

Registered Number: 05441840

Annual Report and Financial Statements 2022

**Allianz Engineering Inspection  
Services Limited**

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# Allianz Engineering Inspection Services Limited

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## Company Information

<b>Directors</b>	G A Gibson J A Harrison N S O Hobbs
<b>Company secretary</b>	C M Twemlow
<b>Registered office</b>	57 Ladymead Guildford Surrey GU1 1DB
<b>Registered number</b>	05441840
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

## Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

### Principal activities

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

### Business review

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 11. The profit for the year amounted to £2,339k (2021: £6,990k). The profit before tax in the year arose almost entirely from revenue earned from engineering inspection services less associated administrative expenses. The decrease in profit was driven by a small increase in revenue, offset by an increase in administrative expenses. The administrative expenses have increased due to the return to pre-pandemic inspection volumes and increased management fees.

### Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax and total equity. The profit before tax for the year amounted to £3,125k (2021: £8,640k) and the total equity was £14,977k (2021: £12,638k). The Company monitors two non-financial key performance indicators. The level of up to date inspections and the maintenance of its technical accreditation by the regulator UKAS (United Kingdom Accreditation Service). In 2022, the Company achieved an average of 99.00% of up to date inspections (2021: 99.58%) and obtained its technical UKAS accreditation in April 2022 (2021: also achieved in April).

### Principal risks and uncertainties

The principal risk facing the Company is that a failure to perform its contractual and statutory obligations properly in respect of engineering inspections could give rise to liability claims and criminal prosecution. It manages this risk by ensuring that all inspections are carried out by qualified engineers along with quality control procedures and regular training.

### Future outlook

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

### 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 have acted in a way that they considered, both individually and collectively, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year. The Directors of the Company are committed to promoting a healthy corporate culture and understand that striving to achieve the Company's strategic aims will ultimately increase the value for the Company, its parent, the Allianz Holdings plc Group (“the Group”) and the wider Allianz SE Group.

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

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

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

### Stakeholder Engagement

The Company's stakeholders include customers, its direct employees, employees of the Group who work on its business, suppliers, the Company's regulator and government agencies, as well as the wider community.

## Strategic Report for the Year Ended 31 December 2022 (continued)

### Stakeholder Engagement (continued)

#### *Customers*

Engagement with customers takes place through a number of channels including the use of Customer Satisfaction Surveys and Service Quality Evaluation questionnaires. Feedback is also sought from customers using the Net promoter Score ("NPS"). The NPS is an important indicator of customer-centric culture across the Group. The results from the feedback received are incorporated within management information presented to the Board.

#### *Employees*

The Group's staff are mostly employed by AMS, however, the Board applies a specific focus to the engineering inspection staff, as well as the staff employed directly by the Company during the year who were resident in and worked on the Company's business in Republic of Ireland. The Board is provided with management information on various matters including staff health and safety, training, resourcing, attrition, absence, relations, employee engagement on key matters including their areas of concern and regulatory matters at its meetings. Allianz engages regularly with Unite, a trade union for some staff within the Group, which exists to protect and improve employee interests. Discussions with Unite regarding employees working for the Company are escalated to the Board as appropriate. During the year, the Board continued to consider the impact of the COVID-19 pandemic on all of its staff, in particular as the business responded to the changing COVID environment and the various lockdown regimes. The Board also received regular health and safety updates including statements on whether the existing controls remained effective. The Group also operates other means of engaging with and seeking the feedback of employees across all areas of its business, such as the annual Allianz Employee Engagement survey. The Board discussed employee feedback in the form of pulse survey results and how the actions were being managed.

#### *Suppliers*

Suppliers are required to comply with the Group's Vendor Code of Conduct, which ensures certain standards are met in relation to ethics, labour and the environment. The Group has established a Supplier Relationship Management Team to specifically assist Group Companies, including the Company, with the management of supplier relationships by creating a framework of best practice controls and governance, and by supporting the business in managing significant supplier relationships and driving value throughout the life of supplier contracts. Management engages with suppliers in the ordinary course of business and escalate matters to the Board as required. Due consideration is given to intended supplier arrangements, their suitability and ability to meet the Company's or Group's requirements and the ease with which a productive and mutually-beneficial working relationship can be established and maintained with each supplier.

#### *Regulator and Government Agencies*

Relevant guidance, policy statements, reports and other forms of publication issued by the Company's regulator (the Financial Conduct Authority) and Government Agencies (such as the Health and Safety Executive) from time to time are examined and discussed by the Board and taken into account when considering matters for approval. These deliberations are appropriately minuted.

#### *Community and the environment*

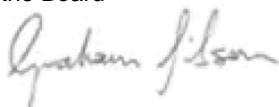
As a subsidiary of the Group, the Company is acutely aware of the broader impact it has on its various environments, its customers and society in general, and adheres to and participates in the Group's corporate social responsibility policies and practices.

#### *Principal decisions*

During the year the Board received regular updates regarding health and safety matters, quality reviews, customer satisfaction, staff training, top risks, trading, legal and regulatory updates including actions required in relation to the impact of the COVID-19 crisis on the Company and employees working within its business. During the year the Board approved the financial statements for the year ended 31 December 2021 and in approving them considered the interests of all of its stakeholders, in particular its shareholder and the wider Group.

On behalf of the Board

G A Gibson  
Director



20 September 2023

## Directors' Report for the year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Results for the year;
- Principal activities of the Company;
- Business review and Future prospects and
- Stakeholders.

### Directors

The directors, who held office during the year, and up to the date of signing the financial statements, were as follows:

G A Gibson

J A Harrison

N S O Hobbs

### Directors' liabilities

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

### Results and dividends

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 11. A review of the Company's business activities and any likely future developments can be found in the Strategic Report on page 2.

No interim dividend was paid during the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: £nil).

### Future outlook

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

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.

### Going concern

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

### 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.

The SECR statement covers the reporting period 1 January 2022 to 31 December 2022 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting 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).

## Directors' Report for the Year Ended 31 December 2022 (continued)

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

#### 'Location Based' Method

The total energy consumption for 2022 was 16,034,389.25 kWh (2021: 16,645,135.03 kWh) equating to 3,432.989 tCO<sub>2</sub>e (2021: 3,532.599 tCO<sub>2</sub>e). Carbon intensity: Emissions of tCO<sub>2</sub>e/full-time equivalent during 2022 was 0.786 tCO<sub>2</sub>e (2021: 0.831 tCO<sub>2</sub>e).

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 2022 total energy consumption, the Company has sourced a total of 5,124,261.79 kWh of REGO backed (zero emission) electricity equating to 98.58% of total electricity use.

#### 'Market Based' Method

The total energy consumption for 2022 was 16,034,389.25 kWh (2021: 16,645,135.03 kWh) equating to 2,388,140 tCO<sub>2</sub>e (2021: 2,503.965 tCO<sub>2</sub>e). Carbon intensity: Emissions of tCO<sub>2</sub>e/full-time equivalent during 2022 was 0.547 tCO<sub>2</sub>e.

Energy Efficiency actions taken during 2022:

- During the refurbishment of the Milton Keynes office the following actions were taken: Adapted landlord energy efficient air-con system and added two energy efficient air-con wall mounted units in the Comms Room. Also adapted landlord energy efficient LED light fittings and PiR controls (movement sensors).

Over 90% of the Group's waste is recycled. The Group's aim is to divert 100% of waste from landfill. This includes office closures where the aim is to repurpose or recycle old office equipment or donate this to local charities.

The Group is committed, via a Science Based Target, to being net zero in operations by 2030. This means reducing emissions by 70%, versus the 2019 baseline, by strengthening environmental management and sourcing 100% renewable electricity by 2023. The key drivers to delivering the emissions reduction target will be the shift to a fully electric corporate car fleet by latest 2030 and a reduction of 40% GHG emissions deriving from travel activities by 2025.

### Stakeholder Engagement Statements

Details of how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and others stakeholders and the effect of that regard on principal decisions taken by the Company's Board is contained within the section 172 statement on page 2.

### Directors' responsibility to the Auditors

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

### Independent Auditors

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

By order of the Board

C M Twemlow

Company secretary

20 September 2023



### 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:

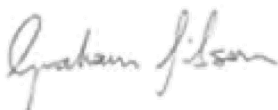
- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



G A Gibson  
Director  
20 September 2023



# Independent auditors' report to the members of Allianz Engineering Inspection Services Limited

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 2022 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

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

- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- 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;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Auditing the risk of management override of controls, including testing journal entries and testing accounting estimates.

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

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

### Use of this report

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

## Other required reporting

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Natalie Brookes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 September 2023

**Statement of Profit and Loss and Other Comprehensive Income  
For the year Ended 31 December 2022**

		<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Revenue	3.1	91,457	87,814
Administrative expenses	4	<u>(88,332)</u>	<u>(79,174)</u>
<b>Profit before tax</b>		3,125	8,640
Income tax expense	7.1	<u>(786)</u>	<u>(1,650)</u>
<b>Total comprehensive income for the year wholly attributable to the equity holder</b>		<u><u>2,339</u></u>	<u><u>6,990</u></u>

There has been no other comprehensive income in the year ended 31 December 2022 (2021: £nil).

The accounting policies and notes on pages 15 to 22 are an integral part of these financial statements.

**Statement of Changes in Equity  
For the year ended 31 December 2022**

		<b>Share capital</b>	<b>Retained</b>	<b>Total</b>
		<b>£'000</b>	<b>earnings</b>	<b>£'000</b>
	Note		<b>£'000</b>	
<b>At 1 January 2021</b>	11	-	5,648	5,648
Total comprehensive income		-	6,990	6,990
<b>At 31 December 2021</b>	11	-	12,638	12,638
Total comprehensive income		-	2,339	2,339
<b>At 31 December 2022</b>	11	-	14,977	14,977

The accounting policies and notes on pages 15 to 22 are an integral part of these financial statements.

**Statement of Financial Position  
As at 31 December 2022**

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
Deferred expenses	4	4,115	3,843
Receivables	10	<u>54,122</u>	<u>51,582</u>
<b>Total assets</b>		<u><u>58,237</u></u>	<u><u>55,425</u></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	11	-	-
Retained earnings		<u>14,977</u>	<u>12,638</u>
<b>Total equity</b>		<u><u>14,977</u></u>	<u><u>12,638</u></u>
<b>Liabilities</b>			
Contract liability	3.2	42,447	39,474
Accruals and other payables		79	127
Amounts due to related parties	14	-	785
Current tax liabilities	7.3	<u>734</u>	<u>2,401</u>
<b>Total liabilities</b>		<u><u>43,260</u></u>	<u><u>42,787</u></u>
<b>Total equity and liabilities</b>		<u><u>58,237</u></u>	<u><u>55,425</u></u>

These financial statements on pages 11 to 23 were approved by the Board of Directors on 15 August 2023 and signed on its behalf by:



G A Gibson  
Director

**Allianz Engineering Inspection Services Limited**  
**Registered Number: 05441840**

The accounting policies and notes on pages 15 to 22 are an integral part of these financial statements.

**Statement of Cash Flows**  
**For the Year Ended 31 December 2022**

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		3,125	8,640
Increase in deferred expenses	4	(272)	(55)
Increase in receivables	10	(2,540)	(9,165)
Increase in contract liability	3.2	2,973	566
(Decrease)/increase in accruals and other payables		(48)	14
(Decrease)/increase in amounts due to related parties	14	<u>(785)</u>	<u>785</u>
Cash generated from operations		2,453	785
Income taxes paid		<u>(2,453)</u>	<u>(785)</u>
<b>Net cash flow from operating activities</b>		<u>-</u>	<u>-</u>
<b>Net movement in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>-</u></u>	<u><u>-</u></u>

The accounting policies and notes on pages 15 to 22 are an integral part of these financial statements.



## Notes to the Financial Statements for the Year Ended 31 December 2022

### 1 ACCOUNTING POLICIES

#### 1.1. Company and its operations

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

#### 1.2. Statement of compliance

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

#### 1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis. The functional and presentational currency is British Pounds.

#### Going concern

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

#### New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 January 2022. The accounting policies have been consistently applied unless a new policy has been implemented.

#### New standards and interpretations not yet adopted by the Company

New standards and interpretations which are not mandatorily effective have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early; instead it will apply the standards from the effective date as determined by the date of UK Endorsement Board ("UKEB").

#### 1.4. Summary of significant accounting policies

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

##### **(a) Income taxes**

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the Statement of Comprehensive Income. Current tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the Statement of Financial Position ("SoFP") date, together with adjustments to tax payable in respect of prior years.

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

##### **(b) Receivables**

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

An expected credit loss ("ECL") provision is assessed as at SoFP date, and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 1. ACCOUNTING POLICIES (continued)

#### 1.4. Summary of significant accounting policies (continued)

##### **(c) Revenue recognition**

Revenue relates to the provision of engineering inspection and other special services. Revenue is measured at the value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The Company receives payments from customers based on an invoicing schedule, as established in our contracts.

Inspection fees – the performance obligation is the provision of the inspection services being conducted by engineers. The performance obligation is satisfied upon each inspection being completed and as such, the associated revenue is recognised immediately. A straight-line earnings methodology is applied through-out the contract period, which is deemed a suitable estimate.

Other special services - the performance obligation is the provision of the service. These are not covered by the longer term inspection contracts. Due to the one off nature of these services, the performance obligation is satisfied immediately and as such, the revenue is recognised in full.

##### **(d) Contract liability**

Contract liability is stated at cost. The contract liability recognised is the amount of revenue allocated to the inspection period that falls after the SoFP date. Contract liability is recognised as revenue as (or when) the Company meets the performance obligation.

##### **(e) Administrative Expenses**

Administrative expenses incurred during the financial period that vary with and are related to securing new engineering inspection contracts and/or renewing existing engineering inspection contracts, are expensed as the revenue is earned. All other administrative expenses are recognised as they are incurred.

##### **(f) Deferred expenses**

Expenses are deferred to the extent that they relate to an inspection period after the SoFP date. The only expenses that are deferred relate to commission.

##### **(g) Retirement benefit costs**

The Company sponsors a Group Personal Pension Plan (“GPPP”) which is a defined contribution scheme operated by Aviva. The cost of providing benefits is determined as the contributions payable during the year.

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

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

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company does not consider any particular accounting policy or estimate to be susceptible to significant changes in estimates and assumptions.

### 3. REVENUE

#### 3.1 Disaggregation of revenue from contracts with customers

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Inspection fees	85,784	82,695
Other special services	<u>5,673</u>	<u>5,119</u>
Total revenue	<u>91,457</u>	<u>87,814</u>

#### 3.2 Liabilities related to contracts with customers

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Inspection fees	<u>42,447</u>	<u>39,474</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Inspection fees	<u>39,474</u>	<u>38,908</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4. ADMINISTRATIVE EXPENSES

	Note	2022 £'000	2021 £'000
Management fee		76,615	69,299
Commission payable to brokers		10,297	8,172
Employee related costs	5	1,692	1,758
Deferred expenses		<u>(272)</u>	<u>(55)</u>
		<u>88,332</u>	<u>79,174</u>

Deferred expenses are reconciled below;

	2022 £'000	2021 £'000
Balance at 1 January	3,843	3,788
Charged to the statement of profit and loss and other comprehensive income	(3,843)	(3,788)
Deferred in the year	<u>4,115</u>	<u>3,843</u>
Balance at 31 December	<u>4,115</u>	<u>3,843</u>

5. EMPLOYEE RELATED COSTS

	2022 £'000	2021 £'000
Wages and salaries	1,335	1,397
Social security costs	161	176
Pension costs	<u>196</u>	<u>185</u>
	<u>1,692</u>	<u>1,758</u>

The pension costs relate to a GPPP operated by Aviva. The assets of the GPPP are held separately in independently administered funds. The cost of providing benefits in the GPPP is determined as the contributions payable by the Company during the year.

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

	2022 No.	2021 No.
Engineers	<u>24</u>	<u>24</u>
	<u>24</u>	<u>24</u>

6. AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by Allianz Management Services Limited ("AMS"). Other services supplied pursuant to legislation were £nil (2021: £nil).

	2022 £'000	2021 £'000
Fees payable for the audit of the Company's auditors and associates	<u>49</u>	<u>45</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7. INCOME TAX

7.1 Income tax recognised in profit or loss

	2022 £'000	2021 £'000
<b>Current tax:</b>		
In respect of the current year	734	1,616
In respect of prior years	52	34
<b>Total income tax expense recognised in the year</b>	<b>786</b>	<b>1,650</b>

The tax assessed on the year is higher (2021: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%).

The differences are reconciled below:

	2022 £'000	2021 £'000
<b>Profit before tax</b>	<b>3,125</b>	<b>8,640</b>
Income tax expense calculated at 19% (2021: 19%)	594	1,642
In respect of prior years	52	34
Effect of imputed transfer pricing adjustments	140	(26)
Income tax expense recognised in profit or loss	<b>786</b>	<b>1,650</b>

7.2 Tax paid for cash flow purposes

	2022 £'000	2021 £'000
Current tax payable at 1 January	2,401	1,536
Amounts charged to the statement of profit or loss	786	1,650
Tax paid during the year	(2,453)	(785)
Current tax payable at 31 December	<b>734</b>	<b>2,401</b>

7.3 Current tax liabilities

	2022 £'000	2021 £'000
Current tax liabilities	<b>734</b>	<b>2,401</b>

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

8. DIRECTORS' EMOLUMENTS

J A Harrison and G A Gibson provided services to the Company and other companies within the Allianz UK Group and it is not possible to make an accurate apportionment of their remuneration in respect of their role as Directors of the Company. The remuneration of the directors J A Harrison and G A Gibson is paid by Allianz Management Services Limited ('AMS'). AMS is a subsidiary of AZH and a Group services company and makes no recharge to the Company for these Directors. Accordingly, no remuneration is being disclosed for these Directors.

**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**8. DIRECTORS' EMOLUMENTS (continued)**

The remuneration of N S O Hobbs is paid by AMS and recharged to the company as part of a management recharge. This management recharge, which in 2022 amounted to £343k (2021 £289k) also includes a recharge of administration costs and it is not possible to identify separately the amount of N S O Hobbs remuneration in respect of their role as a Director of the Company.

No Director (2021: One<sup>(1)</sup>), out of three (2021: Five) directors who were in office during the year, were remunerated for their roles as Directors of the Company. Details of their remuneration have been set out below:

	2022	Restated <sup>(1)</sup> 2021
	£'000	£'000
Emoluments	-	636
<b>The amounts paid in respect of the highest paid Director are as follows:</b>		
Emoluments	-	636

No Director (2021: none) accrued benefits under the defined contribution schemes.

Included in the emoluments is payment received by a Director following exercising of Restricted Stock Units during the year of £nil (2021: £164k).

<sup>(1)</sup> It was discovered that all of the post appointment emoluments of one Director (of two Directors whose emoluments were disclosed in the 2021 accounts) had been included within the prior year total directors' emoluments. The Director involved provides services to both the Company and other companies within the Allianz UK Group and it is not possible to make an accurate apportionment of remuneration in respect of their role as a Director of the Company. As outlined above, these amounts should not have been disclosed and as a result, the 2021 emoluments have been restated from £685k to £636k. The amounts paid in respect of the highest paid Director remains unchanged.

**9. DIVIDENDS**

No interim dividend was paid during the year ended 31 December 2022 (2021: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

**10. RECEIVABLES**

	2022	2021
	£'000	£'000
Amounts due from related parties	54,120	51,578
Other receivables	<u>2</u>	<u>4</u>
Total receivables	<u><u>54,122</u></u>	<u><u>51,582</u></u>

The carrying amounts disclosed above reasonably approximate fair values at year end. Receivables are due within 1 year of the SoFP date.

**11. EQUITY**

**Alloted, called up and fully paid shares**

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 12. RISK MANAGEMENT POLICIES

#### Capital management

The Company's capital risk is determined with reference to the requirements of the Group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At 31 December 2022 the Company had £14,977k (2021: £12,638k) of total capital employed.

The Company provides engineering inspection services. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

#### Financial Risk

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

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is not directly exposed to market risk.

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its amounts due from related parties. The Company deems this risk to be low as the receivables are due almost entirely from fellow Allianz Societas Europaea ("Allianz SE") Group subsidiaries and as such are A rated. All receivables are due within 1 year of the SoFP date.

#### Liquidity risk

Liquidity risk is the risk that funds may not be available to settle obligations when they fall due. The Company is exposed to liquidity risk through its current tax liabilities, deferred expenses, accruals and other payables and contract liability. The contract liability and deferred expenses are non-cash items and therefore management consider the associated liquidity risk to be insignificant. Liquidity risk related to the current tax liabilities and accruals and other payables is deemed insignificant as the Company has sufficient liquid assets to settle these as they fall due. All payables are deemed to be settled within 1 year of the SoFP date.

### 13. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, Allianz SE, is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which Allianz SE Group financial statements are drawn up and of which the Company is a member.

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

### 14. RELATED PARTY TRANSACTIONS

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Administration service fees	78,307	71,056
Inspection service income	132	83

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 14. RELATED PARTY TRANSACTIONS (continued)

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due from related parties at 31 December</b>		
Other related party	<u>54,120</u>	<u>51,578</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due to related parties at 31 December</b>		
Other related party	<u>-</u>	<u>785</u>

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

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

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

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

### 15. SHARE BASED PAYMENTS

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

As such, this transaction is a cash-settled share based payment and the vesting period has been completed by 31 December 2022. The total expense recognised in the year was £2k (2021:3k) and the corresponding provision held at year end is £3k (2021:3k).

### 16. SUBSEQUENT EVENTS

After the Statement of Final Position Date, the Directors approved and paid a dividend of £6,000k.