

Registered Number: 02071488

## Annual Report and Financial Statements 2021

# Allianz Properties Limited

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COMPANIES HOUSE

**Directors:** J M Dye (resigned December 13, 2021)  
F K Dyson  
C J Holmes (appointed December 14, 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:** 02071488

## Strategic Report

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

### Principal activities

The principal activity of Allianz Properties Limited ("the Company") is 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 9. The profit for the year amounted to £27,239k (2020: £5,667k loss). The profit for the year arose mainly from investment income of £10,263k and fair value gains of £25,740k. The impact of the Coronavirus disease ('COVID-19') is noted in principal risks and uncertainties below.

### Key performance indicators

The key performance indicators monitored by the Company are profit before tax, total equity and the performance of its investment portfolio. The profit before tax for the year was £32,410k (2020: £1,818k loss), which represented a significant increase driven by the increased value of the portfolio and at the year end the Company had £208,112k of total equity (2020: £180,873k).

The total return of the portfolio in 2021 was 17.4% (2020: -0.5%). The portfolio outperformed the market benchmark, MSCI Quarterly Universe, by 1.1%. The capital value of the portfolio increased moderately, due mainly to increased valuations in the industrial sector. The portfolio benefited from strong income and the overall performance in the industrial sector. Rent collection also outperformed the wider market. We expect the portfolio to continue to outperform the market index in the coming year, supported by the overweight position in industrial property.

### Principal risks and uncertainties

The principal risk facing the Company is that poor performance of its investment property portfolio has a significant impact on the asset valuation and rental income received. The Company manages this risk by investing in high quality properties and regularly reviewing the portfolio.

As a result of unprecedented uncertainty arising from the COVID-19 pandemic, in March 2020, a Market Uncertainty Clause ("MUC") was imposed to valuations of the whole property market by The Royal Institution of Chartered Surveyors. This clause was then partially lifted in May 2020 and fully withdrawn in March 2021. The risks and uncertainties relating to the COVID-19 outbreak were priced in as soon as the pandemic started and were incorporated in the valuation of the Company's portfolio. During the crisis, the external valuers largely reflected perceived risk associated with each asset within the yield. Where appropriate, an allowance against the income was applied by adopting a notional rent free allowance, which was deducted as a capital cost.

The external valuers regularly review the portfolio at tenant level and consider each specific tenant and debt in isolation. As part of this granular assessment, wider macroeconomic factors are considered, such as the war in Ukraine and the COVID-19 pandemic. Where appropriate, several measures are applied in order to manage those risks and uncertainties, including: allowances applied in the valuations through softer yields, increased voids and rent free allowances.

During the year, the property portfolio increased in value by £21,410k (2020: £1,045k). For more details, please refer to note 10.

## Strategic Report (continued)

### Future outlook

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

Given that COVID-19 is now endemic, the property market is no longer pricing the risk associated to COVID-19 specifically, notwithstanding it continues to influence the market indirectly through supply chain issues and changes to office occupancy patterns.

There is sufficient evidence that the property market has stabilised and it is functioning at pre-pandemic levels. Based on a survey published by Morgan Stanley Capital International, annual property capital growth across all sectors was up by 14.93% from March 2021 to March 2022, with the industrial market increasing by 35.49%, all retail up by 9.28% and offices increasing by 2.53%.

Due to various factors including the current issues of the war in Ukraine, increased build costs and supply chain issues, possibility of lower rental growth than anticipated in some sectors and also interest rate rises, which have caused a dampening effect on yields, some pricing correction in the market is expected from the second half of 2022.

### 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.

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

This statement sets out how the Directors have had regard 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, 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 in the decisions taken during the year.

The Company is a wholly owned subsidiary of Allianz Insurance plc ("AZI") which is itself a wholly owned subsidiary of the Group of companies, which is one of the largest general insurers in the UK measured by gross written premium.

As a result of the governance structure of the Group, strategic decisions and matters which affect the whole Group are considered by the Board of Allianz Holdings plc ("AZH") or its committees to an appropriate extent for the Group as a whole. Certain Group stakeholders and their interests (including employees, community and the environment) are considered at and actions concerning them determined at a Group level by the AZH Board and its committees rather than at a subsidiary board level. The Company's Directors are also directors of the Group Board and ensure that Group-wide strategy and stakeholder considerations are communicated to the Company's Board.

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 key stakeholders are its shareholder, property tenants, suppliers, service providers, employees working on its business (who are employed by another entity within the Group) as well as wider stakeholders such as the local communities in which it operates and environmental considerations. When strategic and operational matters are considered by the Company's Board, the Directors, in compliance with their s172(1) duties, have regard to the Company's relevant stakeholders and their interests as well as the long term consequences of their decisions on the Company and the wider Group.

## Strategic Report (continued)

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

During 2021 the Company's Board met to approve the annual report and financial statements for the year ended December 31, 2020 and also approved entry into a new Intra-Group Framework Agreement ("Agreement") amongst the companies in the Group. The Directors reviewed the agreement and noted that it would support the provision of personnel services to the Company and other services provided by Group companies to the Company as well as outsourced services provided to the Company through a contract with one Group company and external suppliers. These services 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



F K Dyson

Director

September 15, 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 financial 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.

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

### Results and dividends

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

No interim dividend was paid during the year ended December 31, 2021 (2020: £9,000k). 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 2.

### Going concern

The Directors' going concern assessment has been outlined in the Strategic Report on page 2.

### Directors' responsibility to the auditors

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

### 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

Allianz Properties Limited

Registered Number: 02071488

September 15, 2022

## 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



F K Dyson

Director

September 15, 2022

## **Independent Auditors' Report**

to the members of Allianz Properties Limited

# **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 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 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Cash Flows 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.

## **Independent Auditors' Report**

**to the members of Allianz Properties Limited (continued)**

### **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.



## Independent Auditors' Report

to the members of Allianz Properties Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act (2006). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas of the financial statements.. Audit procedures performed by the engagement team included:

- Discussions with management and the group's internal auditors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, and;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Watson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 September 2022

## Statement of Comprehensive Income

For the year ended December 31, 2021

		2021	2020
	Note	£'000	£'000
Investment income	3	10,263	10,783
Net fair value gains/(losses)	4	25,740	(11,337)
Realised (losses)/gains		(1,647)	614
<b>Total income</b>		<b>34,356</b>	<b>60</b>
Interest expenses		(5)	-
Property expenses		(1,941)	(1,878)
<b>Profit/(loss) before tax</b>		<b>32,410</b>	<b>(1,818)</b>
Income tax expense	7(a)	(5,171)	(3,849)
<b>Profit/(loss) and other comprehensive income for the year wholly attributable to the equity holders</b>		<b>27,239</b>	<b>(5,667)</b>

There has been no other comprehensive income in the year ended December 31, 2021.

## Statement of Changes in Equity

For the year ended December 31, 2021

	Capital contribution	Share capital	Retained earnings	Total
	£'000	£'000	£'000	£'000
<b>Balance as at January 1, 2020</b>	38,990	120,510	36,040	195,540
Capital contribution transfer <sup>(1)</sup>	(38,990)	-	38,990	-
Dividend paid during the year	-	-	(9,000)	(9,000)
Loss and other comprehensive income for the year	-	-	(5,667)	(5,667)
<b>Balance as at December 31, 2020</b>	-	120,510	60,363	180,873
Profit and other comprehensive income for the year	-	-	27,239	27,239
<b>Balance as at December 31, 2021</b>	-	120,510	87,602	208,112

<sup>(1)</sup> Please refer to note 13.

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements.

**Balance Sheet**

As at December 31, 2021

	Note	2021 £'000	2020 £'000
<b>Assets</b>			
Investment properties	10	207,550	190,990
Investment properties held for sale	10	8,650	3,800
Trade receivables	12	6,021	3,649
Cash and cash equivalents		-	65
<b>Total assets</b>		<u>222,221</u>	<u>198,504</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	14	120,510	120,510
Retained earnings		<u>87,602</u>	<u>60,363</u>
<b>Total equity</b>		<u>208,112</u>	<u>180,873</u>
<b>Liabilities</b>			
Trade and other payables		3,150	2,964
Amounts due to related undertakings	17	4,330	12,519
Deferred tax liabilities	7(d)	4,356	828
Current tax liabilities	7(c)	<u>2,273</u>	<u>1,320</u>
<b>Total liabilities</b>		<u>14,109</u>	<u>17,631</u>
<b>Total equity and liabilities</b>		<u>222,221</u>	<u>198,504</u>

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements.

These financial statements on pages 9 to 21 were approved by the Board of Directors on September 15, 2022 and signed on its behalf by:



F K Dyson  
Director

Allianz Properties Limited  
Registered Number: 02071488

## Statement of Cash Flows

For the year ended December 31, 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		32,410	(1,818)
Net fair value (gains)/losses	4	(26,195)	11,337
Decrease/(increase) in lease incentives	10	455	(1,463)
Realised losses/(gains)	10	1,647	(614)
<i>Changes in working capital</i>			
Increase in amounts due from related undertakings	17	-	(7,784)
(Decrease)/increase in amounts due to related undertakings	17	(8,189)	12,519
Increase in Trade receivables	12	(2,372)	(1,050)
Increase/(decrease) in trade and other payables		186	(223)
Cash (used in)/generated from operating activities		(2,058)	10,904
Income tax paid	7(b)	(690)	(1,630)
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(2,748)</u>	<u>9,274</u>
<b>Cash flows from investing activities</b>			
Purchase of investment properties	10	(1,132)	(17,627)
Proceeds from disposal of held for sale properties	10	3,815	7,322
<b>Net cash inflow/(outflow) from investing activities</b>		<u>2,683</u>	<u>(10,305)</u>
<b>Net movement in cash and cash equivalents</b>		(65)	(1,031)
<b>Cash and cash equivalents at the beginning of the year</b>		65	1,096
<b>Cash and cash equivalents at the end of the year</b>		<u>-</u>	<u>65</u>

The notes on pages 12 to 21 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 Properties 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 except for Investment properties which are stated at their fair value (further details are disclosed in accounting policy (a)). The functional and presentational currency is British Pounds.

#### Going concern

These financial statements are prepared on a going concern basis. The Directors going concern assessment has been outlined in the Strategic report on page 2.

#### 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 January 1, 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) 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.

Properties are treated as acquired when the Company assumes control of the property. 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. Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

##### *(b) Leases*

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

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

##### *(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.

## 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) Income taxes (continued)*

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

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

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

##### *(d) Trade receivables*

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

An expected credit loss ("ECL") provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the "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").

##### *(e) Cash and cash equivalents*

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

An ECL provision is assessed as at the Balance Sheet date and the carrying amount of the cash and cash equivalents 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 cash and cash equivalents multiplied by a 1 year PD, an appropriate LGD and tenor.

##### *(f) Trade and other payables*

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are initially recognised and subsequently measured at cost because they are expected to be settled within twelve months and their carrying value is a reasonable approximation of fair value.

##### *(g) Revenue recognition*

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

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

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.

Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on a same straight-line basis within rental income.

##### *(h) Realised gains and losses recorded in the Statement of Comprehensive Income*

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

##### *(i) 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.

## 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 following is the critical judgements, estimations and assumptions that the Directors have made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### Investment Property

An all risk yield investment method of valuation has been adopted for estimating the fair value of the investment properties. Judgement and estimation is applied in determining the significant unobservable inputs, these being rental growth, voids, occupancy rates, rent free periods and equivalent yields. Further details concerning the valuation techniques can be found on page 19.

### 3. INVESTMENT INCOME

	2021	2020
	£'000	£'000
Rental income	10,261	10,780
Interest income	2	3
Total	10,263	10,783

Rental income relates to operating leases.

### 4. NET FAIR VALUE GAINS/(LOSSES)

	2021	2020
	£'000	£'000
Investment properties	26,195	(12,800)
Movement in lease incentive	(455)	1,463
Total	25,740	(11,337)

### 5. EMPLOYEE RELATED COSTS

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

### 6. AUDITORS' REMUNERATION

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

	2021	2020
	£'000	£'000
Fees payable for the audit of the Company's financial statements	43	7

## Notes to the Financial Statements

For the year ended December 31, 2021

### 7. INCOME TAX

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

	2021 £'000	2020 £'000
<b>Current tax</b>		
In respect of the current year	1,584	1,320
In respect of prior years	59	(24)
Total current tax	1,643	1,296
<b>Deferred tax</b>		
In respect of the current year	2,268	2,730
In respect of prior year	215	23
Adjustment to deferred tax attributable to changes in tax rates and laws	1,045	(200)
Total deferred tax	3,528	2,553
Total income tax expense recognised in the current year	5,171	3,849

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

	2021 £'000	2020 £'000
Profit/(loss) before tax	32,410	(1,818)
Income tax expense/(credit) calculated at 19% (2020: 19%)	6,158	(345)
Effect of unrealised movement on investment properties	(2,309)	4,514
Effect of capital losses	-	(117)
Effect of prior year adjustment	273	(1)
Effect of changes in statutory tax rate	1,045	(201)
Effect of imputed transfer pricing adjustments	4	(1)
Income tax expense recognised in profit or loss	5,171	3,849

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 April 1, 2023.

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

	2021 £'000	2020 £'000
<b>Current tax payable at January 1</b>	1,320	1,654
Amounts charged to the Statement of Comprehensive income	5,171	3,849
Movements in deferred tax in the Statement of Comprehensive Income	(3,528)	(2,553)
Tax paid during the year	(690)	(1,630)
<b>Current tax payable at December 31</b>	2,273	1,320



## Notes to the Financial Statements

For the year ended December 31, 2021

### 7. INCOME TAX (continued)

#### (c) Current tax liabilities

	2021	2020
	£'000	£'000
Current tax liabilities	2,273	1,320

#### (d) Deferred tax balances

	2021	2020
	£'000	£'000

The balance comprises temporary differences attributable to:

Investment properties	(3,919)	(711)
Capital allowances	(437)	(117)
Total deferred tax	<u>(4,356)</u>	<u>(828)</u>

#### Movements

	2021	2020
	£'000	£'000
Opening balance	(828)	1,725
Charged to Statement of Comprehensive Income	<u>(3,528)</u>	<u>(2,553)</u>
Closing balance	<u>(4,356)</u>	<u>(828)</u>

	2021	2020
	£'000	£'000
Non-current deferred tax liability	(4,356)	(828)

The UK Government announced its intention in the budget of March 3, 2021 to legislate to increase the rate of corporation tax from 19% to 25% with effect from April 1, 2023. This legislation was substantively enacted on May 24, 2021.

### 8. DIRECTORS' EMOLUMENTS

The remuneration of J M Dye, F K Dyson and C Holmes was paid by Allianz Management Services Limited ("AMS"). AMS is a Group Services company and makes no recharge to the Company for such costs. The aforementioned individuals provided services to the Company and other companies within the Allianz UK Group and it is not possible to make an accurate apportionment of an individual's remuneration in respect of their role as a Director of the Company. Accordingly, no remuneration is being disclosed for such individuals.

### 9. DIVIDENDS

No interim dividend was paid during the year ended December 31, 2021 (2020: £9,000k). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: £nil).

## Notes to the Financial Statements

For the year ended December 31, 2021

### 10. INVESTMENT PROPERTIES

	2021	2020
	£'000	£'000
Balance as at January 1	190,990	182,165
Additions	1,132	17,627
Net fair value gains/(losses)	24,533	(10,265)
Transfer to investment properties held for sale	(8,650)	-
Lease incentive movement	(455)	1,463
<b>Balance as at December 31</b>	<b>207,550</b>	<b>190,990</b>

<b>Held for sale</b>	2021	2020
	£'000	£'000
Balance as at January 1	3,800	11,580
Net fair value gains/(losses)	1,662	(1,072)
Realised (losses)/gains	(1,647)	614
Transfer to investment properties held for sale	8,650	-
Disposals of investment properties	(3,815)	(7,322)
<b>Balance as at December 31</b>	<b>8,650</b>	<b>3,800</b>

Included within the investment properties balance are tenant lease incentive balances totalling £1,008k (2020:£1,463k).

At each Balance Sheet date the portfolio valuation is assessed by qualified external valuers, for more information refer to note 15.

One property is classified as investment properties held for sale (2020: one property), as contracts were exchanged in the year but completion took place post year end. The property was sold in January 2022 for £8,600k. Terms and conditions contained in the sale contract require the Company to ensure that insurance cover is in place until completion and ensure compliance with all Money Laundering Regulations. The Company is also required to submit all relevant documentation in advance of completion. Should completion take place after the completion date, the Company is entitled to retain the benefits of ownership and any associated rental income arising. There was no fair value gain or loss recognised upon transferring the property to held for sale.

### 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:

	2021	2020
	£'000	£'000
No later than one year	8,678	9,215
After one year but no more than 5 years	24,384	25,157
After 5 years	4,133	6,587
<b>Total</b>	<b>37,195</b>	<b>40,959</b>

### 12. TRADE AND OTHER RECEIVABLES

	2021	2020
	£'000	£'000
Trade receivables	6,021	3,649

The Company has concluded that the ECL model has made no significant impact on the valuation of receivables reported in the financial statements. All balances are due within 1 year of the Balance Sheet date.

## Notes to the Financial Statements

For the year ended December 31, 2021

### 13. CAPITAL CONTRIBUTION

The Capital Contribution relates to a loan from the previous parent, Allianz UK Limited which was waived prior to the acquisition by Allianz Insurance plc. During the previous year, the capital contribution of £38,990k was reclassified to retained earnings.

### 14. SHARE CAPITAL

	2021	2020
	£	£
Ordinary shares of £1 each authorised, issued and fully paid	120,510,002	120,510,002

### 15. 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 £208,112k (2020: £180,873k) of total capital employed.

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

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is exposed to market risk through its investment property insofar as investment property valuations will affect the value of the Company's assets and income. The Company manages this risk by investing in high quality properties and regularly reviewing the portfolio.

#### 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 trade receivables and cash and cash equivalents. The Company manages credit risk for trade receivables by limiting the amount of exposure with each counterparty. The cash balances are held with a financial institution with A credit rating. All amounts due from related parties are due within one year and cash can be drawn upon immediately.

#### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its investment properties, trade and other payables, amounts due to related undertakings, deferred tax liabilities and current tax liabilities. Liquidity risk for the Company is mitigated as the Company largely finances through intercompany transactions. All trade and other payables, apart from the related party loan, are payable within one year of the Balance Sheet date. The total amount of the loan from related party is to be repaid up to and including December 31, 2026.

## Notes to the Financial Statements

For the year ended December 31, 2021

### 15. RISK MANAGEMENT POLICIES (continued)

#### Fair value hierarchy

A three-level fair value hierarchy for financial assets is used by the Company 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.

The investment properties and investment properties held for sale are all classified as level 3 (2020: level 3).

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

	Fair value as at January 1	Additions	Disposals	Gains/ (losses)/ lease incentives	Transfer from Investment Properties	Fair value as at December 31
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2021</b>						
Investment properties	190,990	1,132	-	24,077	(8,650)	207,550
Investment properties held for sale	3,800	-	(3,815)	16	8,650	8,650
<b>Total</b>	<b>194,790</b>	<b>1,132</b>	<b>(3,815)</b>	<b>24,093</b>	<b>-</b>	<b>216,200</b>
<b>2020</b>						
Investment properties	182,165	17,627	-	(8,802)	-	190,990
Investment properties held for sale	11,580	-	(7,322)	(458)	-	3,800
<b>Total</b>	<b>193,745</b>	<b>17,627</b>	<b>(7,322)</b>	<b>(9,260)</b>	<b>-</b>	<b>194,790</b>

#### Sensitivity to changes in unobservable inputs

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

## Notes to the Financial Statements

For the year ended December 31, 2021

### 15. RISK MANAGEMENT POLICIES (continued)

#### Sensitivity to changes in unobservable inputs (continued)

Significant unobservable inputs:

Rental growth	Factored into the yield applied (location/sector specific)
Voids	0-12 months
Occupancy rate	Approximately 86.04%
Rent free	0-15 months upon re-letting
Equivalent yields applied	3.72% - 8.01%

Sensitivity analysis changes in key unobservable inputs:

	Net equivalent yield ("NEY")	Estimated realisable value ("ERV") £'000	Portfolio valuation £'000
Base portfolio	4.92%	11,200	207,600
+5% ERV	4.92%	11,700	216,500
-5% ERV	4.92%	10,600	198,800
+5% NEY	5.17%	11,200	197,500
-5% NEY	4.68%	11,200	218,700
-5% NEY, -5% ERV	4.68%	10,600	209,400
+5% NEY, +5% ERV	5.17%	11,700	205,900
-5% NEY, +5% ERV	4.68%	11,700	228,100
+5% NEY, -5% ERV	5.17%	10,600	189,200

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

### 16. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, Allianz 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.

## Notes to the Financial Statements

For the year ended December 31, 2021

### 17. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group related parties in the normal course of business.

In October 1, 2021 AZI granted to the Company an unsecured sterling term loan facility of a total principal amount not exceeding £47,000k, comprising the amount utilised at that date of £7,000k and available facility amount of £40,000k.

Amounts repayable to related party, AZI, are to be repaid up to and including December 31, 2026 and carry interest at the Bank of England base rate +0.50%. The interest is payable quarterly and charged on the outstanding loan balance.

	2021	2020
	£'000	£'000
<b>Due to related parties as at December 31</b>		
Loan from related party	3,600	-
Other related parties	690	-
Parent	40	12,519
	<u>4,330</u>	<u>12,519</u>

	2021	2020
	£'000	£'000
<b>Loans from related party at December 31</b>		
Loan facility advance from related party	7,000	-
Loan advance repayments from related party	(3,400)	-
	<u>3,600</u>	<u>-</u>

Analysed as:

Current	-	-
Non-current	3,600	-

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

### 18. SUBSEQUENT EVENTS

Following the balance sheet date, the investment property held for sale disclosed in note 10 was sold for £8,600k in January 2022.