Registered Number: 3947280

Annual Report and Financial Statements 2021

Allianz Management Services Limited

Directors:	F K Dyson
	J A Harrison
	J M Dye (resigned November 30, 2021)
Secretary:	R C Jack-Kee (resigned February 01, 2021)
	C M Twemlow (appointed February 01, 2021)
Registered Office:	57 Ladymead, Guildford, Surrey, GU1 1DB
Registered No:	3947280

Strategic Report

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

Principal activities

Allianz Management Services Limited ("the Company") acts as a management services provider for the Allianz Holdings plc Group (''Allianz'', "the Group"). The Company employs staff, acts as sponsoring employer for the Group defined benefit pension scheme and incurs costs on behalf of Group entities which are subsequently re-charged across the Group. In return for the services provided, the Company charges a mark-up to some Group entities on their costs incurred. In addition, the Company acts as agent for the payroll service for other Allianz SE Group entities in the UK.

Business review

The impact of the Coronavirus disease ('COVID-19') is noted in Principal risks and uncertainties on page 3.

The results for the year are set out in the Statement of Comprehensive Income on page 17. The profit after tax for the year amounted to £5,911k (2020: £94,486 restated). The profit before tax in the year was a result of the mark-up charged to other Group entities when expenses are re-charged. The 2020 result benefited from a significant one off past service credit resulting from changes to the defined benefit pension scheme and the finance income was not repeated in 2021.

The other comprehensive income arising from the impact of assumptions in the pension scheme valuation amounted to a £34,794k expense after tax (2020: £47,789k expense). During the year, the Company completed a pensioner "buy-in" for the Allianz Retirement and Death Benefits Fund (the "Fund"). The insurance policy covers all the benefits of the current pensioners and dependants formerly in the Fund and being paid a pension as at June 30, 2021. Although there has been a negative impact on the surplus, there are advantages gained from reducing volatility along with both the longevity risk and credit risk associated with the fund. For more information regarding the assumptions used, refer to note 12.

The Company received a capital injection of £44,350k (2020:£44,350k) during the year.

Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax, pension plan surplus and net asset/net liability value. The profit before tax for the year amounted to £18,055k (2020: £119,619k), the pension surplus was £150,441k (2020: £150,919k) and net assets were £263k (2020 net liabilities: £15,204k).

Allianz monitors a number of non-financial key performance indicators relating to employees, energy consumption and corporate social responsibility. The annual Allianz Engagement Survey (''AES'') is a valuable feedback platform and an indicator of our corporate culture. Allianz monitors employee engagement and company culture through an Inclusive Meritocracy Index (''IMIX'') which covers aspects of leadership, performance, collaboration, trust and respect. The slightly revised and more comprehensive Work Well Index Plus (''WWI+'') covers aspects of the quality of the work environment, practices and opportunities.

Employees	2021	2020
AES results:		
IMIX	80.0%	80.0%
WWI+	72.0%	70.0%
Diversity (females in management positions)	32.3%	38.8%

Strategic Report (continued)

Key performance indicators (continued)

Energy consumption –

Greenhouse gas emissions per employee	Achievement: 0.4 tonnes per employee	Target: 1.299 tonnes per employee by 2021
Energy consumption from office buildings per employee	Achievement: 7,333 MJ per employee	Target: 12,725 MJ per employee by 2021
Renewable energy	Achievement: Control over the supply, 100% renewable source. No control over the supplier, 81% from renewable source	Target: 100% renewable energy across all sites by 2023.

The targets disclosed above have been set for 2020-25. The baseline was 2019 figures prior to the outbreak of the Covid-19 pandemic. Subsequent energy usage has fallen dramatically as a consequence of the new hybrid working model meaning the targets were more easily achieved than expected. The targets have not been remeasured but are expected to be lower in the future.

Corporate social responsibility

Allianz is passionate about social responsibility and is committed to helping people and our communities build resilience. Allianz also has a 3-year partnership with the mental health charities Mind and Scottish Action on Mental Health (“SAMH”) in the UK. Allianz also supports our local communities through employee volunteering, donations and the Allianz Community Fund.

In 2021 Allianz is proud to have reached our £1m target for our Mind/SAMH partnership through employee fundraising and corporate donations. The partnership benefits people across the UK, building their mental resilience and wellbeing as well as supporting those with mental health issues. Allianz has also used the partnership to expand the mental health support resources we have in place at Allianz for our employees and have now trained over 200 mental health first aiders to support colleagues.

Allianz is proud to be the Official Insurance Partner of England Rugby and title sponsors of the top league of women’s domestic rugby, the Allianz Premier 15s. As part of our partnership we are also principle partner to Women’s Club Rugby and the sponsor of the Inner Warrior grassroots rugby programme, which aims to bring the benefits of rugby to women and girls across the country.

Allianz is also passionate about reducing our impact on the environment and engaging our employees in reducing their carbon footprint both at work and at home. Our quarterly Sustainability Weeks aim to engage and educate employees on specific environmental issues. Allianz also launched the Allianz Net Zero Accelerator in 2021 which aims to help our broker partners on their path to net zero through an investment of £100,000 to educate and help them plan how to reduce their impact on the environment. Allianz will also offset any carbon emissions tracked through the process.

Non-financial key performance indicators relating to corporate social responsibility:

Association with mental health charities: Mind (England and Wales); and SAMH	Achievement: Since March 2019, raised £1,000k through employee fundraising and company contributions.	Target: Raise £1,000k for Mind by the end of 2021.
Employee volunteering	Achievement: In 2021, 236 employees gave over 110,000 minutes to their local communities. We increased the available volunteering hours to 20 hours per employee however we are still seeing a significant decrease in volunteering hours due to the limitations created by the pandemic. Total volunteering since 2019 was 410k minutes	Target: One million volunteering minutes over the three year period to the end of 2021.

Strategic Report (continued)

Principal risks and uncertainties

The principal risks facing the Company are: (1) potential adverse development in the funding position of the defined benefit employee pension scheme and (2) its reliance on Allianz Holdings plc and its subsidiaries for its revenue. Full disclosure in relation to the defined benefit employee pension scheme has been given in note 12.

The COVID-19 pandemic continued to impact the way the business operated in 2021 as further lockdowns and restrictions were enforced. Allianz responded to this using well established business resilience and crisis management, it is this foundation that the Company has used to start to embed its approach to Operational Resilience, using its strong response approaches to increase the focus on the customer and preventing intolerable customer harm should the worst happen. The operational risks from COVID-19 were addressed by maintaining our robust homeworking capability. In 2021 Allianz launched an 'adopt and adapt' phase for our New 'Ways of Working' (WOW) approach, which will run into 2022, enabled by the changing pandemic situation. This was co-created with our people and provides a fantastic opportunity to change the way we work to help us achieve our goals, and maintain our focus on doing what's right for Allianz's customers, whilst offering our people more flexibility about where they work where possible.

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 did not have a significant impact on the Company's performance in 2021 and it is not anticipated to have an impact in the future.

Future Outlook

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

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

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern.

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.

The Company is a wholly owned subsidiary of Allianz Holdings plc ("AZH") and provides management services to certain parts of the Group. 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 AZH ("AZH Board") 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.

Group strategy and stakeholder considerations are understood by the Company's Directors as they are members of the AZH Board and/or its principal executive committee. The Company's Directors have oversight of the Company's key activities through the reporting provided to and the oversight provided by the AZH Board and Executive Committee. However, while oversight is carried out at Group level, any decisions put to the Company's Board are considered from the perspective of the Company and its stakeholders.

When making decisions, the Board receives information in the form of Board reports and presentations and these reports include information about how stakeholder interests relevant to the Company have been considered. Information on other section 172 factors is also incorporated such as impact on the Company's reputation and impact on communities. The Board met five times during the year to discuss matters relevant to the Company's business.

Strategic Report (continued)

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

Customers, suppliers and other stakeholders statement
The Company's principal stakeholders are its employees, its shareholder, its service clients (which are wholly owned companies within the Allianz SE Group) and its suppliers, whilst wider stakeholder interests include the environment and local communities and wider society. Details of the Company's engagement activities in relation to its stakeholders are detailed below:

Employees
Our people and culture are key in achieving our strategic objectives and delivering for our customers across all areas of our business. Employee engagement is a high priority for the Company and we seek the feedback of employees regularly. Various methods of employee engagement are used by the Company including short "pulse" surveys sent to employees on various topics, town hall presentations (which have been virtual following the impact of the COVID-19 pandemic) and newsletters.

At the end of 2021, the first townhall with Colm Holmes, the new CEO of Allianz Holdings plc, was held for all employees. This was a chance to meet Colm virtually and learn more about his vision for the Company. These townhalls have continued into 2022, with other senior executives invited to join Colm to discuss important topics and answer questions raised by employees. A variety of engagement methods have been introduced to keep our workforce informed and seek feedback on matters which affect them. During the lockdowns as a result of COVID-19 fortnightly update calls began for our employees where senior leadership provided updates on developments, explained decisions and discussed the impact of home-working on the workforce. During 2021 these calls continued and it was decided during 2021 to continue to run these "employee broadcast calls" on a monthly basis. These calls include a question and answer forum whereby employees are encouraged to ask questions directly to key speakers. The calls are led by members of the Allianz Holdings Plc Executive Committee.

The key Group-wide engagement activity is the Allianz Engagement Survey ("AES"). The AES is a valuable employee feedback platform and an indicator of the Group's culture and employee engagement. The AES results include the Inclusive Meritocracy Index which covers aspects of leadership, performance, collaboration, trust and respect and the Work Well Index plus is used to measure the quality of the work environment, practices and opportunities. Inclusive Meritocracy is our target culture and can be described by three principles: 1) people and performance matter in a culture of inclusive meritocracy; 2) the 'what' and the 'how' count and define individual performance at Allianz; and 3) people attributes set the aspiration for how each employee should act. The Inclusive Meritocracy Index is derived from the responses to a specific series of questions asked in the annual AES.

The AES results are collated to give a Group-wide result and also broken down by area and team. The survey results are shared with the AZH Board and the AZH Executive Committee, with each team across the business establishing action plans based on the feedback received. The results of the survey are directly linked to the performance objectives of the AZH Executive Committee and executive Directors. This approach ensures that our people, matters of importance to them and the impact of decisions on the workforce are actively considered by the leadership team when making decisions.

In 2021, the AZH Board approved an employee buy-in arrangement to insure all current pensioners under the Allianz Retirement and Benefit Fund (Fund) and further details on this are included under principal decisions made by the Board on page 6.

The Company provides payroll services to certain Allianz SE Group companies (other than AZ UK Group companies) in respect of their UK employees.

Shareholders and Service Clients
The Company has regard to the interests of its immediate shareholder, AZH and other entities within the Allianz SE Group to which it provides its management services. The Board has engaged regularly with and worked closely with the AZH Board and AZH Executive Committee and other companies within the Group to ensure that the management services provided to the Group are effective and help the Group to achieve success in its strategy. The Board's engagement with AZH and other Group companies is operating continually through internal processes and procedures and by virtue of the fact that the Company's directors are appointed to the boards of other Group companies to which management services are provided.

Strategic Report (continued)

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

Suppliers

Proposed significant supplier contracts, either strategic or by reason of size and significance to the Company, are considered by the AZH Board on behalf of the Group, following initial meetings and negotiations by procurement and commercial teams and direct engagement with senior management. In 2021, supplier contracts supported by summary documents were provided to the AZH Board to enable an informed decision to be made covering areas such as cost, risk and key clauses. Suppliers are required to comply with the Group's Vendor Code of Conduct, which ensures certain standards are met in relation to ethics, labour and the environment. In addition, the sourcing process itself is governed across the Group by adherence to requirements laid out in the Allianz Global Standard for Procurement via the Local Procurement Standard.

The AZH Board assumes responsibility for approving and overseeing procedures to effect significant contracts and for their ongoing monitoring and performance assessment. As a consequence, in 2021, the AZH Board gave due consideration to significant intended supplier arrangements including but not limited to areas such as information security, data privacy, risk, protection and resilience. This ensures a productive and mutually beneficial working relationship can be established and maintained with each supplier.

The Supplier Relationship Management team has been set up in procurement specifically to assist teams across the Group with the management of supplier relationships by creating a framework of best practice controls and governance, and by supporting the business in managing significant supplier relationships and driving value throughout the life of supplier contracts. The team works in conjunction with our safeguarding functions such as Protection and Resilience, Information Security and Data Privacy. This ensures continued protection and continuity of services for our customers. The collaboration ensures we are able to effectively manage supply chain risks. In addition, relationships are fostered with suppliers at an operational level with senior management establishing partnerships with insurance aggregators, brokers, reinsurers and other suppliers. These relationships are managed on a day-to-day basis by various relationship teams who maintain regular contact. They also seek regular feedback from suppliers and renewal rates are also monitored. This information is reported back to the AZH Board for review and discussion. Regular reports on supplier performance, inclusive of risks and issues, were made available to the AZH board in the course of 2021 to ensure oversight of the critical suppliers.

Where a contract is to be approved by the Company, the Directors will have regard to both the interests of the Company and its shareholder as well as its other stakeholders.

Community and the environment

The community and environment initiatives are undertaken at Group level. The Company's employees, as part of the AZH Group, engage with the local community and wider society through long-term partnerships with organisations. The Group has a three year partnership with mental health charities Mind and Scottish Action on Mental Health in the UK. As well as raising money for these charities over the past two years, we have also expanded the mental health support resources we have in place for the Company's employees. We also support our local communities through employee volunteering, donations and the Allianz Community Fund. In addition during 2021 we launched the Allianz Sports Fund which donates £100,000 to grassroots sports clubs.

An Environmental, Social, Governance strategy ensures the Allianz SE Group is a leader in sustainability, a responsible and trusted business, and a committed corporate citizen. The Group focuses on promoting the transition to a low-carbon economy, social inclusion and ensuring the integration of ESG into all aspects of our business.

Strategic Report (continued)

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

During the year the Directors took the following principal decision:
During the year the Board approved the issue of additional ordinary shares to its shareholder, in consideration for cash. The cash enabled the Company to make the agreed contributions to the Allianz Retirement and Death Benefits Fund (''ARDBF"), a defined benefit pension scheme which is now closed to further accrual. The Directors considered that the allotment for cash was in the interests of the Company for the benefit of its shareholder, and the Group as a whole to enable it to meet its long-term obligations under the Statutory Funding Objective to the ARDBF. The Board also considered the interests of employees and particularly those present and former employees who were a member of the ARDBF in making the decision. In addition, the Company approved a number of documents in connection with the valuation of the ARDBF. The Board considered the impact on the Company, the Group and its employees when making the decision and considered that concluding the formal valuation process was in the best interests of the Company and the wider Group in the long-term.

In 2021, the Board also approved entry into a new Intra-Group Framework Agreement amongst companies within the Group. The Directors reviewed the agreement and noted that it would support the provision of personnel services by the Company to other Group companies as well as outsourced and other services provided to the Company through a contract between the Company and external suppliers. The Board considered the agreement was in line with best industry standards or as agreed with customer companies, taking into account their customer and regulatory commitments. The Board also considered how the provision of any specific set of resources or services will be implemented in line with Group governance and financial planning. 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.

The board of directors of AZH, the holding company of the Company, approved details of the pensioner buy-in exercise during 2021. The buy-in was proposed to insure all current pensioners in the Allianz Retirement and Death Benefits Fund (Fund) of which the Company is the Principal Employer. The AZH board approved that Allianz Pension fund Trustee Limited, Trustee of the Fund, enter into an agreement with an agreed insurance provider. The buy-in was part of the pension strategy package discussed by the AZH board in 2020 and a significant next step on the de-risking plan for the Fund and considered by the AZH board to be in the best interest of the pensioners in the Fund and the Group in the long term.

By order of the Board

F K Dyson
Director

April 11, 2022

Directors' Report

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

Stakeholder and Employee Engagement statements
Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and other stakeholders and the effect of that regard on the principal decisions taken by the Company's Board is contained in the Section 172 statement on page 3 of the Strategic Report. Details of how the Company engages with its employees is also contained in the Section 172 statement.

Directors

The Directors of the Company who were in office during the financial year 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.

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.

J Dye resigned as a Director on November 30, 2021.

Results and dividend
The results for the year are set out in the Statement of Comprehensive Income on page 17. A review of the Company's business activities and any likely future developments can be found in the Strategic Report.

No interim dividend was paid for the year ended December 31, 2021 (2020: £nil). The Directors do not recommend the payment of a 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 3.

Going concern
The going concern assessment for the Company is outlined in the Strategic Report on page 3.

Employees
Equal Opportunities
The Company firmly believes that its employees are at the core of achieving its business success and it ensures that policies and procedures are tailored to ensure it attracts, develops and retains a workforce with the right skills, knowledge and behaviours for the long-term future success of the Company and the Group. The approach of the Company and the Group to equal opportunities are aligned. The Company believes in equality of opportunity and are committed to creating an environment where people can succeed regardless of gender, age, race, disability, religion, sexual orientation or other protected characteristics. We champion environments where we celebrate inclusion.

We encourage the employment of talent from all backgrounds and abilities. As part of this, we have been granted 'Disability confident Employer' status by the Department for Work and Pensions. Provided a candidate has made the Group aware that they are disabled and meet the minimum requirements of a vacancy, they will be offered an interview for that position. The Group is dedicated to ensuring it is providing reasonable workplace adjustments to meet specific needs for candidates and employees with disabilities at any point. The Company promotes diversity within its workforce and inclusion of all people. We promote the active participation of employees in staff networks to further improve inclusive working and recognise diversity.

Allianz and the Company consults the expertise of membership organisations in the diversity and inclusion field and has signed up publicly to selected initiatives that promote diversity and inclusion. This includes a commitment to the aims of the Race at Work Charter across the Group. Employee learning and development opportunities are provided including support for achieving professional qualifications through apprenticeship standards or direct study.

Employee engagement and consultation
Employees are offered participation in a range of benefits, including participation in share schemes, which encourages involvement in the Allianz SE Group's performance.

Eligible employees also participate in a performance related bonus scheme which is linked to both the UK Group's and the individual's performance to incentivise achievement of the Company's strategic objectives.

Directors' Report (continued)

Employees (continued)

Employee engagement and consultation (continued)
Throughout the Company, consultative procedures are in operation to enable management and staff to discuss matters of mutual interest. Staff are kept informed about the affairs of the Company through departmental channels, team briefings or via consultative bodies and information disseminated electronically including via regular employee newsletters and ongoing intranet news. Under the procedural agreement with the recognised trade union, the Company holds regular meetings on topics raised by both parties; this is in addition to the normal negotiating processes. Information regarding how the Board engages with and has regard to employee interests in decision-making is included in the Section 172 statement on page 3 of the Strategic Report.

Pension Scheme Trustee Indemnity
The Company, as principal employer of the ARDBF, has granted a qualifying pension scheme indemnity provision (as referred to in section 236 of the Companies Act 2006) in respect of each of the directors of Allianz Pension Fund Trustees Limited. Such indemnity is of indefinite duration, and shall continue to be granted in respect of a director even after the Director has ceased to hold such office.

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

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

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

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

'Location based' Method
The total energy consumption for 2021 was 16,645,135.03 kWh (2020: 17,689,860.13 kWh) equating to 3,532.599 tCO2e (2020: 4,003.048 tCO2e). Carbon intensity: Emissions of tCO2e/full-time equivalent during 2021 was 0.831 tCO2e (2020: 0.87 tCO2e)

However, the company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2021 total energy consumption, the company has sourced a total of 3,005,517.00 kWh of REGO backed (zero emission) electricity equating to 100% of total electricity use.

'Market Based' Method
The total energy consumption for 2021 was 16,645,135.03 kWh (2020: 17,689,860.13 kWh) equating to 2,503.965 tCO2e (2020: 2,703.548 tCO2e).
Carbon intensity: Emissions of tCO2e/full-time equivalent during 2021 was 0.589 tCO2e.

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

Directors' Report (continued)

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

Type	Current reporting year 2021	Comparison reporting year 2020
Total energy consumption (kWh)	16,645,135.03 kWh	17,689,860.13 kWh
Associated Carbon Emissions (tCO_2e)	3,532.599 tCO_2e	4,003.048 tCO_2e
Metric - Emissions of tCO_2e per Full-Time Equivalent	0.831 tCO_2e	0.870 tCO_2e

Corporate Governance Report
For the year ended December 31, 2021 the Company did not apply a corporate governance code. In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, this report gives the reasons why no such code was applied and explains what arrangements for corporate governance were applied.

Corporate Structure
The Company is a wholly owned subsidiary of the Group. The Company is a service Company for the Group and, alongside Liverpool Victoria General Insurance Group Limited (''LVGIG''), employs the Group staff. The services provided in connection with employees are overseen by the Chief Human Resources Officer, who is a Director of the Company and there is a Group-wide approach where applicable.

Until November 30, 2021, the Board consisted of three Directors. Two of the Directors were executive Directors of the AZH Board. All three Directors were members of the AZH Board's Executive Committee. The Group Board, together with several committees to which it has delegated its activities, determine the overarching strategy, culture, values, governance and controls to be applied by each Group Company, including the Company, particularly in relation to the Company's employees.

As the Directors are either a member of the AZH Board, a member of the Executive Committee or both, they are fully cognisant of the matters applicable to the Company.

Corporate Governance Code
Given the corporate structure described above, the Company did not apply a specific corporate governance code as it operates in accordance with the internal rules, codes, values, governance and controls established by the Group Board and its committees and which are cascaded down to, and adopted by, each Group Company. It is not unusual for large corporate Groups to adopt a common corporate and governance approach as this helps to ensure a consistency of ethos, values and conduct of business. The Group adopts the principle of top-down Group policies, codes and governance in order that its customers will receive the same high levels of service, customer centricity, honesty and integrity no matter which Group Company they are doing business with.

Application of Corporate Governance
AZH and a number of other companies within the Group, including some of the regulated insurance companies, applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles") to its business during its financial year ending on December 31, 2021.

The Company provides management services to the Group to enable it to operate efficiently in a legal and compliant manner and to follow the policies, codes, values and governance stipulated by the Group. Although not formally adopted by the Company, the Wates Principles have therefore instructed and influenced the way in which the Company has conducted business, been governed and has engaged with its various stakeholders. This is because the business of the Company is inextricably linked with that of the Group and other companies within the Group, resulting in the need for the Company to adopt the working practices of the Group to ensure good governance and customer outcomes.

External Impacts
The Company is acutely aware of the broader impact it has on its various environments, its customers, employees and society in general. Sustainability is a key objective of the business, informing what it does and in particular the goods and services it procures. Positive employee engagement is fundamental to achieving other key objectives, whether that might be in relation to policies and codes of conduct or encouragement to participate in social and environmental matters important to the business or the employees themselves. Social responsibility and volunteering is actively encouraged. Details of these initiatives can be found in the Strategic Report.

Directors' Report (continued)

Corporate Governance Report (continued)

External Impacts (continued)

Good and effective governance underpins and drives a number of key business objectives including: growth and profitability, employee engagement, product performance, co-operative arrangements with third party stakeholders and suppliers, and sustainability.

Allianz's day to day operations will have an impact on the environment, including the consumption of resources and energy. Further information can be found in the Strategic Report in accordance with the SECR reporting requirements.

Auditors

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.

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will have been deemed to be 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 the member.

By order of the Board

C M Twemlow
Company Secretary
April 11, 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 financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

F K Dyson

Director

April 11, 2022

Independent Auditors' Report

To the Members of Allianz Management Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; 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.

Independent Auditors' Report

To the Members of Allianz Management Services 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.

Independent Auditors' Report

To the Members of Allianz Management Services Limited (Continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent Auditors' Report

To the Members of Allianz Management Services 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 breaches of UK Companies Act (2006) requirements and UK employment law requirements, 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 management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of the defined benefit pension obligation. In addition we note the potential for management bias in the recording of complex transactions (specifically the pension buy in) and in the posting of inappropriate journal entries.. Audit procedures performed by the engagement team included:

- Discussions in consideration of known or suspected fraud with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the Company's legal function;
- Evaluating management's internal controls designed to prevent and detect irregularities;
- Assessing matters reported on the Company's whistleblowing helpline and fraud report and the results of management's investigation of such matters;
- Engaging our PwC pension experts to examine the methodologies and assumptions used by management's experts in valuing the defined benefit pension obligation;
- Reviewing relevant meeting minutes including those of the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Reviewing the letter of support provided from the parent company; 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.

Independent Auditors' Report

To the Members of Allianz Management Services Limited (Continued)

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.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 April 2022

Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	2021 £'000	Restated 2020 £'000
Revenue	3	400,613	435,831
Administrative expenses	4	(384,117)	(420,064)
Other gains		-	2,077
Operating profit		16,496	17,844
Finance income	12	2,400	102,900
Finance cost	6	(841)	(1,125)
Profit before tax		18,055	119,619
Income tax expense[1]	8(a)	(12,144)	(25,133)
Profit for the year wholly attributable to the equity holder[1]		5,911	94,486
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Loss on pension fund		(43,756)	(58,936)
Tax on loss on pension fund[1]	8(b)	8,962	11,147
Total other comprehensive expense for the year, net of tax[1]		(34,794)	(47,789)
Total comprehensive (expense)/income for the year wholly attributable to the equity holder		(28,883)	46,697

[1] Prior year comparative information has been restated, for further details, please refer to note 8(e).

Statement of Changes in Equity

For the year ended December 31, 2021

Restated	*Note*	*Share capital £'000*	*Accumulated losses £'000*	*Total equity £'000*
Balance as at January 1, 2020		-	(106,128)	(106,128)
Foreign currency translation adjustments		-	(123)	(123)
Capital injection	16	44,350	-	44,350
Loss on pension fund		-	(58,936)	(58,936)
Tax on loss on pension fund	8	-	11,147	11,147
Profit for the year wholly attributable to the equity holder		-	94,486	94,486
Balance as at December 31, 2020		44,350	(59,554)	(15,204)
Foreign currency translation adjustments				
Capital injection	16	44,350	-	44,350
Loss on pension fund		-	(43,756)	(43,756)
Tax on loss on pension fund	8	-	8,962	8,962
Profit for the year wholly attributable to the equity holder		-	5,911	5,911
Balance as at December 31, 2021		88,700	(88,437)	263

[1] Prior year comparative information has been restated, for further details, please refer to note 8(e).

The accounting policies and notes on pages 20 to 48 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2021

	Note	*2021* *£'000*	*2020* *£'000*
Assets			
Intangible assets	10	19,116	23,950
Property and equipment	11	1,904	401
Right of use asset	13	29,037	30,200
Defined benefit pension plan surplus	12	150,441	150,919
Deferred tax assets	8(e)	3,809	7,995
Current tax assets	8(d)	13,407	5,799
Trade and other receivables	14	38,298	32,567
Cash and cash equivalents	15	3,823	2,187
Total assets		259,835	254,018
Equity and liabilities			
Equity			
Share capital	16	88,700	44,350
Accumulated losses		(88,437)	(59,554)
Total equity		263	(15,204)
Liabilities			
Deferred tax liability	8(e)	37,610	28,675
Lease liabilities	13	27,589	28,511
Loan from related party	19	129,600	145,800
Provisions for other liabilities and charges	18	4,367	4,184
Trade and other payables	17	60,406	62,052
Total liabilities		259,572	269,222
Total equity and liabilities		259,835	254,018

The accounting policies and notes on pages 20 to 48 are an integral part of these financial statements.

These financial statements on pages 17 to 48 were approved by the Board of Directors on April 6, 2022 and signed on its behalf by:

F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2021

	Note	*2021* *£'000*	*2020* *£'000*
Cash flows from operating activities			
Profit before tax		18,055	119,619
Adjusted for non-cash items			
Gain on disposal of property and equipment		(191)	(2,077)
Depreciation of property and equipment	11	194	2,926
Depreciation of right-of-use asset	13	8,294	5,881
Amortisation of intangible assets	10	6,942	7,249
Lease prior year adjustment		-	(105)
Write off of intangible assets	10	407	5,882
Net finance income	12	(2,400)	(102,900)
Interest expense on lease liabilities	6	336	365
Changes in working capital			
Increase in pension benefit surplus	12	(40,878)	(41,431)
(Increase)/decrease in other receivables	14	(5,731)	11,918
Decrease in trade and other payables	17	(1,646)	(45,514)
Increase/(decrease) in provisions for other liabilities and charges	18	183	(271)
Cash flow used in operations		(16,435)	(38,729)
Interest paid	6	505	760
Income tax received	8(c)	2,332	3,321
Net cash flow used in operating activities		(13,598)	(34,648)
Cash flows from investing activities			
Purchase of property and equipment	11	(1,738)	(3,533)
Proceeds from sale of property and equipment		231	13,093
Intangible assets capitalised	10	(2,515)	(4,263)
Net cash flow (used in)/generated from investing activities		(4,022)	5,297
Cash flows from financing activities			
Interest paid	6	(841)	(1,125)
Capital injection	16	44,350	44,350
Repayment of the lease liabilities		(8,053)	(5,137)
Repayment of loan obligations	19	(16,200)	(16,200)
Net cash flow generated from financing activities		19,256	21,888
Increase/(decrease) in cash and cash equivalents		1,636	(7,463)
Cash and cash equivalents at the beginning of the year		2,187	9,773
Foreign exchange on equity		-	(123)
Cash and cash equivalents at end of year		3,823	2,187

The accounting policies and notes on pages 20 to 48 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 Management Services Limited (the "Company") is a private limited company incorporated in England and Wales and domiciled in the United Kingdom.

1.2. Statement of Compliance

The financial statements of Allianz Management Services Ltd 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 the following:

- Pension benefit obligation- held at fair value.
- Lease liability- please refer to accounting policy c.

The functional and presentational currency is British Pounds.

Going concern

These financial statements are prepared on a going concern basis. For more information on the going concern assessment please refer to Going Concern within the Strategic Report on page 3.

UK-adopted international accounting standards

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

New standards and interpretations adopted by the Company

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

1.4. Summary of significant accounting policies

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

(a) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property and equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the Balance Sheet date, of each asset evenly over its expected useful life as follows:

Equipment and motor vehicles	-	4 years
Fixtures and Fittings	-	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(b) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(b) Intangible assets (continued)

Computer software	-	3 to 5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Costs associated with the development of software for internal use are capitalised only if the software is technically feasible for sale or use on completion and the Company has both the intent and sufficient resources to complete the development. Subsequent expenditure is capitalised only if the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset. The cost is amortised over the expected useful life of the intangible asset on a straight line basis.

(c) Company as a Lessee

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or incentives received at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove and restore the underlying asset and the site on which it is located.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the asset's useful life or end of the lease term, in line with the Company's policy for Property and Equipment. The Company applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments and increasing the carrying amount to reflect interest on the lease liability. The carrying amount will also be adjusted to reflect any reassessment or lease modifications specified in the standard.

The lease term is determined as the non-cancellable period of a lease, together with options to extend or terminate which the Company deems as reasonably certain.

The Company has elected to not recognise right of use assets and lease liabilities for short-term leases and leases of low-value assets. The lease payments are recognised as an expense on a straight-line basis over the lease term.

(d) Income taxes

Income tax on profit or loss for the year comprises current 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 substantively enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

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

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

1.4 Summary of significant accounting policies (continued)

(d) Income taxes (continued)

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 has been made to the relevant tax authorities.

(e) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(f) Trade and other receivables

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

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

The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand 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.

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

1.4 Summary of significant accounting policies (continued)

(h) Provisions for other liabilities and charges

A provision is recognised when a company has an entity has a present obligation (legal or constructive) as a result of a past event; where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment for the time value of money and, where appropriate, the risk specific to the liability. The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

The Company recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

(i) 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.

(j) Interest-bearing loans

Interest-bearing loans are stated at cost.

(k) Retirement and termination benefit costs

The Company sponsors two pension schemes:

- The Allianz Retirement and Death Benefit Fund (“ARDBF”) – this is defined benefit only. It is operated jointly by the Company and a trustee board.
- A Group Personal Pension Plan (“GPPP”) – this is defined contribution only. It is operated by Aviva.

The Company became the Principal Employer to the ARDBF on September 1, 2005. Since that date, the Company has accounted for pensions in accordance with IAS19 and the disclosures given are those required by that standard.

For the ARDBF, the cost of providing benefits is determined using the projected unit credit method. For the GPPP, the cost of providing benefits is determined as the contributions payable during the year.

Contributions payable to the ARDBF do not affect the measurement of the defined benefit liability or asset recognised on the Company Balance Sheet on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of ARDBF liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the ARDBF or modify benefits.

Termination benefits are payable when employment is terminated by the Company or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

(l) Revenue recognition

Revenue recognised relates to a mark-up charged on the expenses the Company handles on behalf of the Group. Revenue is measured at the fair value of the consideration received. Revenue is recognised when the performance obligation has been satisfied.

The Company has one performance obligation within its revenue stream:

- Re-allocation of expenses across those Group entities which have the mark-up on their costs incurred - The performance obligation is the re-allocation of expenses incurred on behalf of the Group. Revenue relates to a flat rate percentage mark-up on the expenses re-allocated. This obligation is satisfied when the expenses are recharged and as such the revenue is recognised immediately receipts in respect of payroll services are deemed immaterial.

Notes to the Financial Statements

For the year ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

1.4 Summary of significant accounting policies (continued)

(m) Foreign currency translation

The Company's presentational currency is British Pounds. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Statement of Comprehensive Income, unless required to be taken to equity.

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

Assumptions used to determine the carrying amount of the defined benefit obligation

The key actuarial assumptions are the discount rate, CPI inflation and life expectancy. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's defined benefit obligation and the sensitivity of those amounts to changes in the assumptions are provided in note 12.

3. REVENUE

	2021	2020
	£'000	£'000
Rendering of services to related parties	400,613	435,831

4. ADMINISTRATIVE EXPENSES

	2021	2020
	£'000	£'000
Depreciation of plant and equipment	194	2,926
Depreciation of right of use asset	8,294	5,881
Amortisation of intangible assets	6,942	7,249
Short term lease payments	175	499
Information and communication	71,676	64,853
Consultancy and marketing Costs	21,516	18,909
Facilities and rates	11,648	13,407
Employee related costs	221,821	221,047
Donations	494	10,038
Other expenses	41,357	75,255
	384,117	420,064

Notes to the Financial Statements

For the year ended December 31, 2021

5. EMPLOYEE RELATED COSTS

	2021	2020
	£'000	£'000
Wages and salaries	178,887	179,169
Social security costs	23,168	22,439
Other pension costs	19,766	19,439
	221,821	221,047

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

	2021	2020
	No.	No.
Management	466	450
Underwriting and claims	3,229	3,311
Finance and administration	423	410
	4,118	4,171

6. FINANCE COST

	2021	2020
	£'000	£'000
Interest expense on lease liabilities	336	365
Interest on loan	505	760
	841	1,125

7. 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. Other services supplied pursuant to legislation were £nil (2020: £nil).

	2021	2020
	£'000	£'000
Fees payable for audit of the Company's financial statements	103	33

Notes to the Financial Statements

For the year ended December 31, 2021

8. INCOME TAX EXPENSE

(a) Income tax recognised in profit or loss

	2021	*Restated* 2020
	£'000	£'000
Current tax		
In respect of the current year(1)	1,560	1,769
In respect of prior years	(3,012)	4,418
Total current tax(1)	(1,452)	6,187
Deferred tax		
In respect of the current year(1)	2,409	21,601
In respect of prior years	2,163	(2,862)
Adjustments to deferred tax attributable to changes in tax rates and laws(1)	9,025	207
Total deferred tax	13,597	18,946
Total income tax expense recognised in the current year(1)	12,144	25,133

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

	2021	*Restated* 2020
	£'000	£'000
Profit before tax from continuing operations	18,055	119,619
Income tax expense calculated at 19.0% (2020: 19.0%)	3,430	22,728
Effect of expenses not deductible for tax purposes	551	551
Effect of prior year adjustment	(849)	1,556
Effect of imputed transfer pricing adjustments	(12)	91
Effect of changes in statutory tax rate(1)	9,024	207
Income tax expense recognised in profit or loss(1)	12,144	25,133

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 was 19.0% for 2021.

Notes to the Financial Statements

For the year ended December 31, 2021

8. INCOME TAX EXPENSE (continued)

(b) Income tax recognised in other comprehensive (expense)/income

	2021	*Restated* 2020
	£'000	£'000
Current tax		
Contributions made to pension obligation through OCI	(8,487)	-
Deferred tax		
Remeasurement of pension obligation through other comprehensive	(475)	(11,147)
Total income tax recognised in other comprehensive expense[1]	(8,962)	(11,147)

(c) Tax paid for cash flow purposes

	2021	*Restated* 2020
	£'000	£'000
Current tax receivable at January 1	(5,799)	(6,846)
Amounts charged to the income statement[1]	12,144	25,133
Movements in deferred tax asset in the statement of comprehensive income[1]	(13,597)	(27,432)
Other movements	-	25
Amounted credit through OCI	(8,487)	-
Tax received during the year	2,332	3,321
Current tax receivable at December 31	(13,407)	(5,799)

(d) Current tax assets

	2021	2020
	£'000	£'000
Current tax assets	13,407	5,799

(e) Deferred tax balances

(i) Deferred tax assets	2021	*Restated* 2020
	£'000	£'000
The balance comprises temporary differences attributable to:		
Defined benefit pension obligation ("DBO Pension")[1]	2,703	2,228
Pension spreading	-	2,660
Tax losses	1,099	3,063
Capital allowances	2,682	2,272
Provisions	27	-
Total deferred tax assets[1]	6,511	10,223
Set-off deferred tax liabilities pursuant to set-off provisions[1]	(2,702)	(2,228)
Net deferred tax assets	3,809	7,995

Notes to the Financial Statements

For the year ended December 31, 2021

8. INCOME TAX EXPENSE (continued)

(e) Deferred tax balances
(i) Deferred tax assets

Movements	*DBO Pension*	*Provisions*	*Tax losses*	*Pension spreading*	*Capital allowances*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At January 1, 2020[1]	-	-	-	4,829	1,912	6,741
Charged/credited to						
- profit or loss	-	-	3,063	(2,169)	360	1,254
- other comprehensive income	2,228	-	-	-	-	2,228
At December 31, 2020[1]	2,228	-	3,063	2,660	2,272	10,223
Credited/(charged) to						
- profit or loss	-	27	(1,964)	(2,660)	410	(4,187)
- other comprehensive expense	475	-	-	-	-	475
At December 31, 2021	2,703	27	1,099	-	2,682	6,511

(ii) Deferred tax liabilities

	2021	*Restated* 2020
	£'000	£'000
The balance comprises temporary differences attributable to:		
Pension contributions[1]	40,312	30,903
Total deferred tax liabilities[1]	40,312	30,903
Set-off of deferred tax liabilities pursuant to set-off provisions[1]	(2,702)	(2,228)
Net deferred tax liabilities	37,610	28,675

[1]The company had previously recognised tax relief on pension deficit contributions within the Statement of Comprehensive Income. Similarly, the related deferred tax recognised on the resulting temporary difference was also recognised in the Statement of Comprehensive Income. During 2021, the Company elected to change this approach in order to more accurately reflect that the contributions paid are intended to cover both expenses incurred and the element of the pension deficit arising in Other comprehensive Income resulting from changes in actuarial assumptions. Consequently, the deferred tax asset and liability as at January 1, 2020 were restated and both were reduced by £59,167k. The deferred tax asset and liability balance as at December 31, 2020 have both been reduced by £75,098k. As a result of this change, the impact of the change in rate of tax has also been restated. This had been entirely recognised within the Statement of Comprehensive income but is now split with an amount allocated to Other Comprehensive Income. The income tax expense in the comparative period has decreased by £7,012k with an equal and opposite change in the tax on loss on pension fund. There was no change in equity as a result of these changes.

Notes to the Financial Statements

For the year ended December 31, 2021

8. INCOME TAX EXPENSE (continued)

(e) Deferred tax balances
(ii) Deferred tax liabilities

This change in accounting policy resulted in restating each of the affected financial statement line items for the prior period as follows:

(i) Deferred tax assets	2020	Increase/ (decrease)	*Restated* 2020
	£'000	£'000	£'000
The balance comprises temporary differences			
Defined benefit pension obligation ("DBO Pension")(1)	77,326	(75,098)	2,228
Set-off deferred tax liabilities pursuant to set-off	(77,326)	75,098	(2,228)

(ii) Deferred tax liabilities	2020	Increase/ (decrease)	*Restated* 2020
	£'000		
The balance comprises temporary differences			
Pensions contributions	106,001	(75,098)	30,903
Set-off deferred tax liabilities pursuant to set-off	(77,326)	75,098	(2,228)

Movements	Pension contributions	Total
	£'000	£'000
At January 1, 2020(1)	10,703	10,703
Charged to profit or loss(1)	20,200	20,200
At December 31, 2020(1)	30,903	30,903
Charged to profit or loss	9,409	9,409
At December 31, 2021	40,312	40,312

	2021	2020
	£'000	£'000
Deferred tax asset	3,809	7,995
Deferred tax liability	(37,610)	(28,675)

	2021	2020
	£'000	£'000
Current deferred tax asset	1,125	5,721
Non-current deferred tax asset	2,684	2,274
Non-current deferred tax liability	(37,610)	(28,675)

The UK Government announced its intention in the budget of March 3, 2021 to legislate to increase the rate of corporation tax from 19.0% to 25.0% with effect from April 1, 2023. This legislation was substantively enacted on May 24, 2021.

Notes to the Financial Statements

For the year ended December 31, 2021

9. DIRECTORS' EMOLUMENTS

The remuneration of J M Dye, F K Dyson and J A Harrison is paid by the Company. These individuals provide services to AZH and a number of its subsidiaries including the Company, 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.

Details of their remuneration has been set out below:

	2021	2020
	£	£
Emoluments	2,323,958	2,051,641

Emoluments include £438,507 of payments received following the exercise of Restricted Stock Units under the Equity Incentive Scheme of the Company's ultimate parent company, Allianz SE.

10. INTANGIBLE ASSETS

Cost	*£'000*
At January 1, 2020	68,438
Additions	4,263
Disposals	(8,232)
At December 31, 2020	64,469
Additions	2,515
Disposals	(927)
At December 31, 2021	66,057
Accumulated amortisation	
At January 1, 2020	35,620
Amortisation during the year	7,249
Disposals	(2,350)
At December 31, 2020	40,519
Amortisation during the year	6,942
Disposals	(520)
At December 31, 2021	46,941
Net book value at December 31, 2020	23,950
Net book value at December 31, 2021	19,116

Notes to the Financial Statements

For the year ended December 31, 2021

11. PROPERTY AND EQUIPMENT

	Fixtures and Fittings	*Motor Vehicles*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At January 1, 2020	-	18,006	18,006
Additions	-	3,533	3,533
Disposals	-	(20,648)	(20,648)
At December 31, 2020	-	891	891
Additions	1,738	-	1,738
Disposals	-	(231)	(231)
At December 31, 2021	1,738	660	2,398
Accumulated depreciation			
At January 1, 2020	-	7,197	7,197
Provided during the year	-	2,926	2,926
Disposals	-	(9,633)	(9,633)
At December 31, 2020	-	490	490
Provided during the year	58	136	194
Disposals	-	(190)	(190)
At December 31, 2021	58	436	494
Net book value At December 31, 2020	-	401	401
Net book value At December 31, 2021	1,680	224	1,904

In 2020, the Company sold the majority of its fleet of motor vehicles and has subsequently entered into a leasing arrangement for the aforementioned fleet. For further details please see note 13.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS

The Company sponsors the following defined benefit plans:

- The ARDBF – this is defined benefit only. It is operated jointly by the Company and a trustee board.
- A small unfunded top-up arrangement providing supplementary benefits to certain members of the ARDBF.
- A GPPP – this is defined contribution only. It is operated by Aviva.
- An unfunded post-retirement health care benefit.

GPPP

The assets of the GPPP are held separately in independently administered funds. The cost of providing benefits in the GPPP is determined as the contributions payable by the Company during the year, which was £19.8m during 2021 (2020: £19.4m).

ARDBF

The ARDBF is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004 and is a funded pension scheme with each member’s pension at retirement based on pensionable service and final pensionable pay.

The ARDBF is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the ARDBF is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Company must agree with the trustee board of the ARDBF the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The trustee board of the ARDBF is required by law to act in the best interests of members and is responsible for setting certain policies (e.g. investment and contribution policies). Contributions are currently paid to the ARDBF based on an actuarial valuation with an effective date of March 31, 2020. At that date, the market value of the assets in the ARDBF was £1.4bn. Based on the assumptions used for funding purposes, the value of the assets was sufficient at that date to cover 94% of the value of the benefits that members had accrued and so deficit contributions were agreed. The assumptions used are set out in the “Statement of Funding Principles” document agreed by the trustee board and Company. The key assumptions were:

- Investment return of 1.15% pa
- RPI inflation of 2.8% pa.

These assumptions used for funding purposes are different from those used for IAS19 purposes which are set out later in this disclosure. The actuarial assumptions used for IAS19 are ultimately the responsibility of the directors of Allianz. IAS19 requires that, with the exception of the discount rate, the assumptions used should represent a best estimate of future experience within the plan.

Reflecting the overall funding level of the ARDBF at March 31, 2020, the trustee board and the Company agreed a recovery plan stating that an annual test early in each calendar year is to be completed. This test will determine whether future deficit contributions are paid to the ARDBF, or once the ARDBF is fully funded on the “Technical Provisions” basis, into an escrow account. The agreed recovery plan included company deficit contributions of £44.4m paid no later than March 31, 2021 (which has been paid) and company deficit contributions of £44.4m and £35m paid no later than March 31, 2022 and March 31, 2023 respectively.

The total amount of Company contributions paid into the ARDBF during 2021 was £44.4m (2020: £44.4m). Company contributions to the ARDBF or escrow over 2022 are expected to be £44.4m (based on the current recovery plan).

Notes to the Financial Statements

For the year ended December 31, 2021

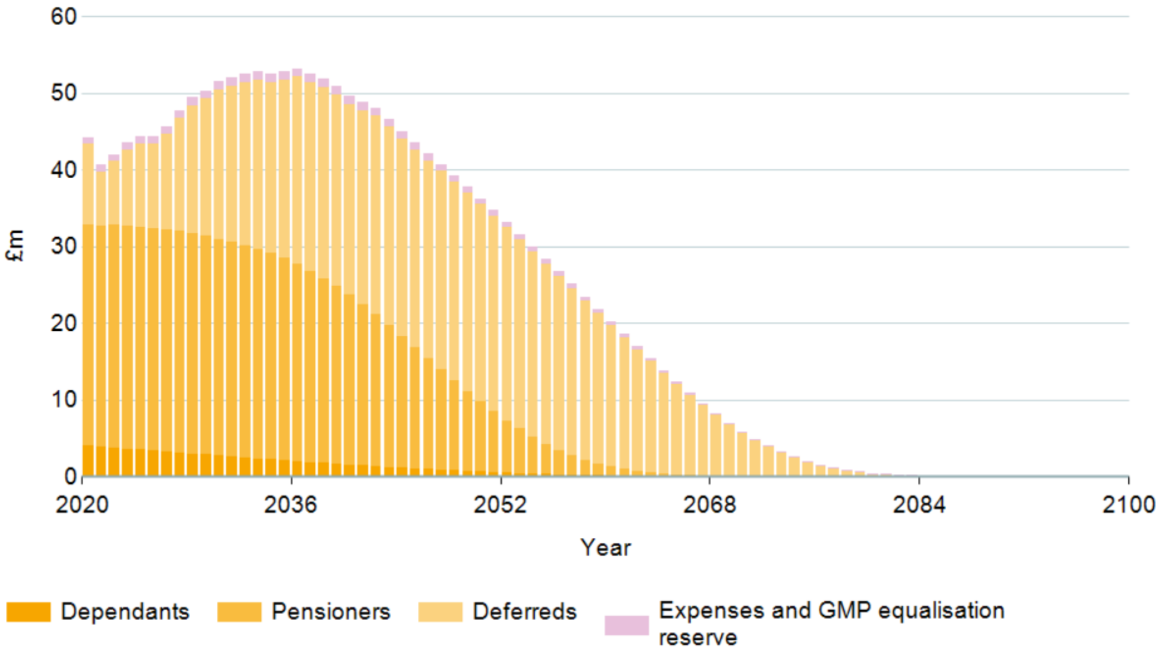
12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

An approximate split of the defined benefit obligation by member status is as follows:

Deferred members	51%
Pensioner members	49%
	100%

The chart below illustrates the expected future cashflows for the ARDBF as at March 31, 2020:



Based on the Company's interpretation of the rules, any surplus is recognised on the Balance Sheet and there is no additional liability arising from a minimum funding requirement under IFRIC14. This is on the basis that:

- Under IFRIC14 paragraph 11, a refund is available to the Company if the entity has an unconditional right to a refund assuming gradual settlement of the fund liabilities over time until all members have left the fund. The Company's interpretation is that the Company does have such a right.

- IFRIC14 paragraph 12 clarifies that if the entity's right to a refund of a surplus depends on the occurrence or non-occurrence of events not wholly within its control, the entity does not have an unconditional right and shall not recognise an asset. The 2015 exposure draft of IFRIC14 further clarified that if the trustee board of the fund have the power to wind up the fund, or augment benefits, without the company's consent, then the Company would not have an unconditional right. The Company's view of the rules is that the trustee board of the ARDBF do not appear to have the power to wind-up the ARDBF or augment benefits without the Company's consent.

The assets of the ARDBF are held in separate trustee administered funds. In consultation with the Company, the trustee board periodically reviews the investment strategy of the ARDBF with the aim of meeting benefit payments as they fall due and maintaining the funding position at an appropriate level subject to an appropriate level of risk. These broad principles have led to the investment strategy below. Please note that in November 2021, the ARDBF completed on contracts for a c£640m partial pensioner buy-in.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

The approximate split of the ARDBF invested assets at the reporting date is as follows:

Growth assets	**17%**
UK Property	4%
Long Lease Property	7%
European Property	0%
Private Credit	6%
Matching Assets	**83%**
Gilts, index-linked gilts and repo (net)	52%
Corporate bonds	18%
Absolute return bonds	7%
Infrastructure debt	5%
Property debt	1%
Cash	0%
Total	**100%**

A significant part of the assets of the ARDBF is invested so as to mitigate fluctuations in the ARDBF’s funding levels due to changes in the value of the liabilities. This is primarily achieved through the use of ‘liability driven investments’ (‘’LDI’’), whose main goal is to hedge movements in the liabilities caused by changes in interest rate and inflation expectations. Currently, the LDI portfolio hedges around 100% of the Fund’s interest rate and inflation risk on a gilts +0.35% pa funding measure, as opposed to the IAS 19 accounting measure. Furthermore, in November 2021, the ARDBF completed a c£640m partial pensioner buy-in, which is held as an investment of the ARDBF and is an exactly matching policy for those members covered, significantly reducing the risks to the Company. In addition to the above the ARDBF assets also include cash held in the trustee’s bank account.

The ARDBF’s approach to LDI involves the use of fixed-interest government bonds, index-linked government bonds and government bond repos. Currently, there is no use of derivatives (such as interest rate, inflation and longevity swaps). Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the trustees, their advisers and the ARDBF’s LDI manager, who periodically assess the position.

The liability figures in this disclosure also include figures in respect of a small unfunded post-retirement healthcare arrangement and a small unfunded top-up pension benefit arrangement provided to certain current and former senior employees, with a combined IAS 19 defined benefit liability at December 31, 2021 of around £6.2m.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

The ARDBF, unfunded post-retirement medical healthcare arrangement and unfunded top-up pension benefit arrangement expose the Company to a number of risks, albeit the partial pensioner buy-in removes these risks from the Company in respect of the members insured under the policy:

Risk	Detail
Uncertainty in benefit payments	The value of the Company liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will primarily depend on the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live. In particular, the impact of Covid-19 on future life expectancy is uncertain at this stage.
Volatility in asset values	The Company is exposed to future movements in the values of assets held in the ARDBF to meet future benefit payments.
Uncertainty in cash funding	Movements in the values of the obligations or assets may result in the Company being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. In addition the Company is also exposed to adverse changes in pension regulation.

The following table sets out the key IAS19 assumptions used for the ARDBF, the unfunded post-retirement medical healthcare arrangement and the unfunded top-up pension benefit arrangement.

Assumptions	December 31, 2021	December 31, 2020	December 31, 2019
Discount rate	1.9% pa	1.3% pa	2.1% pa
RPI inflation	3.4% pa	2.9% pa	3.0% pa
CPI inflation	2.9% pa	2.3% pa	1.9% pa
Life expectancy of male aged 60 at the balance sheet date	27.1 years	27.1 years	27.1 years
Life expectancy of male aged 60 at the balance sheet date plus 20 years	28.6 years	28.6 years	28.6 years
Life expectancy of female aged 60 at the balance sheet date	29.7 years	29.7 years	29.2 years
Life expectancy of female aged 60 at the balance sheet date plus 20 years	31.1 years	31.1 years	30.8 years

- Discount rate – In line with December 31, 2020, as at December 31, 2021 the Company continue to adopt the LCP Treasury Model to derive the discount rate.

- RPI inflation rate – The RPI inflation assumption is set by reference to swap market rates and reflects the duration of the pension liabilities. An inflation risk premium of 0.3% pa (in line with December 31, 2020) is deducted from the swap rate at December 31, 2021.

- CPI inflation rate – At December 31, 2021, the CPI inflation assumption was set as the RPI assumption less a deduction of 0.5% pa (deduction of 0.6% pa at December 31, 2020).

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

- In line with last year, the assumption for CPI is based on a “wedge” between RPI and CPI inflation of 1.1% pa for the period up to 2030, and 0.1% pa for the period from 2030 onwards. This reflects the expectation that RPI will be aligned with CPIH from 2030. This gives a weighted average wedge assumption for all future terms of 0.5% pa (compared to 0.6% pa at December 31, 2020). The wedge has reduced because, with the passage of time, there are fewer years of a larger expected wedge before 2030.

- Life expectancies (for both male and female, current and future) – The Company has updated the mortality assumption as at December 31, 2021 to reflect the latest available industry wide data for future improvement projections. This change leads to a decrease in the defined benefit obligations of approximately £4m. The current estimates of the defined benefit obligations make no allowance for the impact of Covid-19 on future mortality rates.

- The commutation factors have been updated to reflect the latest approach to factors agreed between the Company and trustee, which will be effective from the start of 2022. The impact of the change in the commutation factors was an actuarial loss of approximately £3m.

During 2021, the ARDBF completed a partial pensioner buy-in with Aviva on November 19, 2021. The insurance policy covered all the benefits of the majority of current pensioners and dependants. Those receiving small benefits i.e. under £750 pa, and those formerly in the AGF Pension and Life Assurance Scheme were excluded from the transaction, and the transaction excluded allowance for potential costs of equalising benefits in respect of GMP.

The IAS 19 asset is valued equal to the IAS 19 defined benefit obligation for the insured benefits.

The purchase price for the buy-in contract based on market conditions as at November 18, 2021 was £633m. There was a reduction in the pension fund surplus following the transaction because the IAS 19 liability for the insured benefits was estimated to be less than the purchase price. The difference between the amount paid and the corresponding IAS 19 liabilities for the members being insured has been recognised within the Return on plan assets in 2021.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

Other IAS19 assumptions used include:

Assumptions	December 31, 2021	December 31, 2020	December 31, 2019
Pension indexation in deferment for ARDBF Membership (RPI/CPI where relevant)	3.4% pa / 2.9% pa	2.9% pa / 2.3% pa	3.0% pa
Pension indexation in deferment for legacy AGF Scheme membership	2.9% pa	2.3% pa	1.9% pa
Pension increases in payment (RPI, up to maximum of 5% pa)	3.3% pa	2.8% pa	2.9% pa
Pension increases in payment (RPI, up to maximum of 2.5% pa)	N/A	N/A	2.0% pa
Pension increases in payment (RPI, minimum of 3% up to maximum of 4% pa)	3.5% pa	3.4% pa	3.4% pa
Pension increases in payment (RPI, minimum of 3% up to maximum of 5% pa)	3.7% pa	3.6% pa	3.6% pa
Pension increases in payment (CPI, up to a maximum of 5% pa)	2.9% pa	2.3% pa	N/A
Pension increases in payment (CPI, up to a maximum of 2.5% pa)	2.1% pa	1.8% pa	N/A
Pension increases in payment (CPI, up to a maximum of 3% pa)	2.3% pa	2.0% pa	1.8% pa
Real long-term healthcare inflation	2.5% pa	2.5% pa	2.5% pa

At December 31, 2021, the weighted average duration of the defined benefit obligation of the ARDBF was 16.4 years (2020: 17.3 years).

The Company made an allowance on the balance sheet to make provision for the estimated costs of removing Guaranteed Minimum Pension ("GMP") inequalities as c.0.8% of total IAS19 liabilities, consistent with the approach at 31 December 2020.

At December 31, 2020, following a further judgment issued on November 20, 2020, the Company also included an additional reserve to allow for the impact of GMP equalisation in respect of historical individual transfer payments from the fund (where not already allowed for) of £1.0m. The Company have adopted a consistent approach at December 31, 2021.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

The actual return on the ARDBF assets over the year was an estimated gain of £29.6m (2020: gain of £155.2m). This takes into account the cashflows that occurred over the year and the c£633m pensioner buy-in, which took place in November 2021. The current allocation of the ARDBF assets is as follows:

	2021	2020	2019
	£'m	£'m	£'m
Assets with a quoted market price in an active market			
Equity instruments	-	-	12.1
Debt instruments	651.8	1,221.0	1,156.2
Other	22.6	71.4	11.9
Sub-total	674.4	1,292.4	1,180.2
Assets without a quoted market price in an active market			
Debt instruments	102.7	104.2	77.5
Property	93.8	83.9	84.2
Insurance policy	543.1	-	-
Sub-total	739.6	188.1	161.7
Total	1,414.0	1,480.5	1,341.9

None of the ARDBF assets are invested directly in the Company’s own financial instruments or any property occupied by, or assets used by, the Company.

The Fund’s assets without a quoted market price in an active market are valued in different ways, for instance, by discounting the asset's future expected cashflows at an appropriate discount rate in order to derive the present value and/or comparing the asset to similar assets where market prices are more readily available.

Notes to the Financial Statements

For the year ended December 31, 2021

In respect of the ARDBF, the unfunded post-retirement medical healthcare arrangement and the unfunded top up pension benefit arrangement combined, the following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/(assets) and its components over 2020 and 2021.

	Defined benefit obligation		Fair value of scheme assets		Net benefit liability/(asset)	
	2021	2020	2021	2020	2021	2020
	£'m	£'m	£'m	£'m	£'m	£'m
Balance at January 1	**1,329.6**	1,276.4	**(1,480.5)**	(1,341.9)	**(150.9)**	(65.5)
Included in profit or loss						
Interest cost /(income)	17.0	22.7	(19.4)	(25.2)	(2.4)	(2.5)
Past service cost/ (credit)	-	(100.4)	-	-	-	(100.4)
Total expense/(income) included in profit or loss	**17.0**	(77.7)	**(19.4)**	(25.2)	**(2.4)**	(102.9)
Included in OCI						
Re-measurement (gain)/loss:						
Actuarial (gain)/loss arising from:						
- demographic assumptions[1]	(1.2)	18.5	-	-	(1.2)	18.5
- financial assumptions	(38.4)	207.8	-	-	(38.4)	207.8
- experience adjustments[2]	7.1	(37.3)	-	-	7.1	(37.3)
- Return on plan assets excluding interest income on assets	-	-	76.3	(130.0)	76.3	(130.0)
Total (gain)/loss included in OCI	**(32.5)**	189.0	**76.3**	(130.0)	**43.8**	59.0
Other						
Contributions by the employer	-	-	(44.7)	(44.7)	(44.7)	(44.7)
Benefits paid	(50.4)	(58.1)	50.4	58.1	-	-
Total other	**(50.4)**	(58.1)	**5.7**	13.4	**(44.7)**	(44.7)
Administration costs	**-**	-	**3.8**	3.2	**3.8**	3.2
Balance at December 31	**1,263.7**	1,329.6	**(1,414.1)**	(1,480.5)	**(150.4)**	(150.9)
Represented by						
Net defined benefit asset					**(150.4)**	(150.9)

[1] Due to update in mortality assumption and change in the commutation factors set by the trustee of the ARDBF.
[2] Mainly due to pension increases being higher than the long-term assumption.

Notes to the Financial Statements

For the year ended December 31, 2021

12. DEFINED BENEFIT PENSION PLAN SURPLUS (continued)

ARDBF (continued)

The following sensitivities have been calculated to show the movement in the defined benefit obligation (including both insured and the non-insured members) due to changes in assumptions, and assuming no other changes in market conditions at the accounting date and holding all other assumptions constant. In practice, a change in discount rate would also be expected to affect assets held by the ARDBF, partially offsetting the movements below. In particular, following the partial buy-in transaction, the policy value will move exactly in line with the movements in the corresponding defined benefit obligation for members covered.

(Decrease)/increase in defined benefit obligation	Increase in assumption at	Decrease in assumption at
	December 31, 2021	December 31, 2021
	£'m	£'m
Discount rate (0.5% pa movement)	(99)	112
RPI and CPI inflation assumption (1% pa movement)[1]	166	(147)
Life expectancy (one-year movement)	52	(52)

[1] Including a consistent movement in the pension increase assumptions

13. LEASES

Lease agreements where the Company is lessee

Right-of-use assets	Property		Motor vehicles		Total	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost						
At January 1,	35,505	36,151	6,923	-	42,428	36,151
Additions	3,683	-	3,448	6,923	7,131	6,923
Modification to the lease	-	(646)	-	-	-	(646)
At December 31,	39,188	35,505	10,371	6,923	49,559	42,428
Accumulated depreciation						
At January 1,	11,688	6,452	540	-	12,228	6,452
Modification to the lease	-	(105)	-	-	-	(105)
Charge for the year	4,965	5,341	3,329	540	8,294	5,881
At December 31,	16,653	11,688	3,869	540	20,522	12,228
Carrying amount						
At December 31	22,535	23,817	6,502	6,383	29,037	30,200

Notes to the Financial Statements

For the year ended December 31, 2021

13. LEASES (continued)

Amounts recognised in profit and loss:

	Property		Motor vehicles		Total	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Depreciation expense on right of use asset	4,906	5,341	3,103	540	8,009	5,881
Interest expense on lease liabilities	318	362	17	3	335	365
Expenses relating to short term leases	188	499	-	-	188	499

At December 31, 2021, the Company is committed to £1,000k for short-term leases (2020: £985k). The total cash outflow for leases amounted to £8,593k for the year ended December 31, 2021. (2020: £6,403k)

Lease liabilities:

	Property		Motor vehicles		Total	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Current	4,753	4,606	3,027	2,904	7,780	7,510
Non-current	16,473	17,607	3,336	3,394	19,809	21,001
Total lease liabilities	21,226	22,213	6,363	6,298	27,589	28,511

Maturity analysis – contractual undiscounted cash flows:

	Property		Motor vehicles		Total	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Year 1	4,753	4,606	3,027	2,904	7,780	7,510
Year 2	4,369	4,351	2,298	2,004	6,667	6,355
Year 3	3,911	3,968	1,304	1,192	5,215	5,160
Year 4	3,552	3,519	476	217	4,028	3,736
Year 5	1,788	3,171	5	-	1,793	3,171
Onwards	3,725	3,573	8	-	3,733	3,573
Total	22,098	23,188	7,118	6,317	29,216	29,505

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

Notes to the Financial Statements

For the year ended December 31, 2021

14. TRADE AND OTHER RECEIVABLES

	2021	2020
	£'000	£'000
Amounts due from related parties	29,674	20,570
Prepayments	2,518	2,142
Finance sublease receivable	-	7
Other receivables	6,084	9,805
Director's loan[1]	22	43
	38,298	32,567

[1]A loan was advanced to a Director of the Company in 2020 but the related disclosure was omitted in error and the comparative period has been restated accordingly. Other receivables have been reduced and Director's loan increased by £43k.There was no impact on either net income or equity of the Company.

The Director's loan is interest free and repayable over two years in equal instalments in 2021 and 2022.

Trade and other receivables approximate to fair value. All other receivables are due within 12 months of the Balance Sheet date.

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

15. CASH AND CASH EQUIVALENTS

	2021	2020
	£'000	£'000
Cash and cash equivalents	3,823	2,187

The company has concluded that the ECL model has made no significant impact on the valuation of cash and cash equivalents reported in the financial statements.

16. SHARE CAPITAL

	2021	2020
	£	£
Ordinary shares of £1 each authorised, issued and fully paid	44,350,001	1
Capital injection	44,350,000	44,350,000
Ordinary shares of £1 each authorised, issued and fully paid	88,700,001	44,350,001

17. TRADE AND OTHER PAYABLES

	2021	2020
	£'000	£'000
Amounts due to related parties	2,721	3,429
Accruals and deferred income	8,901	7,949
Other payables	48,784	50,674
	60,406	62,052

Trade and other payables approximate to fair value. All of the liabilities are payable within 12 months of the Balance Sheet date.

Notes to the Financial Statements

For the year ended December 31, 2021

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Dilapidation
	£'000
At January 1, 2020	4,455
Utilised in the year	(271)
At December 31, 2020	4,184
Additions	419
Utilised in the year	(236)
At December 31, 2021	4,367

	2021	*2020*
	£'000	*£'000*
Current	700	720
Non-current	3,667	3,464

The Company leases operational properties located throughout Great Britain. Within most of the agreements is a condition requiring the Company to make restorations upon the termination of a lease.

19. LOAN FROM RELATED PARTY

	2021	2020
	£'000	£'000
Loan from related party	129,600	145,800
	129,600	145,800
Analysed as:		
Current	16,200	16,200
Non-current	113,400	129,600
	129,600	145,800

Amounts repayable to related party, Allianz Insurance plc ("AZI"), are to be repaid over 10 years, up to and including September 30, 2029 and carry interest at the Bank of England base rate +0.25%. The interest is payable quarterly and charged on the outstanding loan balance.

The loan is guaranteed by Allianz SE and the guarantee covers the loan amount owed under the facility agreement from the Company to AZI. The Company irrevocably and unconditionally undertakes that for such payments Allianz SE is required to make to AZI, under the guarantee, it shall reimburse Allianz SE in accordance with the guarantee agreement.

Notes to the Financial Statements

For the year ended December 31, 2021

20. 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 requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2021 the Company had £263k (2020: -£15,204k) of total capital employed.

The Company provides management services to the Allianz Holdings plc group. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

Financial Risk

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

Market risk

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

Currency risk is the risk that fluctuations in exchange rates may lead to a material change in the value of currency denominated assets or liabilities. Currency risk is small but the Company is exposed to market risk due to invoices received in currencies other than British Pounds.

At December 31, the largest currency exposures were:

	2021	2020
	£'000	£'000
Euros		
Assets	1,951	1,752
Liabilities	2,943	6,364

The table below shows the sensitivity of the Company's profit or loss before tax and equity to changes in market risk factors.

	2021		2020	
	Profit/(loss)	Equity	Profit/(loss)	Equity
	£'000	£'000	£'000	£'000
Currency rate risk				
10% increase in Euro exchange rate	-	(99)	-	(461)
10% decrease in Euro exchange rate	-	99	-	461

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 and other receivables and cash and cash equivalents.

The Company deems the risk associated with its trade and other receivables to be low as a large proportion of receivables are due from fellow Allianz SE Group subsidiaries and as such are A rated. Despite the other receivables being unrated, the Company deems the associated risk to be insignificant because these amounts are due from many separate counterparties and all receivables are due within 1 year. The Company deems the risk associated with its cash and cash equivalents to be low as the cash balances are held with a financial institution with an A credit rating.

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 right of use asset, deferred tax liability, trade and other payables, provisions for other liabilities and charges, loans and lease liability.

Notes to the Financial Statements

For the year ended December 31, 2021

20. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)
The Company considers the liquidity risk associated with the right of use asset and lease liability to be insignificant as these are related balances which unwind over the same lease term. The Company has sufficient liquid assets to meet the lease liabilities as they fall due.

The Company considers the liquidity risk associated with the deferred tax liability to be low as this is partially offset by a deferred tax asset and the Company has sufficient liquid assets to meet the remaining obligation as it falls due. The Company has a loan from a fellow Allianz Holdings plc Group Company, repayable over 10 years. The Company considers the liquidity risk of the loan to be low as the Company has sufficient liquid assets to meet the current liability as it falls due. The loan is guaranteed by Allianz SE as disclosed in note 19. The Company is exposed to liquidity risk associated with the trade and other payables and provisions for other liabilities and charges.

Although the Company does not have sufficient liquid assets to meet its liabilities, the Company is able to draw down from the liquid assets held elsewhere in the Group in order to meet its liabilities as they fall due. The Group has sufficient assets to meet the Company's liabilities and therefore the Company deems the liquidity risk to be low.

The Company is also exposed to risk relating to the Allianz Holdings Group pension fund; these risks are disclosed in note 12.

The following table shows information about the estimated timing of the net cash flows from the Company's financial liabilities. The analysis provided is by estimating timings of the amounts recognised in the Balance Sheet.

Loan from related party	*Carrying amount*	*Less than 1 year*	*1 - 2 years*	*2 - 5 years*	*5 - 10 years*	*More than 10 years*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
2021	129,600	16,200	16,200	48,600	48,600	-
2020	145,800	16,200	16,200	48,600	64,800	-

21. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, Allianz Societas Europaea, is incorporated in Germany and is the parent of the largest group of undertakings for which Allianz SE group consolidated 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.

Notes to the Financial Statements

For the year ended December 31, 2021

22. RELATED PARTY TRANSACTIONS

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

	2021	2020
	£'000	£'000
Provision of services	400,613	435,831
Interest on loan	505	759
Deficit funding contribution to the ARDBF	44,350	44,350
Loan repaid	16,200	16,200
Capital injection received	44,350	44,350
Lease payments	922	1,180
Director's loan(1)	(21)	43

(1)For further details, please refer to note 14.

	2021	2020
Loans from related party at December 31	£'000	£'000
Other related parties	129,600	145,800
	129,600	145,800

Amounts payable to related party, AZI, are to be repaid over 10 years, up to and including September 30, 2029 and carry interest at the Bank of England base rate +0.25%. The interest is payable quarterly and charged on the outstanding loan balance. The loan is guaranteed by Allianz SE and the guarantee shall cover the loan amount owed under the facility agreement from the Company to AZI.

	2021	2020
Due from related parties at December 31	£'000	£'000
Parent	18,545	7,255
Other related parties	11,107	13,272
Director's loan(1)	22	43
Total	29,674	20,570

(1)For further details, please refer to note 14.

	2021	2020
Due to related parties at December 31	£'000	£'000
Other related parties	2,721	3,429
Total	2,721	3,429

The Company acts as the management services provider for the Group. The Company employs staff, acts as sponsoring employer for the ARDBF and incurs costs on behalf of Group entities which are subsequently re-charged across the Group. Management services are provided on a cost-plus basis, allowing a margin of 5% (2020: 5%).

The Company's pension fund obligations have been guaranteed by its immediate parent undertaking Allianz Holdings plc.

Notes to the Financial Statements

For the year ended December 31, 2021

22. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The key management personnel of the Company include all Directors. The summary of compensation for key management personnel for the year is as follows:

	2021	2020
	£'000	£'000
Short-term employee benefits	1,885	1,839
Share-based payment	439	209
	2,324	2,048

23. SHARE BASED PAYMENTS

Allianz SE Equity Incentive scheme

Members of the Allianz Holdings plc Executive Committee ("AZH Exco") and other executives participate in the Allianz SE Equity Incentive scheme. The Company is the main employing entity for the Allianz Holdings plc Group. The scheme comprises Restricted Stock Units ("RSUs").

RSUs constitute the right to receive the value of an Allianz SE share equivalent to the stock market price at the time of exercise. RSUs are subject to a vesting period of four years and Allianz SE exercises them uniformly for all participants.

The RSUs are virtual stocks without dividend payments and with a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date. The fair value of the RSUs is expensed over the respective vesting periods.

The fair value is remeasured at each reporting period. The amount charged to the Statement of Comprehensive Income was £2,943k (2020: £1,800k). The liability recorded in the financial statements in respect of the RSUs as at December 31, 2021 was £6,071k (2020: £5,600k).

RSUs are allocated annually. The number of RSUs allocated to an individual is based upon a combination of Allianz SE performance against Plan, Group performance against Plan and individual performance against predefined targets, the same rules that apply throughout the Allianz SE Group. During 2021, RSUs were allocated to members of the AZH Exco and other executives.

RSU plan awards granted, forfeited and exercised as of December 31, 2021.

Grant Date	Vesting period years	RSUs granted	RSUs forfeited	RSUs exercised	RSUs transferred in
March 2017	4	15,190	1,205	2,475	368
March 2018	4	8,129	372	615	178
March 2019	4	13,925	-	-	51
March 2020	4	10,767	-	-	451
March 2021	4	26,216	-	-	-

Employee Share Purchase Plan ("ESPP")

During the year, the Company offered employees the opportunity to participate in an ESPP. The ESPP allows employees to purchase shares in Allianz SE by contributing a fixed monthly amount. The Company adds £1 for every £3 contributed by the employees. The terms of the scheme specify a qualifying period of employment and employees must contribute for the entirety of the plan to receive the matching amount. The maximum amount that can be invested is 8% of annual gross base salary (excluding any variable payments), up to a maximum investment of the British Pounds equivalent of €11,500. At the end of the plan period, there is a restriction period during which employees are entitled to all benefits arising from those shares but the shares cannot be sold. At the end of the plan period, the total (employee contribution plus matching amount) for each employee is used to purchase shares in Allianz SE and these are held in trust on behalf of the employee.

Notes to the Financial Statements

For the year ended December 31, 2021

23. SHARE BASED PAYMENTS (continued)

As such, this transaction is a cash-settled share based payment and the vesting period has been completed by December 31, 2021. The total expense recognised in the year was £656k (2020:£189k (3 months' figures for commencement in October 2020)) and the corresponding provision held at year end is £160k (2020: £189k).

24. DIVIDENDS

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

25. SUBSEQUENT EVENTS

At the time these financial statements are authorised, the Company has received an injection of £44,350k share capital from its parent entity, Allianz Holdings plc. The proceeds were used to meet the agreed pension deficit funding commitment under the agreed recovery plan.