

# **Euler Hermes Services UK Limited**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2023**

**1 Canada Square  
London E14 5DX**

***Company Number: 3376459***



# **Euler Hermes Services UK Limited**

**Year Ended 31 December 2023**

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# **Euler Hermes Services UK Limited**

## **DIRECTORS AND OTHER INFORMATION**

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### **DIRECTORS:**

M Bochot  
S Bramall - Appointed 04.07.2023  
P Evola - Appointed 01.12.2023  
A Hodson - Resigned 31.05.2023  
R Jimenez  
K Macauley - Resigned 24.11.23  
S Murrow  
S Rageot  
S Scott  
S Stennett - Appointed 15.02.2023, resigned 16.11.2023  
M Williams - Appointed 13.02.2024

### **COMPANY SECRETARY:**

J Winter

### **INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### **REGISTERED OFFICE AND BUSINESS ADDRESS:**

1 Canada Square  
London E14 5DX

# Euler Hermes Services UK Limited

## STRATEGIC REPORT Year Ended 31 December 2023

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### Principal activities

The main activity of Euler Hermes Services UK Limited (the “Company”) is to operate as a service company for Euler Hermes UK, a branch of Euler Hermes S.A. (N.V.) (the “Group”). The Company charges its costs plus a contractual margin. The activities of the Company also include the provision of risk services and debt collection services mainly to Euler Hermes UK credit insurance policyholders.

### Review of the business

Total turnover across the business for 2023 was £68,042,000 (2022: £63,979,000) representing an increase of 6.4%.

Revenues from collections services increased by 31.0% in 2023 to £7,923,000 (2022: £6,049,000). The increase is mainly due to the transfer of collections business to the Company from Euler Hermes Collections SP Zoo - the UK branch of an entity in Poland owned by the Group. Additionally, there was a significant increase in the value of debts placed with the Company for collection due to difficult economic conditions, a higher level of insolvency and improved cash collected.

Revenues from risk services increased by 8.7%, to £15,534,000 (2022: £14,288,000). This income stream was positively impacted by an increase in third party limit and monitoring income.

Management services revenues increased by 2.2% year on year to £44,585,000 (2022: £43,642,000) reflecting an increase in the level of costs incurred on behalf of, and recharged to, Euler Hermes UK during the year. Overall operating expenses increased by 2.1% to £62,093,000 (2022: 60,802,000). The main impacts came from an increase in staff related costs as well as additional variable costs related to revenues and higher IT costs recharged from the Group.

On page 19, the result for the Company shows a profit before tax of £4,886,000 for the year (2022: profit before tax of £3,316,000).

The Company has net liabilities of £11,774,000 (2022: £246,000). The impact of the net liabilities on going concern is discussed in the Directors’ report.

The net actuarial loss of the defined benefit pension scheme for 2023 amounted to £20,873,000 (2022: gain of £22,901,000) increasing the profit and loss deficit to £12,274,000 at the year-end (2022: deficit of £746,000). On 8 December 2023, the Trustee of the pension scheme entered into a bulk buy-in policy to insure all remaining liabilities in the scheme. Refer to note 6 for details.

Cash at bank and in hand increased to £23,389,000 (2022: £11,800,000). The Company remains within the cash pooling mechanism of the Group.

# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued)

Year Ended 31 December 2023

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### Principal Risks

The principal risks of the Company relate to the defined benefit pension scheme as explained below as part of business risk.

#### Business risk

The Company operates a defined benefit pension scheme, which was closed to further accrual of benefits in 2012. The key risk is the performance of the scheme assets that is mitigated by the use of an external manager named Buck Consultants Limited (“Buck”). The scheme was supported during 2023, and will continue to be supported, by an ongoing written guarantee from Euler Hermes S.A. (N.V.).

#### Financial and cash flow risk

As part of the Euler Hermes S.A. (N.V.) Group, Euler Hermes Services UK Limited operates a capital and risk management framework which covers the identification, monitoring and active management of the main financial and operational risks faced by the Company. Due to the nature of its activities, the Company is exposed to limited financial risks. Daily cash management and liquidity are provided by Euler Hermes S.A. (N.V.) and do not attract exposure to financial markets.

Euler Hermes Services UK Limited is part of a Group cash pooling process, which gives a global view of available cash for all business units. Cash is invested by the Group treasury function in order to earn interest and yields. Based on requirements, the Company can request cash to be transferred.

#### Foreign exchange risk

Limited exposure to currency fluctuations may arise on the provision of contracts in foreign currencies. The Company does not use any derivatives to cover these risks but procedures are in place to ensure appropriate matching of assets and liabilities in currencies at any time within Euler Hermes S.A. (N.V.).

#### Credit and liquidity risk

Clients expose the Company to credit risk in relation to the collection of debtors’ balances arising from unexpected defaults on commissions. The Company regularly reviews its credit control procedures, monitors statement and dunning processes in order to identify potential defaults and can mitigate this risk by netting any unpaid commissions from clients against future debts recovered on their behalf.

# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued) Year Ended 31 December 2023

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### Credit and liquidity risk (continued)

Aged debt reports are monitored on a weekly basis and dunning actions will continue where issues arise. As the largest area of exposure is related to transactions with other Group entities, notably Euler Hermes UK insurance branch, this is not anticipated as a significant risk.

The directors are satisfied that the Company's risk management processes are sufficient to mitigate these risks.

### Price risk

The Company is not exposed to extreme volatility in pricing of its risk and collection services.

### Non-financial performance indicators

The Company monitors non-financial key performance indicators and undertakes specific analyses in order to measure these. For staff purposes, an annual Engagement Survey is conducted. In 2023, this achieved a response rate of 93% (2022: 90%). The Employee Engagement Index, calculated by reference to key questions in the survey, achieved 81% (2022: 64%). Survey results are communicated to all staff and the Human Resources team coordinates resulting actions.

From a customer and broker perspective, a net promoter survey is performed. The broker score dropped to +20 in 2023 from +24 in 2022. The customer survey produced a result of +41 in 2023 compared to +46 in 2022. In both cases Euler Hermes achieved the leading score compared to its main competitors. The specific elements of the survey, together with comments from respondents, are analysed and discussed to determine any necessary actions.

As at 31 December 2023, five of the seven directors of the Company were male and two were female (2022: five males, two female).

As at 31 December 2023, nine of the 13 senior managers of the Company were male and four were female (2022: ten male, three female).

As at 31 December 2023, 174 of the 330 employees of the Company were male and 156 were female (2022: total employees of 315, of which, 176 male and 139 female).

The Company has robust anti-fraud guidelines in place. There were no bribery or corruption related cases during the year.

### Key financial performance indicators

The Company has not been assigned specific financial key performance indicators on which its performance can be measured. Instead, financial targets such as cost ratio, loss ratio and turnover are defined on a consolidated level for the four (4) UK and Ireland business units of Euler Hermes S.A. (N.V.).

# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued) Year Ended 31 December 2023

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### s172 Statement by the directors

This section serves as a statement by the directors in respect of their statutory duties in accordance with the Companies Act 2006. Under section 172(1) of the UK Companies Act 2006 ('s172') the directors should act in good faith and in a way most likely to promote the success of the Company and the best interests of its members and in doing so have regard for:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with customers and partners;
- the impact of the Company's operations on the community and the environment;
- the desirability for the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

### Our strategy

Annually, the Company has a strategic planning process incorporating commercial, financial and operational considerations with participation from Directors and key functions. Objectives include both long-term and short-term aims, some of which are set at Group level and refined for local purposes. The Directors provide updates to all staff during the year on the progress against these using a number of mediums such as Town-Hall meetings and 'lunch and learn' sessions.

The Company has a management team that meets regularly during the year and includes both the directors and other key functions such as Human Resources. Steering Committees, chaired by a director of the Company, drive all major projects defining objectives, providing support and guidance and monitoring progress.

Directors also participate in the Company's staff representatives forum that meets on a quarterly basis and includes staff representatives from all business functions. Staff representatives are updated on key topics, consulted on future initiatives, where appropriate, and have the opportunity to raise questions on, and discuss, any business-related topics that they wish to raise.

### Our employees

Employee well-being and effective communication are a key feature of the directors strategy, with staff-related topics feature prominently during key meetings, communications and presentations.

The Company conducts an annual engagement survey of all its employees. Details of the 2023 survey are in the Strategic report on page 4.

The Company's defined contribution pension plan has the Pension Quality Mark ("PQM") Plus accreditation.

# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued) Year Ended 31 December 2023

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### **Our employees (Continued)**

The PQM recognises high quality pension schemes which have good contribution levels, good governance, and which encourage employees to save for their future. The Company was shortlisted for the PQM distinction award in 2019, which recognises schemes with attractive, clear, or interesting communications for scheme members and potential members.

The Company has further sought to enhance its value to employees through introducing a Flexible Benefits platform since 2019. This enables employees to select benefits that most suit their personal situation. An Employee Assistance Program is available to all staff encompassing a number of areas where staff can receive help. The Company augmented the number of staff who act as ‘first aiders’ with a new group of ‘mental health first aiders’ to recognise the increasing prominence in society of mental health issues. A number of staff act as ‘Diversity Ambassadors’ to promote diversity topics within the Company and in conjunction with other Group Companies and the wider business community.

### **Our customers and partners**

As the world leader in trade credit insurance solutions, Euler Hermes seeks to use its outstanding business intelligence and technology to help build and safeguard our customers' futures. Each year the aim of the Company is to both attract new customers, including those new to trade credit insurance, and retain existing customers. In 2023, the customer retention rate, by volume of policies, was 87.6% (2022: 85.9%). A team trained to deal with a variety of topics operates our Customer Line and, in 2023, took 50,673 calls (2022: 45,689)

Much of the business that the Company undertakes is through a well-established network of brokers. Directors, and the commercial team of the Company, are in regular contact with brokers to develop and improve relationships and to ensure customers receive the highest levels of service. At an annual broker event, the directors make presentations on the results and strategy of the Company.

The Company undertakes a net promoter score survey annually for both brokers and customers. Results of the 2023 survey are in the Strategic report on page 4.

### **Our impact on the community and the environment**

Part of the Company's strategy is to be a responsible employer, defined as “visibly and actively supporting causes in line with our purpose”. To effect this, a Corporate Social Responsibility (“CSR”) committee, with employee representatives from across the Company, selects the Company's nominated charity for the year, engages employee support and organises fundraising events to raise money for the nominated charity. Where employees fundraise for a charity, the Company matches the funds raised up to a maximum of £500 per employee. In addition, the Company actively encourages employees to volunteer for charity by allowing employees to take two paid days per year to participate in charitable or community projects. The CSR policy aims to foster a positive approach to charitable giving and support for local communities by supporting employees who wish to raise money or give their time.

# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued) Year Ended 31 December 2023

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### Streamlined energy and carbon reporting

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies' are required to report their annual emissions in their Directors' report.

Euler Hermes Services UK Limited Streamlined Energy and Carbon Reporting statement covers the reporting period 1st January 2023 - 31st December 2023 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).

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#### 'Location based' Method

The total energy consumption for 2023 was 858,070.19 kWh(2022: 914,225.46kWh) equating to 197.483 tCO<sub>2</sub>e (2022: 195.670 tCO<sub>2</sub>e)

	<u>2023</u>	<u>2022</u>
Emissions from combustion of fuel for transport purposes (Scope 1)	26.860tCO <sub>2</sub> e	24.940tCO <sub>2</sub> e
Emissions from purchased electricity (Scope 2)	157.265tCO <sub>2</sub> e	101.695tCO <sub>2</sub> e
Emissions from Transmission and Distribution (Scope 3)	13.358tCO <sub>2</sub> e	9.303tCO <sub>2</sub> e

Carbon intensity: Emissions of tCO<sub>2</sub>e / Full-Time Equivalents (No. of Employees) during 2023 was 0.617 tCO<sub>2</sub>e (2022: 0.646 tCO<sub>2</sub>e).

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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 2023 total energy consumption, the company has sourced a total of 239,729.00 kWh (2022: 282,994.00 kWh) of REGO backed (zero emission) electricity equating to 32.56% (2022: 53.8%) of total electricity use.

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# Euler Hermes Services UK Limited

## STRATEGIC REPORT (continued) Year Ended 31 December 2023

### Streamlined energy and carbon reporting (continued)

<b>'Market Based' Method</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
The total energy consumption for 2023 was 858,070.19 kWh (2022: 631,231.46 kWh) equating to 221.278 tCO <sub>2</sub> e (2022: 116.791 tCO <sub>2</sub> e)		
Emissions from combustion of fuel for transport purposes (Scope 1)	26.860tCO <sub>2</sub> e	24.940tCO <sub>2</sub> e
Emissions from purchased electricity (Scope 2)	179.162tCO <sub>2</sub> e	84.153tCO <sub>2</sub> e
Emissions from Transmission and Distribution (Scope 3)	15.256tCO <sub>2</sub> e	7.698tCO <sub>2</sub> e

Carbon intensity: Emissions of tCO<sub>2</sub>e/full-time equivalent (no. of employees) during 2023 was 0.691 tCO<sub>2</sub>e (2022:0.385 tCO<sub>2</sub>e).

**Energy efficiency action taken - No energy efficiency actions taken during the reporting period.**

<b>Type</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Total energy consumption (kWh)	858,070.19kWh	631,231.46kWh
Associated Carbon Emissions (tCO <sub>2</sub> e)	197.483tCO <sub>2</sub> e	135.938tCO <sub>2</sub> e
Emissions of tCO <sub>2</sub> e per full-time equivalent (no. of employees)	0.617tCO <sub>2</sub> e	0.449tCO <sub>2</sub> e

# Euler Hermes Services UK Limited

**STRATEGIC REPORT (continued)**  
**Year Ended 31 December 2023**

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## **Our business conduct**

Our aim is to behave responsibly and ensure that the Company, and its employees, operates with the highest standards of business conduct and integrity.

As part of the Allianz SE group, the Company applies the Allianz group code of conduct in respect of business ethics ("Code of Conduct"). All employees are required to agree and adhere to the principles of the Code of Conduct. If employees have any concerns relating to issues covered by it, they are encouraged to speak to their manager in the first instance; if they feel they cannot raise their concern in this way, or wish to raise it anonymously, the Company provides an independent and confidential Speak Up channel. There were no incidents of this in 2023.

The Company has a zero tolerance approach to financial crime, bribery and corruption. The Company has policies, frameworks and controls in place to ensure that money is received from, or paid to, a third party, including clients, partners and suppliers, only if the Company has identified them as suitable to do business with in accordance with strict procurement procedures and due diligence processes.

As part of their induction process, all new employees undertake training on a range of compliance topics, including, but not limited to, bribery and corruption, fraud, anti-trust and conflicts of interest. Training is reinforced periodically to ensure and maintain a culture of integrity and trust.

Annually, all employees are required to certify any potential conflicts of interest to ensure that the Company conducts business in an environment of complete transparency and integrity. The Company is fully committed to promoting free and fair competition to the benefit of our customers and employees. As a result, the Company's employees that are identified as exposed to antitrust risks are annually required to sign an antitrust statement.

On behalf of the board



**S Scott**  
Director

**Dated: 10<sup>th</sup> July 2024**

# **Euler Hermes Services UK Limited**

*Company Number: 3376459*

## **DIRECTORS' REPORT**

**Year Ended 31 December 2023**

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The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2023.

### **Results and dividends**

The results for the year are set out in the profit and loss account. Refer to the Strategic report on page 2 for the review of the business.

The directors do not recommend the payment of a dividend. (2022: £0).

### **Future developments**

In the coming year, the financial and operational performance of the Company, is likely to be impacted by several factors, including the evolution of the trade credit insurance portfolio.

After the implementation of the new policy management system at the end of 2022, 2023 saw the development of a new core trade credit insurance product which is being launched in 2024. This product has a number of enhancements for trade credit insurance customers. Within the new product, the approach to the risk service fees has also been reviewed and the majority of customers will in future be offered a 'bundle' of services for a fixed fee with a further transactional pricing structure if the threshold of the 'bundle' is exceeded. This is not expected to significantly change the amount of fees invoiced but represents a more streamlined approach for the Company and its customers.

The Company remains committed to supporting staff wellbeing. This includes a 'hybrid' working model within which staff are required to be in the office for at least two days per week and are allowed to work remotely on the remainder. In addition, the Company operates a number of support mechanisms including an Employee Assistance Program and specific events which focus on wellbeing topics.

Strategically the Company is focused on some specific areas. One of these is enhancing productivity. A number of initiatives are being launched in 2024 under the over-arching banner of a campaign named 'Faster, Smarter, Better'. These include generating ideas from the staff on processes that can be improved, maximising the capabilities of the new IT infrastructure and encouraging innovation and change.

Another area that will be further advanced in 2024 relates to ESG and sustainability targets which is in line with the wider objectives of the Allianz group. Initiatives to support this include the renewal of company cars to electric or hybrid models, reducing, and minimising, air travel and ensuring electricity supplies are from renewable sources.

# Euler Hermes Services UK Limited

Company Number: 3376459

## DIRECTORS' REPORT (continued) Year Ended 31 December 2023

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### Brand name change

Euler Hermes has been fully a part of the Allianz group since 2018. On 28 March, 2022, the Company took a natural, and significant step, and re-branded to the name of Allianz Trade. As a result of this, the Company has benefited more from the reputation and strength of the Allianz group. The legal name of the Company remains unchanged.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M Bochot  
S Bramall - Appointed 04.07.2023  
P Evola - Appointed 01.12.2023  
A Hodson - Resigned 31.05.2023  
R Jimenez  
K Macauley - Resigned 24.11.23  
S Murrow  
S Rageot  
S Scott  
S Stennett - Appointed 15.02.2023, resigned 16.11.2023  
M Williams - Appointed 13.02.2024

### Directors, company secretary and their interests

The directors and company secretary held no interest in the called-up share capital of the Company at any point during the financial year.

The Company is limited by shares.

### Company secretary

The following person served as company secretary during the year: Jekaterina Winter

### Indemnity insurance

The directors benefited from qualifying third party indemnity provisions were in place during the financial year and at the date of approval of this report.

### Political donations

The Company made no political donations or incurred any political expenditure during the year (2022: £0).

# **Euler Hermes Services UK Limited**

*Company Number: 3376459*

## **DIRECTORS' REPORT (continued) Year Ended 31 December 2023**

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### **Share capital**

There have been no changes in the Company's share capital during the year ended 31 December 2023.

### **Post balance sheet events**

There were no significant post balance sheet events, which require disclosure in the financial statement.

### **Strategic report**

The strategic report on pages 2 - 9 outlines details of the Company's principal activity, financial performance and the principal risks it faces and how these are mitigated.

### **Employees**

The Company operates an Equal Opportunities policy aimed at ensuring that every applicant and employee receive, at all times and in all aspects of their employment, equal consideration and treatment irrespective of their sex, race, colour, creed, national or ethnic origin, marital status, age, responsibility for children or dependants, sexual orientation, gender reassignment, religious or political beliefs, trade union activities or disability. The Company has a policy related to the health, safety and welfare of employees and other persons, which is regularly reviewed.

The Company is fully committed to ongoing investment in the training and development of its employees. Allianz Degreed offers a wide range of courses and is designed to encourage the development of skills such as leadership, creative thinking and problem solving. Staff receive regular business updates on the progress of the Company.

The Company's employees can participate in Allianz SE's Share Incentive Plan (SIP) and or the Employee Share Purchase Plan (ESPP). In the SIP, for every three shares of Allianz SE (AZ) that employees purchase, AZ offers one additional share in return. Under the ESPP, for every three pounds of shares purchased, AZ contributes an extra pound. Employees must hold the shares acquired through both the SIP and ESPP for three years before selling them. In 2022 and 2023, AZ awarded all employees one free share in recognition of their contributions to the Company's performance. These free shares also require a three-year holding period before they can be sold.

### **Disabled staff**

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. The company also ensures that for continuing the employment of, and arranges appropriate training for employees of the Company who have become disabled persons during their employment period at the Company, and otherwise for the training, career development and promotion of disabled persons employed by the Company.

# **Euler Hermes Services UK Limited**

*Company Number: 3376459*

## **DIRECTORS' REPORT (continued) Year Ended 31 December 2023**

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### **Streamlined energy and carbon reporting**

Please refer to page 7 and 8 in the strategic report for the streamlined energy and carbon reporting.

### **Financial statements and going concern**

The directors have prepared the financial statements on the going concern basis because they fully intend the Company to continue to trade in its current manner for the foreseeable future. The Company is expected to continue to generate positive cash flow from its operating activities and is able to realise its assets and discharge its liabilities in the normal course of business. Euler Hermes S.A. (N.V.) has resolved to provide financial support to the Company. In addition, the defined benefit pension scheme is supported by an ongoing written guarantee from Euler Hermes S.A. (N.V.). As there are the above mitigations in place, the directors believe that the Company will meet its financial obligations as they fall due and will continue to operate as a going concern.

### **Statement of disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Going concern**

The directors have assessed the company's ability to continue its operations and have a reasonable expectation that it will remain operational for the foreseeable future. Therefore, they will continue to use the going concern basis of accounting when preparing the financial statements.

Please refer to note 1. B. on page 23 for further details.

### **Independent auditors**

PricewaterhouseCoopers LLP (PwC) were appointed as auditors of the Company from 20 November 2018. In accordance with section 487 of the Companies Act 2006, PwC have indicated their willingness to continue in office, and their reappointment was approved by the Board by way of a written resolution.

On behalf of the board



**S Scott**  
Director

**1 Canada Square  
London E14 5DX  
Dated: 10<sup>th</sup> July 2024**

# Euler Hermes Services UK Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES Year Ended 31 December 2023

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

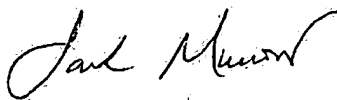
Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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



**S Murrow**  
Director



**S Scott**  
Director

**Dated: 10<sup>th</sup> July 2024**

# Independent auditors' report to the members of Euler Hermes Services UK Limited

## Report on the audit of the financial statements

### **Opinion**

In our opinion, Euler Hermes Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); 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 2023; the Profit and loss account, Statement of other comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### **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 2023 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, 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 Companies Act 2006 and tax legislation, 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:

- Discussions with senior management and directors involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board of Directors;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business, where appropriate;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

**ANDREW BOX**

Andrew Box (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
10 July 2024

# Euler Hermes Services UK Limited

## PROFIT AND LOSS ACCOUNT Year Ended 31 December 2023

	<u>Note</u>	<u>2023</u> £'000	<u>2022</u> £'000
Turnover	2	68,042	63,979
Operating expenses	3	(62,093)	(60,802)
Operating profit	3	5,949	3,177
Finance income		462	0
Finance costs		(3,092)	0
Total income recognised in profit and loss account – defined benefit pension related	6	1,567	139
<b>Profit before taxation</b>	10	4,886	3,316
Tax on profit	10	(759)	(2,478)
<b>Profit for the financial year</b>		4,127	838

All results relate to continuing operations.

The accounting policies and notes on pages 23 to 52 to the financial statements form an integral part of these financial statements.

# Euler Hermes Services UK Limited

## STATEMENT OF OTHER COMPREHENSIVE INCOME Year Ended 31 December 2023

	<u>Note</u>	<u>2023</u> £'000	<u>2022</u> £'000
<b>Profit for the financial year</b>		4,127	838
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of defined benefit pension scheme	6	(20,873)	22,901
Deferred tax on remeasurements of defined benefit pension scheme		5,218	(5,725)
<b>Total Other comprehensive (loss)/income for the year, net of income tax</b>		<u>(15,655)</u>	<u>17,176</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>(11,528)</u>	<u>18,014</u>

All results relate to continuing operations.

The accounting policies and notes on pages 23 to 52 to the financial statements form an integral part of these financial statements.

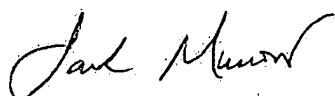
# Euler Hermes Services UK Limited

## BALANCE SHEET As at 31 December 2023

	<u>Note</u>	<u>2023</u> £'000	<u>2022</u> £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	1,388	1,790
Goodwill	9	2,052	2,052
Tangible assets	8	2,717	3,107
Pension asset	6	13,301	32,685
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	29,153	15,992
Cash at bank and in hand		23,389	11,800
		<u>52,542</u>	<u>27,792</u>
<b>CREDITORS - amounts falling due within one year</b>	14	(80,449)	(60,203)
<b>NET CURRENT LIABILITIES</b>		<u>(27,907)</u>	<u>(32,441)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(8,449)</u>	<u>7,223</u>
<b>CREDITORS – amounts falling due after more than one year</b>	15	<u>(3,325)</u>	<u>(7,469)</u>
<b>NET LIABILITIES</b>		<u>(11,774)</u>	<u>(246)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	500	500
Profit and loss account	17	(12,274)	(746)
<b>TOTAL EQUITY</b>		<u>(11,774)</u>	<u>(246)</u>

The accounting policies and notes on pages 23 to 52 to the financial statements form an integral part of these financial statements.

The financial statements on pages 19 to 52 were approved by the Board of Directors on 10<sup>th</sup> July 2024 and signed on its behalf by:



**S Murrow**  
Director  
Dated: 10<sup>th</sup> July 2024



**S Scott**  
Director

# Euler Hermes Services UK Limited

## STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2023

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2022	500	(18,760)	(18,260)
<b>Total comprehensive income for the period</b>			
Profit for the financial year	0	838	838
Other comprehensive income	0	17,176	17,176
Total comprehensive income for the period	0	18,014	18,014
Total contributions by and distributions to owners	0	0	0
<b>Balance at 31 December 2022</b>	<b>500</b>	<b>(746)</b>	<b>(246)</b>
	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2023	500	(746)	(246)
<b>Total comprehensive loss for the period</b>			
Profit for the period	0	4,127	4,127
Other comprehensive loss	0	(15,655)	(15,655)
Total comprehensive loss for the period	0	(11,528)	(11,528)
Total contributions by and distributions to owners	0	0	0
<b>Balance at 31 December 2023</b>	<b>500</b>	<b>(12,274)</b>	<b>(11,774)</b>

The accounting policies and notes on pages 23 to 52 to the financial statements form an integral part of these financial statements.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

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### 1. Accounting policies

Euler Hermes Services UK Limited is a private company incorporated, domiciled and registered in England in the UK. The registered company number is 3376459 and the registered address is 1 Canada Square, London, E14 5DX.

#### A. Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

The financial statements have been prepared under the historical cost convention, as modified by present value of pension asset/liability and in accordance with the Companies Act 2006

The Company’s ultimate parent undertaking, Allianz SE, includes the Company in its consolidated financial statements. The consolidated financial statements of Allianz SE are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Königinstraße 28, 80802 München, Germany.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7, ‘Financial instruments: Disclosures’.
- Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ – comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16, ‘Property, plant and equipment’; and
  - Paragraph 118(e) of IAS 38, ‘Intangible assets’ (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, ‘Statement of cash flows’.
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation).
- The requirements in IAS 24, ‘Related party disclosures’, to disclose related party transactions entered into between two or more members of a group.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### 1. Accounting policies (continued)

#### Basis of preparation (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented.

#### B. Summary of material accounting policies

##### Going Concern

The Company's working capital requirements are mainly funded through the serving of Euler Hermes UK, it is expected that this position will be sustained into the foreseeable future and the directors consider that there is sufficient liquidity to support operations. The Company can meet its day-to-day working capital requirements and if, in any instance it has additional requirements, it can access the cash pooling arrangement of the Group.

After the pandemic, during which the Company switched to full remote working, a new working model has been put in place, including that staff can still work from home (WFH) for two days per week. During the period of these changes the Company was able to continue to provide a high level of service to our customers and business partners. Management are regularly assessing the impact on the financial position, taking account of reasonable possible changes to trading performance.

The directors performed a going concern assessment and have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

As such, the financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £27,907,000 (2022: £32,441,000) and net liabilities of £11,774,000 (2022: £246,000), which the directors believe to be appropriate for the following two reasons:

- (i) The Company is dependent for its working capital on funds provided to it by Euler Hermes S.A. (N.V.), the Company's parent since 31 December 2011.
- (ii) Euler Hermes S.A. (N.V.) has indicated through a signed letter of support, that for at least 12 months from the date of approval of these financial statements, Euler Hermes S.A. (N.V.) will continue to make available liquidity support as and when needed by the Company. In particular, repayment will not be requested unless the company has adequate resources. Therefore, the directors believe that the Company will meet its financial obligations as they fall due and will continue to operate as a going concern.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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

#### Foreign currency

The financial statements are expressed in pound sterling (£) which represent the Company's functional currency.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. The charge for depreciation is calculated to write down the cost of the tangible fixed assets to their estimated residual values at the end of their useful lives. This is charged to the profit and loss account on a straight-line basis over their expected useful lives. The asset's useful lives are estimated as:

Computer hardware -	3 years
Office equipment -	4 years
Furniture, Fixtures and fittings -	10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation (except for goodwill) and accumulated impairment loss. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful life of the intangible asset.

#### Internally generated and other software

Amortisation for other software and internally generated software commences once it has been developed and enters into use.

The estimated useful life is as follows:

Internally generated software -	5 to 10 years
Other software -	3 to 7 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date. Intangible assets that are not yet available for use are not subject to amortisation.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any. The recognised goodwill arose from the acquisition of Euler Hermes Collections SP Zoo, Euler Hermes Collections UK Limited and Euler Hermes Risk Services UK Limited. The Companies Act SI 2008 No. 410 paragraph 22, requires goodwill to be amortised over its useful economic life whereas under IFRS 3 Business Combinations, goodwill is not amortised but rather impaired. Consequently, the Company does not amortise goodwill. Had the goodwill been amortised from the date of its recognition, the accumulated amortisation and carrying value would have been £1,988,100 (2022: £1,988,000) and £56,800 (2022: £63,900) respectively. Further, an amount of £7,100 (2022: £7,100) would have been recognised in the profit and loss account for the current financial year. The above amortization is based on useful life of 10 years.

### Impairment

Intangible assets that are not yet available to use and goodwill are subject to an impairment test on an annual basis or whenever there are indicators of impairment. Intangible assets with an infinite useful life are only subject to an impairment test when there are indicators of impairment. An impairment loss is recognised in the profit and loss account, for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal and value in use.

An impairment of goodwill is recognised when the higher of the Cash Generating Unit's (CGU) value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The impairment loss, if any, is allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### Defined benefit plans

The Company operates a defined benefit pension scheme (“the Scheme”), which from 31 December 2012 was closed to all future accrual. The fund is valued every three years by an independent actuary. In accordance with Section 224 of the Pensions Act 2004, an actuarial valuation of the Scheme is required to be performed at least every three years. The latest actuarial valuation of the Scheme was performed at 30 June 2020. The directors are satisfied that this is in accordance with Section 224 of the Pensions Act 2004.

The actuarial valuation performed on 30 June 2020, resulted in a deficit of £15.7m. Accordingly, the Trustees and the Company have subsequently agreed a deficit recovery plan with the Company entering into a new contribution payment schedule for two years from the valuation date. The rates of contribution payable are agreed between the Trustees and the Company having taken independent actuarial advice. In intervening periods, the actuary reviews the continuing appropriateness of the rates.

The regular service cost of providing retirement benefits to employees during the year under the Scheme, together with the cost of any benefits relating to past service, are charged to administrative expenses. As the Scheme is closed to further accrual of benefits, both the current, and past, service cost for the year is nil.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments. The net interest is recognised in the profit and loss account. Re-measurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The Company’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligations is performed by the actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions, in future contributions and takes into account the adverse effect of any minimum funding requirements.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the period during which employees render services.

### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Deferred income

Deferred income represents the service revenues and covers the unexpired portion of the policy term (or risk period) as of the balance sheet date. This is accounted for as a reduction to turnover.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and when it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### Cash and bank overdraft

The cash reported represents cash at bank and in hand. Any bank overdrafts are recognised in current liabilities.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### Trade and other receivables

Trade and other receivables are recognised initially at their transaction value and subsequently measured at fair value less any provision for bad debt. They are classified as current assets if collection is expected within one year or less. If not, they are presented as non-current assets. Trade and other receivables are de-recognised when the Company's right to cash flow has expired or when the Company has substantially transferred all the risks and rewards of ownership.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Impairment of trade receivables are recognised based on the greater of bad debt provision or expected credit loss.

### Trade and other creditors

These are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other creditors are classified as current liabilities if payments are due within one year or less or as non-current liabilities where payment is due after one year. Trade and other creditors are derecognised when the related contractual obligation is discharged or if it either expires or is cancelled by mutual agreement with the supplier to waive the contractual liability.

### Operating expenses

This represents the expenses initially incurred by the Company which are then either fully recharged, partially recharged or not recharged at all to the UK insurance branch of Euler Hermes S.A. (N.V.). They include staff costs, IT costs, management fees, intercompany charges, and facilities costs.

### Revenue recognition

Under IFRS 15, the Company identifies the following performance obligations within its revenue streams:

- Performance obligation 1 – Provision of a credit limit.
- Performance obligation 2 – Provision of debt collection services.
- Performance obligation 3 – Provision of staff and support services.

#### *Performance obligation 1*

The transaction price has been allocated to this obligation based either on a set fee per transaction or as a part of a fixed fee limits package. This obligation is satisfied upon assessment, and acceptance, of the credit limit request, which then enables the customer to trade with another party and be covered under their insurance contract. The revenue is recognised fully on a straight-line basis over the period of the insurance contract as multiple credit limit requests may be received.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### *Performance obligation 2*

The transaction price has been allocated to this obligation based on either a set percentage commission rate applied to the value of the debt or, in the case of legal fees, a fixed charge. This obligation is fully satisfied upon the collection of the debt and return of the funds to the client (in the case of commissions) or in the provision of legal services (in the case of legal fees). As such, the revenue is allocated at the point the service is completed.

### *Performance obligation 3*

The transaction price has been allocated to this obligation based on the costs incurred plus a mark-up of 5%. This obligation is fully satisfied upon the provision of insurance related services through staff contracted to the Company. As such, the revenue is allocated via a recharge process in the period the service is provided.

The total 2023 revenue recognised under IFRS 15 is £68,042,000 (2022: £63,979,000).

## Financial instruments

### *Financial liabilities*

Financial liabilities at amortised cost are initially recognised at fair value less any transaction costs incurred. For subsequent measurement, they are recognised at amortised cost. The difference between the initial measurement of financial liabilities and their redemption value is disclosed in the profit and loss account over the contractual term using the effective interest rate method.

Financial liabilities at amortised cost are classified as current or non-current liabilities subject to whether these are due within one year or beyond one year after the balance sheet date. The Company derecognises financial liabilities when either it discharges its obligations, they are cancelled, they are replaced by new liability with significantly amended terms or they expire. Financial assets and financial liabilities must be recognised in the financial statements when the Company becomes a party to the contractual provisions of the instruments.

### *Financial assets*

The only financial assets recognised in the financial statements are cash and trade receivables, which are non-derivative financial assets with fixed or determinable payments.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under net impairment losses on financial and contract assets.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### *Impairment of financial assets*

The Company assesses on a forward-looking basis, the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies a simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss was reviewed and assessed and using the probability of default, loss given default and default maturity for receivables. The result was deemed insignificant and consequently this has not been included in the profit and loss account.

### Leases

The Company has fully adopted IFRS 16 since 1 January 2019.

Since 1 January 2019, it recognises leases as right-of-use assets with a corresponding liability at the date at which the leased asset is available for use.

Motor vehicles are deemed as low value assets and, hence, the associated costs are expensed directly through the profit and loss account. Short term leases, if any, are also expensed directly through the profit and loss.

Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities include the net present value of the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The discount rate applied was 0% (2022: 0%).

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### 1. Accounting Policies (continued)

#### C. Critical accounting estimates and judgement in applying the entity's accounting policies:

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a. Useful economic lives of property, plant, equipment, and intangible assets finite life

The annual depreciation charge for intangible assets with finite life and property, plant and equipment if any, are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 8 and 9 for the carrying amount of the property plant and equipment and intangible assets respectively.

As indicated above the estimated useful lives of items of property, plant and equipment and intangible asset finite life range between 5 to 10 years. However, the actual useful lives might be shorter or longer depending on technological innovations and other factors. Based on the current useful lives, the carrying amount of property, plant and equipment and intangible assets is expected to be £3,243,000 at 31 December 2024. If the useful lives were two years shorter, the carrying amount would reduce (more to be depreciated) to £2,501,000 and if they were 2 years longer (less to be depreciated), the carrying amount as at 31 December 2023 would increase to £4,047,000 as a result.

The useful lives and carrying values of the Company's intangible assets with finite life have not been amended as at 31 December 2023.

b. Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 6 for the disclosures of the defined benefit pension scheme.

c. Goodwill impairment

An impairment of goodwill is recognised when the higher of the Cash Generating Unit's (CGU) value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). See note 9 for the assumptions and disclosures of the impairment test of goodwill.

## Euler Hermes Services UK Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the Year Ended 31 December 2023

2. Turnover	Collection Services		Risk Services		Management Services		Combined	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	7,923	6,049	15,534	14,288	44,585	43,642	68,042	63,979
Turnover by Geographical location			Third Party		Intercompany		Combined	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
			£'000	£'000	£'000	£'000	£'000	£'000
UK			16,487	14,058	41,574	40,254	58,061	54,312
France			0	0	6,795	5,846	6,795	5,846
Germany			0	0	315	430	315	430
Others			0	0	2,871	3,391	2,871	3,391
Total			<u>16,487</u>	<u>14,058</u>	<u>51,555</u>	<u>49,921</u>	<u>68,042</u>	<u>63,979</u>

The third party turnover amounts to £16,487k of which £3,237k and £13,250k relates to collection services and risk services respectively (2022: £14,058k of which £2,205k and £11,853k relates to collection services and risk services respectively). The geographical location split of turnover is disclosed appropriately in line with the Companies Act 2006.

#### Transfer pricing and recharge

Certain services, including management services, are recharged monthly on an arm's length basis by the Company to the UK insurance branch of Euler Hermes S.A. (N.V.) under the terms of a transfer pricing agreement. The recharge includes support staff cost incurred by the Company in providing the services to Euler Hermes UK insurance branch whose staff are all employed by the Company. A transfer pricing agreement was signed by the Company which provides for a cost plus method of pricing. The agreed cost plus margin between the two entities is 5% (2022: 5%).

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### 2. Turnover (continued)

Contract assets consist of accrued income, which includes an unconditional right to consideration, and assets related to the fulfilment of customer contracts. The Company's trade receivables and accrued income exclusively to revenue from contracts with customers. Contract liabilities include deferred income, which solely relates to revenue from contracts with its customers

The amounts below show how much revenue recognised in the current financial year relates to prior year deferred income and how much relates to accrued income where the performance obligations were satisfied in the current year.

	<u>2023</u> £'000	<u>2022</u> £'000
Deferred income	<u>474</u>	<u>1,534</u>
Accrued income	<u>46</u>	<u>276</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 3. Operating expenses

	<u>2023</u> £'000	<u>2022</u> £'000
The operating profit is stated after charging/(crediting) the following:		
Auditors' remuneration: fees for the audit of the Company	147	144
Rent expense including utilities	1,548	1,323
Property plant and equipment - Depreciation	390	385
Amortisation of internally generated software	621	899
Staff cost	39,265	37,708
Foreign exchange loss/ (gain)	558	(916)
Risk services and collections cost	8,604	6,926
IT charges from Euler Hermes group	3,123	6,937
Management charges from Euler Hermes group	2,052	1,860
Other expenses	5,321	4,950
Restructuring cost	18	161
Rental expense – land and buildings	209	170
Low value lease expense – other	237	255
	<u>62,093</u>	<u>60,802</u>

The Company, through Euler Hermes S.A. (N.V.) leases a number of motor vehicles for use as company cars. The Company also has a contract for the lease of office space from Allianz Services UK Limited (ASL). The lease contracts with ASL is not a lease in accordance with IFRS 16, therefore, this has been recognised as part of administrative expense.

### 4. Staff costs and numbers

The Company employs the majority of staff working for Euler Hermes entities in the UK. The following amounts in respect of staff costs were incurred by the Company, part of which has been recharged to the UK insurance branch of Euler Hermes S.A. (N.V.):

	<u>2023</u> £'000	<u>2022</u> £'000
<b>Staff costs</b>		
Wages and salaries	31,402	29,500
Social security costs	4,047	3,683
Contributions to defined contribution plans	3,111	2,912
Expenses related to defined benefit plans	(460)	742
Other staff related costs	1,165	871
	<u>39,265</u>	<u>37,708</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 4. Staff costs and numbers (continued)

The average monthly number of persons employed by the Company and made available to Euler Hermes entities in the UK, based on full-time equivalent, was 307 of which 14, 28 and 265 relates to collection, risk and management services respectively (2022: 303 of which 15, 29 and 259 relates to collection, risk and management services respectively).

5. Directors' remuneration and transactions	2023 £,000	2022 £'000
<b>Directors' remuneration</b>		
Emoluments	1,688	1,489
Defined contribution scheme	139	130
Total emoluments:	<u>1,827</u>	<u>1,619</u>
The amounts paid in respect of the highest paid director are as follows:		
Emoluments	397	323
Defined contribution scheme	31	15
Total emoluments	<u>428</u>	<u>338</u>

The remuneration of both M Bochot and S Rageot is not included in the above as they are not paid directly by the Company, they are paid by Euler Hermes S.A. (N.V.) as key management personnel for all the business units within the Northern Europe region of Euler Hermes S.A. (N.V.) and are not remunerated separately for their services to the Company. Details of their compensation are available in note 30 of the consolidated financial statements of Euler Hermes S.A. (N.V.).

The number of directors with accrued benefits under the Company defined benefit pension scheme was 1 (2022: 1). The current value of directors' accrued defined benefit is £25,414 (2022: £23,089). The value at the date of cessation on 31 December 2012 was £19,385.

There were no transactions involving directors during the year.

### 6. Pension asset

Nature of benefits provided by the Scheme:

The Company operates a defined benefit scheme, which is a final salary plan and provides benefits linked to salary at retirement or earlier date of leaving service. The Scheme closed to future accrual on 31 December 2012.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### 6. Pension asset (continued)

Regulatory framework in which the scheme operates:

The Company adhere to the UK's pension legislations and regulations, which includes the Pensions Act 2004

Other entity's responsibilities for governance of the Scheme:

The trustees have the primary responsibility for governance of the Scheme including investments Decisions. Benefit payments are from Trustee-administered funds and Scheme assets are held in Trust, which are governed by the UK regulation.

Risk to which the Scheme exposes the Company:

Following the completion of the purchase of a second bulk annuity policy on 8 December 2023, there has been a significant reduction in the number and magnitude of risks that the Scheme is exposed to, and in the resulting expected balance sheet volatility, although some risks remain.

Asset volatility –The value placed on the bulk annuity contract held by the Scheme at the year-end is calculated using the same membership data, benefits (excluding known policy exclusions such as GMP Equalisation), method and assumptions as is used to value the defined benefit obligation. This means that, while the value of this asset may vary significantly due to a range of factors, such movement would be offset by an equal and opposite movement in the value of the defined benefit obligation, giving only a small net impact on the year-end balance sheet position. The Scheme currently invests most of its non-insurance assets in investment funds, the value of which can fluctuate. Consequently, there is a risk of falls in the value of these assets, and a potential reduction of the balance sheet surplus.

Counterparty risk - In the event that the insurer with whom the bulk annuity was purchased were to become insolvent or otherwise unable to make the contractual payments due, the Scheme would face financial loss as it would remain under obligation to make benefit payments to members.

Scheme amendments, curtailments or settlements:

We have not been advised of any such events over the accounting period.

The amounts recognised in the balance sheet at 31 December 2023 and 31 December 2022 are:

	<u>2023</u> £'000	<u>2022</u> £'000
Fair value of plan assets	(163,077)	(176,526)
Present value of funded obligations	149,776	143,841
(Surplus)	<u>(13,301)</u>	<u>(32,685)</u>
Net (asset) in the balance sheet	<u>(13,301)</u>	<u>(32,685)</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 6. Pension asset (continued)

The amounts recognised in the profit and loss account are as follows:

	<u>2023</u> £'000	<u>2022</u> £'000
Net interest on the net defined benefit asset	(1,567)	(139)
Total income recognised in the profit and loss account (refer to the profit and loss account on page 19)	<u>(1,567)</u>	<u>(139)</u>
Analysis of net interest on defined benefit asset	<u>2023</u> £'000	<u>2022</u> £'000
Interest expense	6,770	4,249
Interest income	(8,337)	(4,388)
Net interest on the net defined benefit asset	<u>(1,567)</u>	<u>(139)</u>
Movement in net defined benefit asset over the year	<u>2023</u> £'000	<u>2022</u> £'000
Net defined benefit (asset) at start of year	(32,685)	(4,974)
Employer contributions	(425)	(5,144)
Income recognised in income statement	(1,567)	(139)
Remeasurement loss/(gain) recognised at end of year	20,873	(22,901)
Admin expenses paid by the Scheme	503	473
Net defined benefit asset at end of the year	<u>(13,301)</u>	<u>(32,685)</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

### 6. Pension asset (continued)

<b>Remeasurement effects recognised in other comprehensive (Income) (OCI)</b>	<b><u>2023</u> £'000</b>	<b><u>2022</u> £'000</b>
Loss on scheme assets excluding interest income	16,064	58,097
Experience loss on obligation	2,859	9,602
Actuarial loss/(gain) from change in financial assumptions	4,254	(90,518)
Actuarial gains from change in demographic assumptions	(2,304)	(82)
<b>Total loss/(gain) recognised in OCI</b>	<b><u>20,873</u></b>	<b><u>(22,901)</u></b>

Sensitivity Analysis based on assumptions (see page 40):

Discount rate increased by 0.5%	£139,591,000
RPI inflation assumption increased by 0.25%	£152,904,000
Life expectancy increased by 1 year	£153,947,000

This sensitivity shows the defined benefit obligation as at 31 December 2023.

Method and assumptions used to prepare sensitivity analysis, including changes from last year:

The above analyses assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities as when calculating the defined benefit obligation.

Asset-liability matching strategy:

The Trustees ensure that investment positions are managed within a framework that has been developed to achieve long-term investment returns that are in line with the obligations under the pension scheme. Within this framework, the Trustees' have broadly matched assets to the pension obligations through the purchase of buy-in policies.

Any mismatch between assets and the pension liability is covered by the financial support available to the Company as contained in the letter of support issued by the Group entity.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### 6. Pension asset (continued)

Effect of the scheme on the Company's future cash flows:

The Scheme's actuarial valuation at 30 June 2020 revealed a deficit. As such, a deficit recovery plan was put in place and contributions were required to be made by the Company between 1 June 2021 to 1 June 2022.

Employer's estimate of contributions to be paid  
over the following year £425,000

Duration of the liabilities 15 years

In 2012, following a consultation period with members, the Company closed its defined benefit pension scheme to further accrual of benefits. Members were instead entitled to pension benefits on a defined contribution basis going forward. Benefits in respect of service up to the date of closure were treated as leaving service benefits, which are largely inflation linked rather than salary linked.

Changes in the present value of the defined benefit obligation are as follows:

	<u>2023</u> £'000	<u>2022</u> £'000
Opening defined benefit obligation at 1 January	143,841	226,717
Interest cost	6,770	4,249
Actuarial loss/(gain)	4,809	(80,998)
Benefits paid	(5,644)	(6,127)
Closing defined benefit obligations	<u>149,776</u>	<u>143,841</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 6. Pension asset (continued)

Changes in the fair value of plan assets are as follows:

	<u>2023</u> £'000	<u>2022</u> £'000
Opening fair value of plan assets at 1 January	176,526	231,691
Interest income	8,337	4,388
Contributions by employer	425	5,144
Return on scheme assets excluding interest income	(16,064)	(58,097)
Benefits paid	(5,644)	(6,127)
Administration expenses	(503)	(473)
Closing fair value of plan assets	<u>163,077</u>	<u>176,526</u>
Actual return on plan assets	<u>7,727</u>	<u>53,709</u>

A summary of the Scheme's invested assets at 31 December 2022 and 2023 respectively is set out below:

	<u>Quoted</u> £'000	<u>Unquoted</u> £'000	<u>Total</u> £'000
Equities	8,472	7,460	15,932
Property income	0	15,645	15,645
Private Corporate Debt	0	14,121	14,121
Corporate Bonds	43,045	0	43,045
LDI	13,663	0	13,663
Infrastructure Debt	0	7,317	7,317
Cash and net current assets	40,853	0	40,853
Annuities	<u>0</u>	<u>25,950</u>	<u>25,950</u>
Balance 31 December 2022	<u>106,033</u>	<u>70,493</u>	<u>176,526</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 6. Pension asset (continued)

	<u>Quoted</u>	<u>Unquoted</u>	<u>Total</u>
	£'000	£'000	£'000
Property income	0	14,762	14,762
Private Corporate Debt	0	13,099	13,099
Infrastructure Debt	0	7,649	7,649
Cash and net current assets*	3,828	(24,786)	(20,958)
Annuities	<u>0</u>	<u>148,525</u>	<u>148,525</u>
Balance 31 December 2023	<u>3,828</u>	<u>159,249</u>	<u>163,077</u>

In December 2012, the trustees completed a pensioner buy-in exercise in which additional insured annuities were purchased from Legal and General Society Limited in order to provide income to meet the remaining benefits payable to the scheme's pensioner population at 30 October 2012. On 8 December 2023, the Scheme entered into a buy-in contract with Just retirement Limited, to insure all remaining uninsured member benefits.

These annuities amount to a qualifying insurance policy in terms of IAS 19 and hence are disclosed as part of the plan assets. With the exception of cash and annuities, the rest of the assets are invested in levels 2 and 3 pooled investment vehicles, which are well diversified across asset classes in different industry sectors.

\*The cash and net current asset value include the estimated value of the deferred premiums at 31 December 2023, adjusted to allow for the buy-in contract signed in early December 2023. It also consists of the present value of the expected loan amount (refer to note 20). This has been treated as negative net current asset alongside the last outstanding deferred premium of £22,000,000 to be funded from returns of some of the scheme's illiquid investments. This final deferred premium must be paid for within 2 years and will be a fixed monetary amount post crystallisation date.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes, where evidence of the relevant actuarial confirmation required by law cannot be found. This case may have implications for other pension plans which were contracted-out and made plan amendments between 1997 and 2016. This ruling may have an impact on the defined benefit pensions liabilities quoted in these financial statements. However, any impact (should it exist) is not yet known, pending further investigation. The case is being appealed, meaning that, at present, it is uncertain whether the High Court judgment will stand or whether the potential impact of the judgment could be limited.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### 6. Pension asset (continued)

Principal actuarial assumptions at the balance sheet date are as follows (expressed as weighted averages):

	<u>2023</u>	<u>2022</u>
Discount rate at 31 December	4.55%	4.80%
RPI inflation	3.00%	3.10%
CPI inflation	2.50%	2.60%
Pension increases		
RPI min 0, max 5% p.a./ LPI RPI max 5% p.a	2.95%	3.00%
RPI min 0, max 2.5% p.a./ LPI RPI max 2.5% p.a	2.10%	2.15%
CPI max 3% p.a./ LPI CPI max3% p.a	2.20%	2.25%
Mortality smoothing parameter	7.0	7.0
Proportion married	80%M/75%F	80%M/75%F
Age difference (Male-Female)	3 years	3 years

Cash commutation - 70% of members take the maximum cash available (2023: 70%)

#### Mortality assumptions:

##### Pre-retirement mortality – 2023

AXC00 CMI\_2022 improvements rebased from 2000 with a 1.50% pa (males) and a 1.25% pa (females) long-term rate.

##### Pre-retirement mortality - 2022

AXC00 CMI\_2021 improvements rebased from 2000 with a 1.50% pa (males) and a 1.25% pa (females) long-term rate.

##### Post-retirement mortality - 2023

86% S3PMA/100% S3PFA CMI\_2022 improvements rebased from 2016 with a 1.50% pa (male) and a 1.25% pa (female) long-term rate.

##### Post-retirement mortality - 2022

86% S3PMA/100% S3PFA CMI\_2021 improvements rebased from 2016 with a 1.50% pa (male) and a 1.25% pa (female) long-term rate.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

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### 6. Pension asset (continued)

Early retirement:

Non-employed deferred members are assumed to take their benefits from the earliest age at which they can retire unreduced and without consent. Deferred members still employed by the Company have favourable early retirement terms and a quarter are assumed to retire at age 55, with half of the remainder retiring at age 60 and the rest at their normal retirement age.

The discount rate is based on applying projected cash flows due from the Scheme to Buck's standard AA corporate bond spot yield curve as at 31 December 2023. The Company's discount rate of 4.55% p.a. was considered appropriate for the estimated disclosures.

RPI inflation has been determined by applying a yield curve approach to the Scheme's cash flows using the 40-year Bank of England inflation yield curve as at 31 December 2023. A 0.3% p.a. deduction has been made to this cash flow-weighted inflation rate as a premium for protection against inflation risk and to allow for supply and demand issues. This resulted in RPI inflation assumption of 3.0% p.a.

Due to the lack of a CPI-linked bond market, a deduction to the RPI assumption was applied in order to arrive at the CPI assumption. Given that RPI will now be aligned with CPIH from 2030, we have considered a term-dependent wedge based on the inflation-linked cashflows of the Scheme. This assumes that the RPI / CPI wedge assumption is as 0.9% p.a. for the period to 2030 and 0% p.a. for the period thereafter.

A stochastic model for pension increases linked to inflation is used to generate assumptions that are subject to annually applied caps and/or floors. The inflation assumed is with varying volatility levels for RPI and CPI.

#### Defined contribution scheme

The Company also operates a defined contribution scheme, which is open to new entrants. The charge to the Company for the year for this scheme was £3,111,000 (2022: £2,912,000).

### 7. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP, is £147,000 (2022: £144,000) in respect of the audit of the financial statements. There were no other services provided by the auditors to the Company.

	<u>2023</u>	<u>2022</u>
	£'000	£'000
Fees payable for the audit of the Company's financial statements	<u>147</u>	<u>144</u>

## Euler Hermes Services UK Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Year Ended 31 December 2023

### 8. Tangible assets

	<u>Office equipment</u> £'000	<u>Fixtures and fittings</u> £'000	<u>Computer hardware</u> £'000	<u>Total</u> £'000
<u>Cost</u>				
At 1 January 2023	947	3,072	1,003	5,022
Write off	0	0	(430)	(430)
At 31 December 2023	<u>947</u>	<u>3,072</u>	<u>573</u>	<u>4,592</u>
<u>Accumulated depreciation</u>				
At 1 January 2023	(156)	(1,064)	(695)	(1,915)
Charge for the year	(99)	(252)	(39)	(390)
Write off	0	0	430	430
At 31 December 2023	<u>(255)</u>	<u>(1,316)</u>	<u>(304)</u>	<u>(1,875)</u>
<u>Net book value</u>				
At 31 December 2023	<u>692</u>	<u>1,756</u>	<u>269</u>	<u>2,717</u>
At 31 December 2022	<u>791</u>	<u>2,008</u>	<u>308</u>	<u>3,107</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 9. Intangible assets

	<u>Internally generated software</u> £'000	<u>Goodwill</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 January 2023	13,820	2,052	15,872
Write off	(33)	0	(33)
Additions	232	0	232
At 31 December 2023	<u>14,019</u>	<u>2,052</u>	<u>16,071</u>
<u>Accumulated amortisation</u>			
At 1 January 2023	(12,030)	0	(12,030)
Write off	20	0	20
Charge for the year	(621)	0	(621)
At 31 December 2023	<u>(12,631)</u>	<u>0</u>	<u>(12,631)</u>
<u>Net book value</u>			
At 31 December 2023	<u>1,388</u>	<u>2,052</u>	<u>3,440</u>
At 31 December 2022	<u>1,790</u>	<u>2,052</u>	<u>3,842</u>

Internally generated software relates to various projects undertaken and co-ordinated by Euler Hermes Group. The software development costs are charged on a quarterly basis to entities that will derive benefit from the software. Amortisation only commences once the software enters use.

Below is the list of material intangible assets and the remaining amortisation period:

<u>Asset</u>	<u>Carrying value</u> at 31 Dec 23 £'000	<u>Remaining amortisation period</u> £'000
Self-reporting business intelligence tool	408	£0 of the balance has 1 year remaining, £0 has 2 years remaining, £0 has 3 years remaining, £5 has 4 years remaining and £403 has over 5 years remaining.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

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### 9. Intangible assets (continued)

There are no other individually material intangible assets.

Goodwill:

On 1 January 2012, the assets and liabilities of Euler Hermes Collections UK Limited and Euler Hermes Risk Services UK Limited were acquired by the Company at fair value for no consideration. The transactions have been accounted for as acquisitions in these financial statements and they have given rise to goodwill amounting to £1,981,000 (Risk Services £1,765,000; Collection Services £216,000).

On 2 November 2021, the third party clients of Euler Hermes Collections SP Zoo – UK Branch, were transferred to the Company at a consideration of £71,000. Its assets and liabilities were not transferred to the Company but rather to the parent Company of the UK collection branch based in Poland. The consideration was calculated based on the net present value of future cash to be derived from these third party clients. This transaction led to goodwill of £71,000 being recognised in the financial statement. This has not been subjected to an impairment review given the immaterial nature of the amount involved in this business deal.

Impairment testing of goodwill:

Intangible assets with indefinite useful lives are tested at least annually for impairment by comparing the carrying value with the recoverable amount, by using the value in use (“VIU”) calculations for each of the cash generating units (“CGU”) of risk and collection services.

The VIU is defined as the present value of future cash flow as identified from the CGUs respective business plan, including the terminal value. The cash flow beyond the three-year budget period are extrapolated using the estimated perpetual growth rate.

The main assumptions for the calculation of the VIU are as follows; the perpetual growth rate of 1%, the post-tax discount rate of 8.1%, average annual growth rate (AAGR) for turnover in the risk services is 0.9% and 13.44% in the collection services, annual capital expenditure and changes in working capital were based on the AAGR. The model is based on projected three-year budget approved on 31 December 2023 by both the board of Directors and Euler Hermes Group.

The impairment test was carried out to cover the accounting period 2023. The test results showed that no impairment is required for CGUs for the aforementioned years.

A sensitivity analysis was also performed on the key assumptions used to determine the VIU for each CGU as at 31 December 2023. Management believes that no reasonably probable change in any of the key assumptions would cause the carrying value of any goodwill to exceed its recoverable amount.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

### 9. Intangible assets (continued)

The table below shows the decrease required in the perpetual rate or the increase required in the discount factor, the working capital and fixed capital expenditure and the average growth rate for the recoverable amount of the CGU to equal the carrying amount. However, the sensitivity test on the required decrease in the perpetual growth rate, the average growth rate, and the changes in working and fixed capital of both the risk and collection services resulted in extremely large percentages; hence all four have been stated below as greater than 1000%.

	<u>Risk Services</u>	<u>Collection Services</u>
Increase in discount factor	346.3%	1967.4%
Decrease in perpetual rate	>1000.00%	>1000.00%
Average growth rate in turnover	>1000.00%	>1000.00%
Working capital change	>1000.00%	>1000.00%
Changes in fixed capital	>1000.00%	>1000.00%
Carrying value of goodwill	£1,765,000	£216,000

Management has calculated the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach used to determine values</u>
Turnover	Average annual growth rate over the three-year budget period which is based on management's expectation of market evolution and historic performance.
Annual fixed capital expenditure	Expected cash outflow is based on weighted percentage of the annual growth rate of turnover.
Change in working capital	Changes in accounts receivables and payables were estimated based on the weighted percentage of the annual growth rate of turnover.
Perpetual growth rate	The weighted average growth rate used to extrapolate cash flows beyond the budget period. This is the same rate as used by Euler Hermes Group.
Discount rate	Relates to specific risk of the relevant segment and is same rate used at Euler Hermes Group level.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2023

10. Tax on profit	<u>2023</u> £'000	<u>2022</u> £'000
<b>Recognised in the profit and loss</b>		
UK corporation tax		
Current year current tax charge/(credit)	170	(35)
(Over)/under provision in the prior years	(485)	74
Total current tax (credit)/ charge	<u>(315)</u>	<u>39</u>
Deferred tax		
Current year deferred tax charge – (see note 12)	1,108	2,439
Over provision in the prior years	(70)	0
Impact of change in tax rate	36	0
Total deferred tax charge	<u>1,074</u>	<u>2,439</u>
Total tax charge on profit	<u>759</u>	<u>2,478</u>
<b>Total income tax recognised in other comprehensive income</b>		
Deferred tax (credit)/charge through OCI	<u>(5,218)</u>	<u>5,725</u>
<b>Reconciliation of effective tax rate</b>		
	<u>2023</u> £'000	<u>2022</u> £'000
Profit before taxation	<u>4,886</u>	<u>3,316</u>
Tax using the UK corporation tax rate of 23.5% in 2023 (2022: 19%)	1,148	630
Non-deductible expenses	284	88
(Over)/under provision in the prior years	(555)	74
Other	(1,262)	(753)
Arising from origination and reversal of temporary difference	1,108	2,439
Impact of change in tax rate	<u>36</u>	<u>0</u>
Total tax charge on profit	<u>759</u>	<u>2,478</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

11. Trade and other receivables	<u>2023</u> £'000	<u>2022</u> £'000
Trade receivables - group	8,250	4,333
- third party	274	1,641
- Amounts owed by group undertakings	15,739	8,503
Corporation tax receivable	4,396	1,090
Other debtors	107	91
Prepayments and accrued income	387	334
	<u>29,153</u>	<u>15,992</u>

The trade receivables are stated after provision for impairment of £629,000 (2022: £445,000). Amount owed by group undertakings are unsecured, interest free, have no fixed repayment and are repayable on demand.

12. Deferred tax liability	<u>2023</u> £'000	<u>2022</u> £'000
Analysis of deferred tax liability:		
(Liability)/ Asset at 1 January	(7,469)	695
Charge to the profit and loss account for the year	(1,108)	(2,439)
Gain/(expense) in other comprehensive income	5,218	(5,725)
Impact of change in tax rate through profit and loss account	(36)	0
Over provision in the prior years	70	0
	<u>(3,325)</u>	<u>(7,469)</u>
<b>Deferred tax arises from:</b>		
Other	(102)	(19)
Capital allowance	(531)	(512)
Pension related	(2,692)	(6,938)
	<u>(3,325)</u>	<u>(7,469)</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date measured using the enacted tax rates are reflected in these financial statements.

For the financial year end 31 December 2023, the current weighted average tax rate was 23.5%

The net deferred tax balance includes deferral of the pension contribution made during the year of an amount of £2,851,000 (2022: £5,700,000). This has resulted in a DTA of £670,000 (2022: £1,300,000) being raised and included in the net balance disclosed above. There was unused prior year tax loss of £1,919,000 (2022: \*£2,640,000).

\*This is to reflect the change in the prior year tax loss carried forward reported in the annual corporation tax return filed with HMRC from £2,400,000 to £2,640,000.

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

### 13. Provision for restructuring costs

The Company has made a net decrease of nil in the provision during the year leaving a closing balance of nil. The decrease in the provision in the year is to cover internal reorganisation and to close off the vision 2021 project within non-core functions. During the year, the company paid out £18k within non-core functions of the business and this was recognised directly as part of administrative expense (see note 3).

A breakdown of the overall impact of the costs within the Company's financial statements in both 2023 and 2022 is as follows:

	<u>2023</u> £'000	<u>2022</u> £'000
<u>Restructuring costs provided</u>		
Balance brought forward at 1 January	0	161
<u>Movement:</u>		
Less - Utilised	(18)	(161)
Add - Increase in provision	18	0
Balance carried forward as at 31 December	<u>0</u>	<u>0</u>

### 14. Creditors - amounts falling due within one year

	<u>2023</u> £'000	<u>2022</u> £'000
Amount owed to group undertakings	61,378	47,353
Other creditors	6,519	*1,636
Accruals and deferred income	12,552	*11,214
	<u>80,449</u>	<u>60,203</u>

\*Accruals has been reclassified from other creditors to accruals and deferred income line.

Amount owed to group undertakings are unsecured, interest free, have no fixed repayment and are repayable on demand.

The Company has given no securities for amounts owed to all its creditors.

### 15. Creditors - amounts falling due after more than one year

	<u>2023</u> £'000	<u>2022</u> £'000
Deferred tax (refer to note 12)	3,325	7,469
	<u>3,325</u>	<u>7,469</u>

# Euler Hermes Services UK Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2023

### 16. Called up share capital

	<u>2023</u>	<u>2022</u>
	<u>£'000</u>	<u>£'000</u>
<u>Authorised – 500,000 ordinary shares of £1 each</u>		
At 31 December	500	500
<u>500,000 ordinary shares allotted, called up and fully paid</u>		
At 31 December	500	500

### 17. Profit and loss account

	<u>2023</u>	<u>2022</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January	(746)	(18,760)
Profit for the financial year	4,127	838
Other comprehensive (expense)/ income	(15,655)	17,176
At 31 December	<u>(12,274)</u>	<u>(746)</u>

### 18. Contingent liabilities

At 31 December 2023, there were no contingent liabilities £0 (2022: £0).

### 19. Ultimate and immediate parent undertaking

The immediate parent undertaking at 31 December 2023 is Euler Hermes S.A. (N.V.), which is incorporated and registered in Belgium, copies of whose financial statements can be obtained from its registered office at Avenue des Arts 56, 1000 Brussels, Belgium.

The ultimate parent undertaking and controlling party at 31 December 2023 is Allianz SE, which is incorporated and registered in Germany as a European company, copies of whose consolidated financial statements can be obtained from its registered office at Königinstraße 28, 80802 München, Germany.

### 20. Post balance sheet events

There is no subsequent event, which requires a modification of the values of assets and liabilities or any additional disclosure.

As part of the pension buy-in arrangement in note 6, the Company signed a short-term loan agreement on 7 January 2024, to advance £4,500,000 to the pension scheme. This was to meet the second deferred premium commitment with Just Retirement Limited. The arrangement was deemed as a non-adjusting event, given, this was entered into after 31 December 2023.