31, 2021

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

(a) Disaggregation of revenue from contracts with customers

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

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Inspection fees	82,695	82,538
Other special services	<u>5,119</u>	<u>5,082</u>
Total revenue	<u>87,814</u>	<u>87,620</u>

(b) Liabilities related to contracts with customers

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

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Inspection fees	<u>39,474</u>	<u>38,908</u>

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

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Inspection fees	<u>38,908</u>	<u>39,106</u>

Notes to the Financial Statements

For the year ended December 31, 2021

4. ADMINISTRATIVE EXPENSES

	<i>Note</i>	<i>2021</i>	<i>2020</i>
		<i>£'000</i>	<i>£'000</i>
Management fee		69,299	69,244
Commission payable to brokers		8,172	8,092
Employee related costs	5	1,758	1,893
Deferred expenses		(55)	348
		<u>79,174</u>	<u>79,577</u>

Deferred expenses are reconciled below;

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Balance at January 1,	3,788	4,136
Charged to statement of comprehensive income	(3,788)	(4,136)
Deferred in the year	<u>3,843</u>	<u>3,788</u>
Balance at December 31,	<u><u>3,843</u></u>	<u><u>3,788</u></u>

5. EMPLOYEE RELATED COSTS

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	1,397	1,512
Social security costs	176	177
Pension costs	<u>185</u>	<u>204</u>
	<u><u>1,758</u></u>	<u><u>1,893</u></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>2021</i>	<i>2020</i>
	<i>No.</i>	<i>No.</i>
Engineers	<u>24</u>	<u>25</u>
	<u><u>24</u></u>	<u><u>25</u></u>

6. AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by AMS. Other services supplied pursuant to legislation were £nil (2020: £nil).

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Fees payable for the audit of the Company's financial statements	45	8

Notes to the Financial Statements

For the year ended December 31, 2021

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2021	2020
	£'000	£'000
Current tax:		
In respect of the current year	1,616	1,536
In respect of prior years	34	7
Total income tax expense recognised in the year	<u>1,650</u>	<u>1,543</u>

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

	2021	2020
	£'000	£'000
Profit before tax	8,640	8,043
Income tax expense calculated at 19% (2020: 19%)	1,642	1,528
In respect of prior years	34	7
Effect of imputed transfer pricing adjustments	(26)	8
Income tax expense recognised in profit or loss	<u>1,650</u>	<u>1,543</u>

The tax rate used for the 2021 and 2020 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 is currently 19%, changing to 25% with effect from 1 April 2023.

(b) Tax paid for cash flow purposes

	2021	2020
	£'000	£'000
Current tax payable at January 1,	1,536	790
Amounts charged to the income statement	1,650	1,543
Tax paid during the year	(785)	(797)
Current tax payable at December 31,	<u>2,401</u>	<u>1,536</u>

(c) Current tax liabilities

	2021	2020
	£'000	£'000
Current tax liabilities	<u>2,401</u>	<u>1,536</u>

8. DIRECTORS' EMOLUMENTS

Two Directors (2020: One), out of five who were in office during the year, were remunerated for their roles as Directors of the Company. Details of their remuneration have been set out below:

	2021	2020
	£'000	£'000
Emoluments	685	383

Notes to the Financial Statements

For the year ended December 31, 2021

8. DIRECTORS' EMOLUMENTS (continued)

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

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Emoluments	636	383
Company pension contributions to defined contribution schemes	-	-
Number of Directors accruing benefits under defined contribution scheme	-	-

Included in the emoluments is payment received by a Director following exercising of Restricted Stock Units during the year of £164k (2020: £90k). The aggregate amount of compensation paid to a past Director in respect of loss of office included within the emoluments for 2021 is £254k (2020: £nil).

S C McGinn, J Harrison and G A Gibson provided services to the Company and other companies within the Allianz UK Group and it is not possible to make an accurate apportionment of their remuneration in respect of their role as Directors of the Company. Accordingly, no remuneration is being disclosed for such individuals.

The remuneration of Directors is paid by Allianz Management Services Limited ("AMS"). AMS is a Group Services company and makes no recharge to the Company for such costs except where these have been disclosed within this note.

9. DIVIDENDS

No interim dividend was paid during the year ended December 31, 2021 (2020: £16,000k). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: £nil).

10. RECEIVABLES

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Amounts due from related parties	51,578	42,417
Other receivables	4	-
Total receivables	<u>51,582</u>	<u>42,417</u>

Receivables are due within 1 year of the Balance Sheet date.

11. SHARE CAPITAL

	<i>2021</i>	<i>2020</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each authorised, issued and fully paid	<u>1</u>	<u>1</u>

12. RISK MANAGEMENT POLICIES

Capital management

The Company's capital risk is determined with reference to the requirements of the Group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2021 the Company had £12,638k (2020: £5,648k) 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.

Notes to the Financial Statements

For the year ended December 31, 2021

12. RISK MANAGEMENT POLICIES (continued)

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 almost entirely from fellow Allianz Societas Europaea ("Allianz SE") Group subsidiaries and as such are AA- rated. All receivables are due within 1 year of the Balance Sheet date.

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. All payables are deemed to be settled within 1 year of the Balance Sheet date.

13. 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 and smallest group of undertakings for which Allianz SE Group financial statements are drawn up and of which the Company is a member.

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

14. 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>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Administration service fees	71,056	69,244
Inspection service income	83	154
	<u>71,139</u>	<u>69,398</u>

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

	<i>2021</i>	<i>2020</i>
	<i>£'000</i>	<i>£'000</i>
Due from related parties at December 31		
Other related party	51,578	42,417
	<u>51,578</u>	<u>42,417</u>

The Company does not have a bank account and as such all cash transactions are dealt with through intercompany accounts. The above balance is the net receivable in respect of cash collected for inspection services net of expenses by a fellow group Company.

Notes to the Financial Statements

For the year ended December 31, 2021

14. RELATED PARTY TRANSACTIONS (continued)

	2021	2020
	£'000	£'000
Due to related parties at December 31		
Other related party	785	-

The Company does not have a bank account and as such all cash transactions are dealt with through intercompany accounts. The above balance relates to group tax relief.

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.

All amounts due from and due to related parties are deemed to be settled within 1 year of the Balance Sheet date.

15. 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, 2021. The total expense recognised in the year was £3k (2020:2k) and the corresponding provision held at year end is £3k (2020:2k).

16. SUBSEQUENT EVENTS

There have been no subsequent events after the Balance Sheet date.