Registered Number: 2071488

Annual Report and Financial Statements 2018

Allianz Properties Limited

Directors:	J M Dye	
	S J Robertson	
	K P Scott	(resigned 08.07.18)
	M J Churchlow	(resigned 31.12.18)
Secretary:	R C Jack-Kee	
Registered Office:	57 Ladymead, Guildford, Surrey, GU1 1DB	
Registered No:	2071488	

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2018.

Principal activity

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

Business review

The results for the year are set out in the Statement of Comprehensive Income on page 7. The profit for the year amounted to £8,332k (2017: £12,836k). The profit for the year arose from investment income, net fair value gains and associated property expenses.

As part of a de-risking strategy that aims to reduce income concentration, two single-let properties were disposed of and a similar amount of capital was invested in three multi-let assets. Transactions resulted in a realised loss of £1,650k (2017: £5,970k).

Key performance indicators

The key performance indicators monitored by the business are profit before tax, net asset value and the performance of its investment portfolio.

The profit before tax for the year is £10,558k (2017: £14,986k) and at the year end the Company had £194,138k of net assets (2017: £185,806k).

The total return of the portfolio in 2018 was 6.6%, lower than the performance in 2017 (11.5%). The return mainly arose from the income component. The realised loss from the sale of the property fund holding also affected the overall performance over the year. Given the quality of the portfolio, the length of tenant leases and the very low void ratio, the value of the portfolio is expected to hold up in 2019.

Future outlook

No changes in the principal activity are anticipated in the foreseeable future.

Brexit

The outcome and timing of Brexit remains uncertain and the Company continues to monitor the potential impacts on our business. With operations based in the UK and minimal risk exposure outside the UK the Directors feel that the Company is well placed to respond to any potential outcome.

Going concern

The Directors are confident in the Company's ability to continue as a going concern. 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.

Strategic Report

Principal risks and uncertainties

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

As a wholly owned subsidiary of Allianz Holdings plc, the Company's management of risk is set at Group level rather than at subsidiary company level. For this reason the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Allianz Holdings plc group, which include those of the Company, are disclosed in the Group's annual report, which does not form part of this Report.

By order of the Board

F K Dyson
Director

June 25, 2019

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the year ended December 31, 2018.

Directors

The Directors of the Company who were in office during the financial year are shown on page 1. Following the year end F K Dyson was appointed as a Director with effect from January 7, 2019.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 7. A review of the Company's business activities and any likely future developments can be found in the Strategic Report.

The Directors do not recommend the payment of a dividend for the year ended December 31, 2018 (2017: £nil).

Future outlook

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

Directors' responsibility to the auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Going concern

The Directors going concern assessment has been outlined in the Strategic report on page 1.

Auditor

Pursuant to the 2017 Allianz UK group audit tender process, KPMG LLP resigned as auditor of the Company during the year and was replaced by PricewaterhouseCoopers LLP. Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been re-appointed as auditor at the end of 28 days beginning with the day on which copies of these report and accounts are sent to Members.

By order of the Board

R C Jack-Kee
Secretary
Allianz Properties Limited
Company Number: 2071488

June 25, 2019

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

select suitable accounting policies and then apply them consistently;

state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

make judgements and accounting estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

By order of the Board

F K Dyson
Director

June 25, 2019

Independent auditors' report to the members of Allianz Properties Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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, Directors' Report and Financial Statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

R Hawkins.

Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2019

Statement of Comprehensive Income

For the year ended December 31, 2018

	Notes	2018 £'000	2017 £'000
Continuing Operations			
Investment Income	3	11,758	11,738
Net fair value gain	4	1,990	11,537
Realised loss		(1,650)	(5,970)
Impairment loss on available for sale financial asset		–	(1,499)
Total Revenue		12,098	15,806
Property expenses		(1,540)	(820)
Profit before tax		10,558	14,986
Income tax charge	7a	(2,226)	(2,150)
Profit for the year attributable to the equity holders		8,332	12,836
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets		–	1,025
Other comprehensive income for the year		–	1,025
Total comprehensive income for the year attributable to the equity holders		8,332	13,861

Statement of Changes in Equity

For the year ended December 31, 2018

	Capital contribution £'000	Share capital £'000	Retained earnings £'000	Fair value reserve £'000	Total £'000
Balance as at January 1, 2017	38,990	120,510	13,470	(1,025)	171,945
Net change in fair value of available for sale financial assets	–	–	–	1,025	1,025
Profit for the year	–	–	12,836	–	12,836
Balance as at December 31, 2017	38,990	120,510	26,306	–	185,806
Profit for the year	–	–	8,332	–	8,332
Balance as at December 31, 2018	38,990	120,510	34,638	–	194,138

The accounting policies and notes on pages 10 to 19 are an integral part of these financial statements.

Balance sheet
As at December 31, 2018

	Notes	*2018* *£000*	*2017* *£000*
Assets			
Investment properties	10	182,905	157,065
Available for sale financial assets	12	–	13,536
Investment properties held for sale	10	4,000	–
Deferred taxation	7d	1,448	1,416
Amounts due from related parties	19	6,181	17,704
Other receivables	13	5,615	1,407
Total assets		200,149	191,128
Equity and liabilities			
Equity attributable to equity holders of the parent			
Capital contribution		38,990	38,990
Share capital	16	120,510	120,510
Retained earnings		34,638	26,306
Total equity		194,138	185,806
Liabilities			
Trade and other payables		3,792	3,483
Amounts due to related parties	19	251	–
Income tax payable	7c	1,968	1,839
Total liabilities		6,011	5,322
Total liabilities and shareholders' equity		200,149	191,128

The accounting policies and notes on pages 10 to 19 are an integral part of these financial statements.

These financial statements on pages 7 to 19 were approved by the Board of Directors on June 25, 2019 and signed on its behalf by:

F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2018

	Notes	*2018* £000	*2017* £000
Cash flows from operating activities			
Profit before tax		10,558	14,986
Changes in working capital			
Unrealised net fair value gains on investment property	4	(2,514)	(11,537)
Realised loss on disposal of investment property		1,650	5,970
Realised loss on disposal of available for sale assets	4	524	-
Impairment of available for sale assets		-	1,500
Increase/(decrease) in amounts due from/to related parties	19	11,774	(713)
(Increase)/decrease in other receivables		(4,208)	356
Increase in trade and other payables		309	685
Cash generated from operations		18,093	11,247
Income tax paid	7b	(2,128)	(2,174)
Net cash flow from operating activities		15,965	9,073
Cash flows from investing activities			
Purchase of investment properties	10	(49,175)	(28,477)
Proceeds from disposal of investment properties	10	20,197	19,404
Proceeds from disposal of available for sale assets		13,013	-
Net cash flows from Investing activities		(15,965)	(9,073)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 10 to 19 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2018

1. ACCOUNTING POLICIES

1.1. Company and its operations

Allianz Properties Limited ("the Company") is a private limited company incorporated and domiciled in the United Kingdom.

1.2. Statement of compliance

The financial statements of Allianz Properties Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2016 as applicable to companies reporting under IFRS.

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value:

- Financial assets classified as available for sale; and
- Investment properties classified as held for sale.

The functional and presentational currency is British Pounds.

Going concern

These financial statements are compiled on a going concern basis.

New standards and interpretations adopted by the Company

A number of new standards and interpretations adopted by the EU are mandatorily effective from January 1, 2018. These have been adopted within this set of financial statements. Their impact is outlined below:

- IFRS 9: Financial Instruments (EU effective date January 1, 2018) – IFRS 9 Financial Instruments replaces IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impact assessment and implementation project has been carried out at Allianz Holdings plc group level. The Company has opted to apply all aspects of IFRS 9 from January 1, 2018. The Company has opted not to restate comparative figures. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at January 1, 2018. Accordingly, the information presented for the comparative period does not reflect the requirements of IFRS 9 and is not comparable to the information presented in the current period under IFRS 9.

  Under previous accounting standard IAS 39, Available for sale financial assets, after initial recognition, were measured at fair value. Unrealised gains and losses were reported as a separate component of equity until the investment was derecognised or the investment was determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity was transferred to the statement of comprehensive income. Under IFRS 9 available for sale financial assets continue to be measured at fair value. Unrealised gains and losses are reported in the statement of comprehensive income. IFRS 9 replaces the 'incurred loss model' under IAS 39 with an 'expected credit loss model'. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

  The Company holds financial instruments in the form of cash and cash equivalents, receivables and managed fund investments.

- IFRS 15 Revenue from Contracts with Customers – (EU effective date January 1, 2018) – IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue. The Company has determined that there will be no impact due to the Company not deriving revenue from contracts with customers.

New standards and interpretations not yet adopted by the Company

A new standard and interpretation adopted by the EU which is not mandatorily effective has not been applied in preparing these financial statements. The Company does not plan to adopt this standard early; instead it will apply the standard from the effective date as determined by the date of EU endorsement:

- IFRS 16: Leases (EU effective date January 1, 2019) – IFRS 16 Leases replaces IAS 17 Leases. The Company has determined that there will be no impact on the financial statements as there are no leasing arrangements in place.

Notes to the Financial Statements

For the year ended December 31, 2018

1.4. Summary of significant accounting policies

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

(a) Investment properties

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

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

Gains or losses arising from changes in the fair values are recognised in the statement of comprehensive income in the period in which they arise.

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

(b) Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of comprehensive income so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term.

The shortfall between the future operating lease commitments and income receivable has been provided for until the end of the lease, on a discounted basis.

(c) Income taxes

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income.

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

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

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

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

(d) Fair value of financial assets and liabilities

Financial assets and liabilities are initially stated at fair value. Listed investments are stated at the bid market price at the close of business on the balance sheet date.

(e) Financial assets

Available for sale financial assets, after initial recognition, are measured at fair value. Both realised and unrealised gains and losses are reported in the statement of comprehensive income.

Notes to the Financial Statements

For the year ended December 31, 2018

(f) Other receivables

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

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

The Company has concluded that the ECL has no material impact on the valuation of other receivables reported in the financial statements.

(g) Cash and cash equivalents

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

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

An expected credit loss (ECL) provision is calculated as at the balance sheet date. The cash & cash equivalents are reported after deduction of any ECL amount. The Company has concluded that the ECL has no material impact on the valuation of cash and cash equivalents reported in the financial statements.

(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.

(i) Revenue recognition

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

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

(j) Investment income

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

(k) Realised gains and losses recorded in the statement of comprehensive income

Realised gains and losses on available for sale financial assets are calculated as the difference between the net sales proceeds and the original or amortised cost. Realised gains and losses are recognised in the statement of comprehensive income when the sale transaction occurred.

(l) Unrealised gains and losses recorded in the statement of comprehensive income

Unrealised gains and losses relating to investment properties are recognised immediately in the statement of comprehensive income.

2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. None of these are deemed to be critical.

Notes to the Financial Statements

For the year ended December 31, 2018

3. INVESTMENT INCOME

Rental income relates to operating leases.

	2018	*2017*
	£000	*£000*
Rental income	11,486	11,312
Interest income	272	426
Total investment income	11,758	11,738

4. NET FAIR VALUE GAIN RECORDED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2018	*2017*
	£000	*£000*
Investment Properties - Unrealised Gain	2,514	11,537
Available for sale financial asset	(524)	–
Total	1,990	11,537

5. EMPLOYEE RELATED COSTS

The Company has no employees (2017: none). Allianz Management Services Limited, a fellow group Company, is the employing Company for the staff engaged in activities of the Company. Disclosures relating to employees may be found in the annual report and financial statements of this Company. The Company receives a recharge from this Company.

6. AUDITOR'S REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors (2017: KPMG LLP, 2018: PricewaterhouseCoopers LLP) in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by Allianz Management Services Limited. Other services supplied pursuant to legislation were £nil (2017: £nil).

	2018	*2017*
	£'000	*£'000*
Fees payable for the audit of the Company's financial statements	10	5

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2018	*2017*
	£'000	*£'000*
Current income tax:		
In respect of the current year	1,968	1,839
In respect of prior years	289	–
	2,257	1,839

Notes to the Financial Statements

For the year ended December 31, 2018

7. INCOME TAX (CONTINUED)

	2018	2017
Deferred tax:	£'000	£'000
In respect of the current year	(27)	270
Adjustment recognised in the current year in relation to the current tax of prior years	(4)	41
	(31)	311
Total current income tax expense recognised in the current year relating to continuing operations	2,226	2,150

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

	2018	2017
	£'000	£'000
Profit before tax from continuing operations	10,558	14,986
Income tax expense calculated at 19% (2017: 19.25%)	2,006	2,885
Effect of unrealised movement on real estate	(508)	(1,910)
Effect of capital losses	413	1,149
Effect of prior year adjustment	289	–
Effect of imputed transfer pricing adjustments	26	26
Income tax expense recognised in profit or loss (relating to continuing operations)	2,226	2,150

The tax rates used for the 2018 and 2017 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 2019, changing to 17% with effect from April 1, 2020.

(b) Tax paid for cash flow purposes

	2018	2017
	£'000	£'000
Current tax payable at January 1	1,839	2,174
Amounts charged to the statement of comprehensive income	2,226	2,150
Movements in deferred tax liability in the Statement of Comprehensive Income	31	(311)
Tax paid during the year	(2,128)	(2,174)
Current tax payable at December 31	1,968	1,839

(c) Current tax liabilities

	2018	2017
	£'000	£'000
Current tax liabilities	1,968	1,839

Notes to the Financial Statements

For the year ended December 31, 2018

7. INCOME TAX (CONTINUED)

(d) Deferred tax balances

	2018	*2017*
	£'000	*£'000*
Deferred tax assets	1,448	1,417
Non-current deferred tax	1,448	1,417

2018

	Opening balance	*Recognised in profit or loss*	*Closing Balance*
	£'000	*£'000*	*£'000*
Deferred tax assets in relation to:			
Investment properties	1,417	31	1,448

2017

	Opening balance	*Recognised in profit or loss*	*Closing Balance*
	£'000	*£'000*	*£'000*
Deferred tax assets (liabilities) in relation to:			
Investment properties	1,728	(311)	1,417

8. DIRECTORS' EMOLUMENTS

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

Details of compensation of key management personnel for the Allianz Holdings plc Group can be found in note 39 of the consolidated Financial Statements of Allianz Holdings plc.

K P Scott and S J Robertson were not remunerated for their roles as Directors of Allianz Properties Limited as the amount of time spent performing their duties was incidental to their roles as employees of the Allianz Holdings plc Group.

9. DIVIDENDS

No dividend was paid during the year ended December 31, 2018 (2017: none).

Notes to the Financial Statements

For the year ended December 31, 2018

10. INVESTMENT PROPERTIES

	2018	*2017*
Investment properties	*£000*	*£000*
Balance as at January 1	157,065	135,775
Additions	49,175	28,477
Disposals	(21,849)	(18,724)
Net fair value gains	2,514	11,537
Transfer to investment properties held for sale	(4,000)	–
Balance as at December 31	182,905	157,065

	2018	*2017*
Investment properties held for sale	*£000*	*£000*
Balance as at January 1	–	6,650
Transfer from investment properties	4,000	–
Disposals of investment properties	–	(6,650)
Balance as at December 31	4,000	–

The property held for sale was marketed in the later months of 2018 and the sale completed in January 2019 for a market value of £4,000k.

11. OPERATING LEASE COMMITMENTS

Leases as lessor

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

	2018	*2017*
	£'000	*£'000*
No later than one year	9,859	10,597
After one year but no more than 5 years	30,875	40,038
After 5 years	8,808	13,209
Total	49,542	63,844

During the year £11,486k (2017: £11,312k) was recognised as rental income by the Company.

12. FINANCIAL ASSETS

	2018	*2017*
	£000	*£000*
At fair value		
Equity securities	–	13,536
At Cost		
Equity securities	–	13,536

Notes to the Financial Statements

For the year ended December 31, 2018

13. OTHER RECEIVABLES

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

	2018	2017
	£000	£000
Other receivables	5,615	1,407

14. CAPITAL CONTRIBUTION

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

15. CASH & CASH EQUIVALENTS

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

16. SHARE CAPITAL

	2018	2017
	£000	£000
Allotted, called up and fully paid:		
120,510,002 ordinary shares of £1 each	120,510	120,510

17. RISK MANAGEMENT POLICIES

Capital management

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

Financial Risk

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

Market risk

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

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its amounts due from customers and related parties. The Company deems this risk to be low as a large proportion of its receivables are due from fellow Allianz SE Group subsidiaries and as such are highly rated.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Liquidity risk for the Company is mitigated as the Company largely finances through intercompany transactions.

Notes to the Financial Statements

For the year ended December 31, 2018

17. RISK MANAGEMENT POLICIES (CONTINUED)

Fair value hierarchy

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

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

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

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

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

	Fair value as at December 31, 2017	*Level 1*	*Level 2*	*Level 3*
	£'000	*£'000*	*£'000*	*£'000*
Investment properties	157,065	–	–	157,065
Equity securities	13,536	–	–	13,536
Total	170,601	–	–	170,601

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

	Fair value as at January 1	*Addition*	*Disposal*	*Unrealised gains*	*Fair value as at December 31*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2018					
Investment properties	157,065	49,175	(21,849)	2,514	186,905
Equity securities	13,536	–	(13,536)	–	–
Total	170,601	49,175	(35,385)	2,514	186,905
2017					
Investment properties	142,425	28,477	(25,374)	11,537	157,065
Equity securities	14,010	–	–	(474)	13,536
Total	156,435	28,477	(25,374)	11,063	170,601

Sensitivity to changes in unobservable inputs

An all risk yield investment method of valuation has been adopted for estimating the Fair Value of the investment properties, whereby the rental income stream is capitalised at an appropriate capitalisation rate based on current comparable rental and investment transactions. In considering the evidence the net initial and, where known, equivalent and reversionary yields, have been used to inform the valuation, capitalising the net income to achieve an appropriate net initial yield, reversionary yield on the Market Rent (MR), and equivalent yield on the full income stream.

Notes to the Financial Statements

For the year ended December 31, 2018

17. RISK MANAGEMENT POLICIES (CONTINUED)

Significant unobservable inputs:

Rental growth	Factored into the yield applied (location/sector specific)
Voids	0-12 months
Occupancy rate	Approximately 95.75%
Rent free	0-12 months upon re-letting
Equivalent yields applied	4.35% - 8.45%

The estimated fair value would increase / (decrease) if:

- expected market rental growth were higher / (lower)
- void periods were shorter / (longer)
- rent free periods were shorter / (longer); or
- the occupancy rate were higher/ (lower)

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

18. ULTIMATE PARENT UNDERTAKING

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

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

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

19. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group undertakings in the normal course of business. There are no significant transactions carried out during the year with related parties.

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

	2018	*2017*
	£'000	*£'000*
Parent Company	6,181	17,704
Due from related parties at December 31	6,181	17,704

	2018	*2017*
	£'000	*£'000*
Fellow subsidiary	251	–
Due to related parties at December 31	251	–

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

20. SUBSEQUENT EVENTS

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