

Registered Number: 2071488

Annual Report and Financial Statements 2020

Allianz Properties Limited

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COMPANIES HOUSE

Directors: J M Dye
F K Dyson
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, 2020.

Principal activity

The principal activity of Allianz Properties Limited ("the Company") is the management of a portfolio of investment properties.

Business review

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

The results for the year are set out in the Statement of Comprehensive Income on page 7. The loss for the year amounted to £5,667k (2019: £1,402k profit). The loss for the year arose from investment income which was more than offset by fair value losses, associated property expenses and an income tax expense.

As part of a de-risking strategy that aims to reduce income concentration, one property was sold in the year, with a single-let property held for sale. The transaction resulted in a realised gain of £614k (2019: realised loss £2,877k).

Key performance indicators

The key performance indicators monitored by the Company are (loss)/profit before tax, net asset value and the performance of its investment portfolio. The loss before tax for the year is £1,818k (2019: £2,779k profit) and at the year-end the Company had £180,873k of net assets (2019: £195,540k).

The total return of the portfolio in 2020 was negative 0.6%, the portfolio outperformed the market benchmark by 1.4% but was lower than the 2019 return of 3.4%. The capital value of the portfolio declined moderately, due mainly to reduced valuations in the retail sector. The portfolio benefited from strong income and the overall performance in the industrial sector, which was aided by the addition of one industrial property. 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 properties might have a significant 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 the portfolio.

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

The Company is closely monitoring the situation as it continues to develop, to manage both operational and economic risk. There is close alignment and interaction to ensure the Company is operating in accordance with government advice and benefiting from the wider Allianz SE Group response. The Company is responding to the COVID-19 situation using well-established business resilience and crisis management procedures. The key risks this crisis presents are both operational and financial. These risks are being actively monitored and managed on a daily basis.

The financial risk from COVID-19 is the recoverability of rental income and the value of the properties in the portfolio. The Company manages these risks by investing in high quality properties and regular monitoring of tenant debt. The operational risk from COVID-19 is the extent to which the capability of the outsourced property management function is affected. To date, there has been no noticeable impact to the service provided.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Company is regularly assessing the disruption from risks posed by the COVID-19 pandemic. The operational and financial impacts are being closely monitored in light of these emerging risks. The Company's existing Risk Management framework is designed to cope with stresses and is responding to the current crisis.

The impact of COVID-19 is continuing to evolve. During the year, the property portfolio fell in value by c£10m. For more details, please refer to note 10.

Future outlook

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

Brexit

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

Going concern

The Directors, having undertaken an assessment, are 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

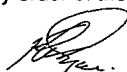
This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, in good faith, would be most likely to promote the success 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 (the "Act").

As a result of the governance structure of the Group, whereby the Company's Board is embedded within the Allianz Holdings plc Board, matters that the Company's Directors are responsible for considering under section 172 (1) of the Act, including strategic decisions and stakeholders interests (such as employees, community and the environment), are generally considered by them on both a Company and Group-wide basis at an Allianz Holdings plc Board or Committee level rather than at a subsidiary Board level.

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and direction of the Group, including the impact on broader stakeholders of the Group, when making decisions. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. The Company's stakeholders include its immediate shareholder, Allianz Insurance plc, and the wider Group, property tenants, suppliers and service providers 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.

During 2020 the Company's Board met to approve the annual report and accounts for the year ended December 31, 2019, reviewed property-related deeds executed during the year and approved an interim dividend payment of £9,000k in respect of the year ended December 31, 2020. When considering the payment of the interim dividend, the Directors reviewed the Company's reserves and were satisfied that it had sufficient distributable reserves to pay the dividend. The Directors also considered the interests of its stakeholders, including those of its shareholder and the Group as a whole. After considering these factors, together with other considerations when paying a dividend, the Directors concluded that the payment of the dividend would promote the success of the Company for the benefit of its member.

By order of the Board



F K Dyson
Director

June 14, 2021

Directors' Report

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

Directors

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

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

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 7. A review of the Company's business activities can be found on page 1 of the Strategic Report.

An interim dividend of £9,000k was paid on June 30, 2020, for the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil).

Future outlook

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

Going concern

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

Directors' responsibility to the auditors

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

Auditors

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

By order of the Board



C M Twemlow
Secretary
Company Number: 2071488

June 14, 2021

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

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

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

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

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

June 14, 2021

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 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, 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

Independent Auditors' Report

to the members of Allianz Properties Limited (continued)

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we considered the principal risks of non-compliance with laws and regulations, including those that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the extent to which non-compliance might have a material effect on the financial statements. 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 manipulation of financial data or intentional bias in estimation with respect to the valuation of the investment properties, or the posting of inappropriate journal entries in relation to the recognition of investment income, net fair value gains or losses, or realised gains or losses. Audit procedures performed by the engagement team included:

- Understand management's assessment of the risk and the overall control environment in place;

Independent Auditors' Report

to the members of Allianz Properties Limited (continued)

- Testing investment income with reference to the tenancy schedule and by tying back to the terms of underlying lease agreements;
- Reviewing the rental data inputs in to the models supporting the valuation of investment properties, comparing to the rent earned within investment income;
- Reviewing external market data and other publicly available information to assess the judgements made by management, challenging assumptions used in valuation models where appropriate;
- Enquiring with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted containing unusual account descriptions, unusual amounts or during unexpected periods; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 June 2021

Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020 £'000	2019 £'000
Investment income	3	10,783	10,279
Net fair value losses	4	(11,337)	(3,016)
Realised gains/ (losses)		614	(2,676)
Additional costs relating to prior year sales		-	(201)
Total revenue		60	4,386
Property expenses		(1,878)	(1,607)
(Loss)/ profit before tax		(1,818)	2,779
Income tax expense	7(a)	(3,849)	(1,377)
(Loss)/ profit for the year wholly attributable to the equity holders		(5,667)	1,402

There has been no other comprehensive income in the year ended December 31, 2020

Statement of Changes in Equity

For the year ended December 31, 2020

	Capital contribution £'000	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at January 1, 2019	38,990	120,510	34,638	194,138
Profit for the year	-	-	1,402	1,402
Balance as at December 31, 2019	38,990	120,510	36,040	195,540
Capital contribution transfer ⁽¹⁾	(38,990)	-	38,990	-
Dividend paid during the year	-	-	(9,000)	(9,000)
Loss for the year	-	-	(5,667)	(5,667)
Balance as at December 31, 2020	-	120,510	60,363	180,873

⁽¹⁾ Please refer to note 13.

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

Balance Sheet

As at December 31, 2020

	Note	2020 £'000	2019 £'000
Assets			
Investment properties	10	190,990	182,165
Deferred tax assets	7(d)	-	1,725
Investment properties held for sale	10	3,800	11,580
Amounts due from related undertakings	17	-	1,216
Trade receivables	12	3,649	2,599
Cash and cash equivalents		65	1,096
Total assets		<u>198,504</u>	<u>200,381</u>
Equity and liabilities			
Equity attributable to equity holders of the parent			
Capital contribution	13	-	38,990
Share capital	14	120,510	120,510
Retained earnings		60,363	36,040
Total equity		<u>180,873</u>	<u>195,540</u>
Liabilities			
Trade and other payables		2,964	3,187
Amounts due to related undertakings	17	12,519	-
Deferred tax liabilities	7(d)	828	-
Current tax liabilities	7(c)	1,320	1,654
Total liabilities		<u>17,631</u>	<u>4,841</u>
Total equity and liabilities		<u>198,504</u>	<u>200,381</u>

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

These financial statements on pages 8 to 20 were approved by the Board of Directors on June 14, 2021 and signed on its behalf by:



F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2020

		2020	2019
	Note	£'000	£'000
Cash flows from operating activities			
(Loss) /profit before tax		(1,818)	2,779
Net fair value losses	4	11,337	3,016
Movement in lease incentive	10	(1,463)	-
Realised (gains)/ losses	10	(614)	2,877
<i>Changes in working capital</i>			
(Increase)/ decrease in amounts due from related undertakings	17	(7,784)	4,965
Increase/(decrease) in amounts due to related undertakings	17	12,519	(251)
(Increase)/decrease in Trade receivables	12	(1,050)	3,016
Decrease in trade and other payables		(223)	(605)
Cash used in operating activities		10,904	15,797
Income tax paid	7(b)	(1,630)	(1,968)
Net cash inflow from operating activities		<u>9,274</u>	<u>13,829</u>
Cash flows from investing activities			
Purchase of investment properties	10	(17,627)	(16,532)
Proceeds from disposal of held for sale properties	10	7,322	4,000
Costs incurred in the disposal of investment properties		-	(201)
Net cash outflow from investing activities		<u>(10,305)</u>	<u>(12,733)</u>
Net movement in cash and cash equivalents		(1,031)	1,096
Cash and cash equivalents at the beginning of the year		1,096	-
Cash and cash equivalents at the end of the year		<u>65</u>	<u>1,096</u>

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

Notes to the Financial Statements

For the year ended December 31, 2020

1. ACCOUNTING POLICIES

1.1. Company and its operations

Allianz Properties Limited is a private limited company incorporated and domiciled in England and Wales.

1.2. Statement of compliance

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

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis except for Investment properties which are stated at their fair value.

The functional and presentational currency is British Pounds.

Going concern

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

UK-adopted international accounting standards

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

New standards and interpretations adopted by the Company

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

1.4. Summary of significant accounting policies

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

(a) 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.

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.

Notes to the Financial Statements

For the year ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(c) Income taxes (continued)

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, 2020

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 18.

3. INVESTMENT INCOME

	2020 £'000	2019 £'000
Rental income	10,780	10,251
Interest income	3	28
Total	<u>10,783</u>	<u>10,279</u>

Rental income relates to operating leases.

4. NET FAIR VALUE LOSSES

	2020 £'000	2019 £'000
Investment properties	(11,337)	(3,016)
Total	<u>(11,337)</u>	<u>(3,016)</u>

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 (2019: £nil).

	2020 £'000	2019 £'000
Fees payable for the audit of the Company's financial statements	<u>7</u>	<u>7</u>

Notes to the Financial Statements

For the year ended December 31, 2020

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2020	2019
	£'000	£'000
Current tax		
In respect of the current year	1,320	1,654
In respect of prior years	(24)	-
Total current tax	1,296	1,654
Deferred tax		
In respect of the current year	2,730	(244)
In respect of prior year	23	-
Adjustment to deferred tax attributable to changes in tax rates and laws	(200)	(33)
Total deferred tax	2,553	(277)
Total income tax expense recognised in the current year	3,849	1,377

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

	2020	2019
	£'000	£'000
(Loss)/profit before tax	(1,818)	2,779
Income tax expense calculated at 19% (2019: 19%)	(345)	528
Effect of unrealised movement on investment properties	4,514	295
Effect of capital losses	(117)	547
Effect of prior year adjustment	(1)	-
Effect of changes in statutory tax rate	(201)	-
Effect of imputed transfer pricing adjustments	(1)	7
Income tax expense recognised in profit or loss	3,849	1,377

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

(b) Tax paid for cash flow purposes

	2020	2019
	£'000	£'000
Current tax payable at January 1	1,654	1,968
Amounts charged to the Statement of Comprehensive income	3,849	1,377
Movements in deferred tax in the Statement of Comprehensive Income	(2,553)	277
Tax paid during the year	(1,630)	(1,968)
Current tax payable at December 31	1,320	1,654

Notes to the Financial Statements

For the year ended December 31, 2020

7. INCOME TAX (continued)

(c) Current tax liabilities

	2020	2019
	£'000	£'000
Current tax liabilities	1,320	1,654

(d) Deferred tax balances

	2020	2019
	£'000	£'000
The balance comprises temporary differences attributable to:		
Investment properties	(711)	1,725
Capital allowances	(117)	-
Total deferred tax	<u>(828)</u>	<u>1,725</u>

Movements

	2020	2019
	£'000	£'000
Opening balance	1,725	1,448
(Debited)/ credited to Statement of Comprehensive Income	<u>(2,553)</u>	<u>277</u>
Closing balance	<u>(828)</u>	<u>1,725</u>

	2020	2019
	£'000	£'000
Non current deferred tax asset	-	1,725
Non current deferred tax liability	(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 is expected to be substantively enacted by summer 2021. If the deferred tax balance less amounts expected to reverse within one year is re-measured using a rate of 25% at December 31, 2020, the deferred tax liability would increase to £1,090k.

8. DIRECTORS' EMOLUMENTS

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

9. DIVIDENDS

An interim dividend of £9,000k was paid on June 30, 2020, during the year ended December 31, 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil).

Notes to the Financial Statements

For the year ended December 31, 2020

10. INVESTMENT PROPERTIES

	2020	2019
	£'000	£'000
Balance as at January 1	182,165	182,905
Additions	17,627	16,532
Net fair value losses	(10,265)	(5,692)
Transfer to investment properties held for sale	-	(11,580)
Lease incentive movement	1,463	-
Balance as at December 31	190,990	182,165

Held for sale	2020	2019
	£'000	£'000
Balance as at January 1	11,580	4,000
Net fair value (losses)/gains	(1,072)	2,676
Realised gains/(losses)	614	(2,676)
Transfer from investment properties	-	11,580
Disposals of investment properties	(7,322)	(4,000)
Balance as at December 31	3,800	11,580

Included within the investment properties balance are tenant lease incentive balances totalling £1,463k (2019:£nil).

One property is classified as investment properties held for sale (2019: two properties). The property was sold in January 2021 for £3,808k.

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:

	2020	2019
	£'000	£'000
No later than one year	9,215	9,750
After one year but no more than 5 years	25,157	31,331
After 5 years	6,587	7,838
Total	40,959	48,919

12. TRADE RECEIVABLES

	2020	2019
	£'000	£'000
Trade receivables	3,649	2,599

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

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 year, the capital contribution of £38,990k was reclassified to retained earnings.

Notes to the Financial Statements

For the year ended December 31, 2020

14. SHARE CAPITAL

	2020	2019
	£	£
120,510,002 ordinary shares of £1 each	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 Allianz Holdings plc group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2020 the Company had £180,873k (2019: £195,540k) 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.

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 1 year and cash can be drawn upon immediately.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its investment properties, trade and other payables, 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.

Notes to the Financial Statements

For the year ended December 31, 2020

15. RISK MANAGEMENT POLICIES (continued)

Fair value hierarchy

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

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

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

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

The investment properties and investment properties held for sale are all classified as level 3 (2019: level 3).

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

	<i>Fair value as at January 1</i>	<i>Additions</i>	<i>Disposals</i>	<i>Gains/ (losses)/ lease incentives</i>	<i>Fair value as at December 31</i>
	£'000	£'000	£'000	£'000	£'000
2020					
Investment properties	182,165	17,627	-	(8,802)	190,990
Investment properties held for sale	11,580	-	(7,322)	(458)	3,800
Total	<u>193,745</u>	<u>17,627</u>	<u>(7,322)</u>	<u>(9,260)</u>	<u>194,790</u>
2019					
Investment properties	182,905	16,532	(11,580)	(5,692)	182,165
Investment properties held for sale	4,000	11,580	(4,000)	-	11,580
Total	<u>186,905</u>	<u>28,112</u>	<u>(15,580)</u>	<u>(5,692)</u>	<u>193,745</u>

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, 2020

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 86.87%
Rent free	0-15 months upon re-letting
Equivalent yields applied	4.50% - 9.69%

Sensitivity analysis changes in key unobservable inputs:

	Net equivalent yield ("NEY")	Estimated realisable value ("ERV") £'000	Portfolio valuation £'000
Base portfolio	5.57%	11,830	194,790
+5% ERV	5.62%	12,422	201,182
-5% ERV	5.59%	11,239	186,345
+5% NEY	5.88%	11,830	184,409
-5% NEY	5.32%	11,830	204,093
-5% NEY, -5% ERV	5.31%	11,239	196,219
+5% NEY, +5% ERV	5.90%	12,422	191,416
-5% NEY, +5% ERV	5.34%	12,422	211,975
+5% NEY, -5% ERV	5.87%	11,239	177,409

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 group of undertakings for which Allianz SE group accounts are drawn up and of which the Company is a member.

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

17. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group related parties in the normal course of business. There were no transactions carried out during the year with related parties other than the movements in the balances noted below (2019: none).

	2020	2019
Due from related parties as at December 31	£'000	£'000
Parent	-	1,216
	2020	2019
Due to related parties as at December 31	£'000	£'000
Parent	12,519	-

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

Notes to the Financial Statements

For the year ended December 31, 2020

18. SUBSEQUENT EVENTS

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