

Registration number: 01821312

# Guardian Royal Exchange plc

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# **Guardian Royal Exchange plc**

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# **Guardian Royal Exchange plc**

## **Company Information**

<b>Directors</b>	R. D. Pagden T. J. Page R. Moquet
<b>Company secretary</b>	J. P. Small
<b>Registered office</b>	5 Old Broad Street London England EC2N 1AD
<b>Auditors</b>	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

## **Guardian Royal Exchange plc**

### **Strategic Report for the Year Ended 31 December 2019**

The directors present their strategic report on Guardian Royal Exchange plc ("the Company") for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the Company is to act as a holding Company for its subsidiaries which underwrite general insurance and healthcare business mainly in the United Kingdom and the Republic of Ireland.

#### **Fair review of the business**

During the year the Company took the decision to redeem its company debenture resulting in a loss of £37.1m, representing the difference between the maturity value at 26 June 2019 of £186.7m and the carrying value of £149.6m.

The Company received two dividends during the year from subsidiaries AXA Insurance UK plc and AXA PPP Healthcare Group Limited of £552m and £50m respectively. The board subsequently approved an interim dividend payment of £534m to parent company, AXA UK plc.

#### **Strategy**

The Company has a clear strategic business model focusing on acting as a holding company to a number of different companies, including three regulated insurance companies. Further details of the subsidiaries are shown in note 9. The Company's subsidiaries which primarily affect the performance of the Company, have in place a variety of methodologies to monitor and manage the risks they accept and to plan for increasing their involvement in chosen markets. A number of initiatives are in place to deliver profitable growth in these markets and distribution channels.

#### **Principal risks and uncertainties**

The AXA UK group has established a group-wide process for risk acceptance and risk management, which is addressed through a framework of policies, procedures and internal controls. All policies are subject to ongoing review by management, risk management and group internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance and finance teams take on an important oversight role in this regard. Line management is responsible for maintaining an internal control framework to manage financial and operational risks, which is monitored regularly to ensure the completeness, accuracy and integrity of the Company's financial information.

The risks and uncertainties facing the Company are linked to those of its subsidiaries. A discussion of the risks and uncertainties of its subsidiaries are contained within each of the subsidiaries' annual reports and financial statements.

#### **Brexit**

The implications to the Company of the United Kingdom's departure from the European Union on the 31 January 2020 have been considered, specifically the effects this could have on estimations and judgements made in the preparation of the financial statements, including an assessment of the impact a hard Brexit could have on earnings. Whilst this assessment is ongoing with management carefully monitoring the latest events, as described above the Company has in place robust and effective capital and risk management processes, and the risks arising from Brexit are being managed alongside a range of risks inherent to its business. The Directors anticipate limited operational impacts arising from Brexit.

## Guardian Royal Exchange plc

### Strategic Report for the Year Ended 31 December 2019 (continued)

#### Section 172 statement

##### *The Company, its stakeholders and relevant issues*

The principal activity of Guardian Royal Exchange plc is that of a holding company. The Company is a wholly-owned subsidiary within the AXA Group. It does not trade commercially, nor does it have employees.

The directors of Guardian Royal Exchange plc (the "Company") consider, both individually and collectively, that they have acted in the way that would most likely promote the success of the Company for the benefit of its members as a whole (having regard to relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

In coming to this conclusion, the directors have considered who the stakeholders of the business are and issues it needs to take into consideration and concluded that the following are material to the Company:

Shareholder: The Company has one immediate shareholder; AXA UK plc which provided its equity capital. AXA SA is the ultimate shareholder.

##### *Methods of engagement*

The Company seeks to engage with its shareholder in the following ways:

- Companies in the AXA UK Group engage with the ultimate shareholder through regular briefing of group directors on the performance of the AXA UK Group and upward reporting through management information systems.
- An Annual General Meeting was held on 23 April 2019 with due notice given to all members. All resolutions proposed at the Annual General Meeting (concerning the re-appointment of directors, receipt of the financial statements and re-appointment of Mazars LLP as the Company's auditors) were approved.

##### *Key decisions and consideration of stakeholders*

- During the year the Board met to approve routine changes in board membership and to approve the financial statements for the previous year.
- The Company issued £150 million of 6.625% bonds on 21 August 1998, with a final redemption date of 21 August 2023, which, prior to 26 June 2019, were listed on the London Stock Exchange. In May 2019, the Board approved the early redemption of the bonds on 26 June 2019 at a price of 124.448 per £1.00 nominal. Redemption of bonds was funded by calling on a debt owed by AXA Insurance UK plc (£177 million) and by borrowing £18 million from AXA UK plc. The Company considered the impact on bond-holders and engaged with the PRA and The Law Debenture Trust Corporation p.l.c, as Trustee of the bonds, to ensure all bond-holders were treated fairly. The directors took account of the potential financial implications, including pricing and accounting considerations from a Group perspective as well reviewing the economic position of the Company on a stand-alone basis; and concluded that neither the long-term interests of the Company nor the interests of the bond holders would be impaired by redeeming the bonds before maturity.
- During the year, the Board approved an interim dividend of £534 million, which was paid in September 2019, following receipt of a £552 million dividend from its principal undertaking, AXA Insurance plc. The balance of the dividend received (£18 million) was used to repay a loan from AXA UK plc taken to fund repayment of the bonds. The directors took into account all relevant matters set out in Part 23, Chapter 1 of the Companies Act concerning the payment of dividends, including reviewing the Company's distributable reserves and its ability to pay its debts as they fall due, having regard to the entirety of the Company's business and the actual and contingent liabilities (present and future) inherent in that business. The directors concluded that neither the long-term interests of the Company nor the interests of its creditors were significantly prejudiced by payment of the interim dividend and that distributable reserves were sufficient to cover the dividend.

## **Guardian Royal Exchange plc**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Future developments**

No change in the activities of the Company is planned for the foreseeable future.

The impact of the COVID-19 pandemic is being monitored and plans are being established and implemented to manage the effects of the outbreak and assess disruptions and other risks to its operations. In particular the Company's management information flows, risk management processes and internal controls systems are being closely monitored and alternative mitigating controls are being introduced as appropriate. The directors are monitoring potential adverse effects of the spread of COVID-19 on the Company's holdings in subsidiaries, in particular, the scope and severity of any further downturn in global financial markets and the global economy and consequential impacts the AXA UK Group investment portfolio; and the extent of the impact on the insurance businesses of the companies to which the Company acts as a holding company. Depending on the rate of transmission and related mortality, COVID-19 may have significant adverse effects on our business, operations and financial results. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty.

Approved by the Board on 15 May 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R. Moquet', is written over a horizontal dotted line.

R. Moquet  
Director

## **Guardian Royal Exchange plc**

### **Directors' Report for the Year Ended 31 December 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

#### **Future developments**

Future developments are discussed in the Strategic Report.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The Company has considerable financial resources, with significant investments in group companies (note 9). Detailed budgets, plans and forecasts have been prepared and reviewed setting out the financial position of the AXA UK group for the next 12 months and a strategic plan to 2023. The directors therefore believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook arising from the current COVID-19 pandemic, and the directors have a reasonable expectation, based on sensitivity analyses, that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

#### **Directors of the Company**

The directors, who held office during the year, were as follows:

C. G. Bobby (resigned 31 December 2019)

R. D. Pagden

T. J. Page (appointed 5 December 2019)

A. M. Breitburd (appointed 1 January 2019 and resigned 31 March 2020)

The following director was appointed after the year end:

R. Moquet (appointed 1 April 2020)

#### **Branches outside the United Kingdom**

The Company does not operate branches outside the UK.

## **Guardian Royal Exchange plc**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Non-adjusting events after the financial period**

##### **COVID-19**

During December 2019, a number of cases of pneumonia associated with the Coronavirus, now called COVID-19 by the World Health Organization ("WHO"), were reported in the People's Republic of China. In the early part of 2020 this virus subsequently spread to many other countries, and it is currently not possible to know or to predict the extent to which the current levels of reported cases reflect the actual transmission of the virus within populations, and accordingly the scale of the pandemic may be significantly larger than is presently recorded.

Authorities in many countries, including the UK, have taken stringent measures (including travel restrictions, home quarantine, lockdowns, and school closures) to contain the pace and scale of its spread. This has led to significant disruptions in the global travel and hospitality industries, and in global trade and supply chains more broadly; has resulted in decreased economic activity and lowered estimates for future economic growth; has created severe strains on local, national and supra-national medical and healthcare systems and institutions; and has caused global financial markets to experience significant volatility and the worst downturn since the 2008 crisis.

The Company and the companies in which it has a holding, are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining services to customers and other stakeholders and ensuring effective processes are in place to communicate and execute such plans.

The directors are closely monitoring the Company's exposures to the COVID-19 outbreak, including (i) the operational impact on its business, (ii) the consequences from a deterioration in macroeconomic conditions and a slowdown in the flow of people, goods and services, and (iii) the financial condition of its holdings in AXA entities.

#### **Interim dividend**

On 11 May 2020 the Company's board approved an interim dividend of £300m.

#### **Indemnification of Directors**

The Company is party to a group wide indemnity policy which benefits all of its current directors and is a qualifying third party indemnity provision for the purpose of the Companies Act 2006.

The indemnification was in force during the year and at the date of approval of the financial statements.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.



## **Guardian Royal Exchange plc**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 these financial statements, the directors are required to:

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

The directors are responsible for 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. They 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.

Approved by the Board on 15 May 2020 and signed on its behalf by:



R. Moquet  
Director

## **Guardian Royal Exchange plc**

### **Independent Auditor's Report to the Members of Guardian Royal Exchange plc**

#### **Opinion**

We have audited the financial statements of Guardian Royal Exchange plc (the 'Company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 4, and the consideration in the going concern basis of preparation on page 14 and non- adjusting post balance sheet events on page 25.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Guardian Royal Exchange plc**

### **Independent Auditor's Report to the Members of Guardian Royal Exchange plc (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual financial report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

#### **Opinions on other matter prescribed by the Companies Act 2006**

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

## **Guardian Royal Exchange plc**

### **Independent Auditor's Report to the Members of Guardian Royal Exchange plc (continued)**

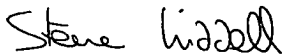
#### **Auditor's responsibilities for the audit of the financial statements**

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 auditor's 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.

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

#### **Use of the audit report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Steve Liddell (Senior Statutory Auditor)  
For and on behalf of Mazars LLP,

Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

15 May 2020

## Guardian Royal Exchange plc

### Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Income from shares in group undertakings	4	601,953	131,900
Interest payable and similar charges	5	(4,853)	(10,046)
Loss on redemption of debentures	13	(37,116)	-
		<u>559,984</u>	<u>121,854</u>
Profit before tax		559,984	121,854
Tax on profit on ordinary activities	8	7,974	1,909
Profit for the year		<u>567,958</u>	<u>123,763</u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses during the year other than those recognised in the profit and loss account (2018: £nil). Therefore, the Company has elected not to present a Statement of Comprehensive Income for the year ended 31 December 2019.

**Guardian Royal Exchange plc**  
**(Registration number: 01821312)**  
**Balance Sheet as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Investments	9	1,942,066	1,942,066
<b>Current assets</b>			
Debtors	10	11,803	180,627
Cash and cash equivalents	11	75	75
		11,878	180,702
<b>Creditors: Amounts falling due within one year</b>	12	(62)	(53,559)
<b>Net current assets</b>		11,816	127,143
<b>Total assets less current liabilities</b>		1,953,882	2,069,209
<b>Creditors: Amounts falling due after more than one year</b>	13	-	(149,393)
<b>Net assets</b>		1,953,882	1,919,816
<b>Capital and reserves</b>			
Called up share capital	14	55,639	55,639
Share premium reserve	15	522,991	522,991
Capital redemption reserve	15	189,242	189,242
Capital contribution reserve	15	270,538	270,538
Profit and loss account	15	915,472	881,406
<b>Shareholder's funds</b>		1,953,882	1,919,816

Approved by the Board on 15 May 2020 and signed on its behalf by:



.....  
R. Moquet  
Director

**Guardian Royal Exchange plc**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	55,639	522,991	189,242	270,538	881,406	1,919,816
Profit for the year	-	-	-	-	567,958	567,958
Total comprehensive income	-	-	-	-	567,958	567,958
Dividends	-	-	-	-	(533,892)	(533,892)
At 31 December 2019	<u>55,639</u>	<u>522,991</u>	<u>189,242</u>	<u>270,538</u>	<u>915,472</u>	<u>1,953,882</u>
	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	55,639	522,991	189,242	270,538	757,643	1,796,053
Profit for the year	-	-	-	-	123,763	123,763
Total comprehensive income	-	-	-	-	123,763	123,763
At 31 December 2018	<u>55,639</u>	<u>522,991</u>	<u>189,242</u>	<u>270,538</u>	<u>881,406</u>	<u>1,919,816</u>

The notes on pages 14 to 25 form an integral part of these financial statements.  
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# **Guardian Royal Exchange plc**

## **Notes to the Financial Statements for the Year Ended 31 December 2019**

### **1 General information**

The principal activity of the Company is to act as a holding company for its subsidiaries which underwrite general insurance and healthcare business mainly in the United Kingdom and the Republic of Ireland.

The address of its registered office is:

5 Old Broad Street

London

England

EC2N 1AD

UK

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **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 on a going concern basis under the historical cost convention, as modified by the revaluation of financial investments at fair value, and in accordance with the Companies Act 2006.

Detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the AXA UK Group for the next 12 months and a strategic plan to 2023. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty. In considering the potential impact on the Company, the directors have prepared various financial projections which incorporate the impact on trading, unemployment levels, financial markets and GDP, covering short, medium and longer-term time scales. The directors believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook, and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

#### **Summary of disclosure exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- (a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payments, provided that for a Company that is a subsidiary, the share based payment arrangement concerns equity instruments of another group entity and that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (b) The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (c) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.



## **Guardian Royal Exchange plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

- (d) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information 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.
- (e) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, and 134 to 136 of IAS 1 Presentation of Financial Statements.
- (f) The requirements of IAS 7 Statement of Cash Flows.
- (g) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- (h) The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures.
- (i) The requirements of paragraph 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

#### **Exemption from preparing group accounts**

The financial statements contain information about Guardian Royal Exchange plc as an individual company and do not contain consolidated financial information as the parent of a group.

The Company has taken advantage of section 400 of the Companies Act 2006 and has not produced consolidated financial statements on the basis that it is a subsidiary undertaking of AXA SA, which prepares consolidated financial statements and is established under the laws of an EEA State.

#### **Changes in accounting policy**

None of the standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **Guardian Royal Exchange plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Investments**

Shares in group undertakings are stated at cost unless their value has been impaired, in which case they are valued at their recoverable amount, being the higher of fair value less costs of disposal and value in use. The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in compliance with FRS 101 requires management to monitor and exercise judgement in the selection and application of appropriate accounting policies and in the use of accounting estimates. Management has determined that there are no accounting policies subject to significant accounting policy judgement.

#### **4 Income from shares in group undertakings**

During the year two dividends totalling £602m were received from subsidiary undertakings AXA Insurance plc and AXA PPP Healthcare Group Limited, of £552m and £50m respectively (2018: £132m from AXA Insurance plc).

# Guardian Royal Exchange plc

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 5 Interest payable and similar charges

	2019	2018
	£ 000	£ 000
Interest expense on other financing liabilities	4,853	10,046

### 6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£ 000	£ 000
Remuneration	234	131
Contributions paid to defined contribution scheme	6	15
	240	146

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019	2018
	No.	No.
Exercised share options	1	1
Accruing benefits under defined contribution pension scheme	2	-

In respect of the highest paid director:

	2019	2018
	£ 000	£ 000
Remuneration	224	-
Company contributions to money purchase pension schemes	5	-

Mrs. A. M. Breitburd was a director of AXA UK plc, during the year and her emoluments, which relate to her services to the AXA Group as a whole, are disclosed in the financial statements of that company.

Mr. C. G. Bobby was also a director of SBJ Group Limited during the year and his emoluments, which relate to his services to the AXA Group as a whole, are disclosed in the financial statements of that company.

# Guardian Royal Exchange plc

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 7 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>8</u>	<u>8</u>
<b>Other fees to auditors</b>		
The audit of the consolidated financial statements	-	59
All other non-audit services	<u>-</u>	<u>5</u>
	<u>-</u>	<u>64</u>
Auditors remuneration	<u>8</u>	<u>72</u>

### 8 Income tax

Tax credited in the profit and loss account

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax	(7,975)	(1,909)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>1</u>	<u>-</u>
Tax credit in the profit and loss account	<u>(7,974)</u>	<u>(1,909)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>559,984</u>	<u>121,854</u>
Corporation tax at standard rate	106,397	23,152
Increase from effect of revenues exempt from taxation	<u>(114,371)</u>	<u>(25,061)</u>
Total tax credit	<u>(7,974)</u>	<u>(1,909)</u>

## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 8 Income tax (continued)

The standard rate of tax applied to the reporting profit on ordinary activities is 19.00% (2018: 19.00%). Changes to the UK corporation tax rate were enacted in the Finance Act 2016, reducing the main rate to 17% from 1 April 2020. It was announced in the budget on the 11 March 2020 that the above noted corporation tax rate reduction will be repealed. The budget announcement was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date continue to be measured at the enacted rate at the end of the reporting period of 17%.

##### Deferred tax

Deferred tax assets and liabilities

2018	Asset £ 000
Accelerated tax depreciation	<u>1</u>

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	<u>1</u>	<u>(1)</u>	<u>-</u>

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	<u>1</u>	<u>-</u>	<u>1</u>

#### 9 Investments

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 January 2019	<u>1,942,066</u>
At 31 December 2019	<u>1,942,066</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>1,942,066</u>

Details of the subsidiaries as at 31 December 2019 are as follows:

## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
AXA Insurance UK plc	General insurance	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA PPP healthcare limited	Health insurance	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA Insurance DAC	General insurance	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Republic of Ireland	Ordinary shares	100%	100%
AXA Insurance plc*	Holding company	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA General Insurance Limited	Dormant	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA holdings Ireland Limited	Holding company	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	100%	100%
AXA PPP Healthcare Group Limited	Holding company	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA Services Limited	Service company	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
Health-on-line Company UK Limited	Healthcare intermediary	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
ICAS International Holdings Limited	Holding company	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA PPP Healthcare Administration Services Limited	Management services	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%

## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
The Permanent Health Company Limited	Healthcare intermediary	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA ICAS Occupational Health Services Limited	Occupational health and consulting services	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA PPP Administration Services Limited	Management services	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA ICAS Limited	Counselling and advisory services	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
ICAS Orientacion Independiente S. L.	Occupational health and consulting services	Arroyofresno 19, 28035 Madrid, Spain Spain	Ordinary shares	100%	100%
ICAS Employee and Organisation Enhancement Services Southern Africa (PTY) Limited	Occupational health and consulting services	Dunkeld Office Park, 6 North Road, Dunkeld West 2198, Johannesburg, South Africa South Africa	Ordinary shares	80%	80%
AXA UK Pension Trustees Limited	Dormant	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	99%	99%
The Royal Exchange Assurance	Dormant	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
AXA Pension Fund Ireland Limited	Pension fund	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	100%	100%
AXA Ireland Limited	Holding company	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	100%	100%

## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
AXA Ireland Pension Trustees Limited	Nominee	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	100%	100%
AXA Assitance Ireland Limited	Motor rescue & claims handling	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	49%	49%
AXA Group Services Limited	Management services	Wolfe Tone House, Wolf Tone Street, Dublin 1, Ireland Ireland	Ordinary shares	100%	100%
Swiftcover Insurance Services Limited	Dormant	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
Sangano Investment Holdings Proprietary Limited	Holding company	6 North Road, Moorgate Building, Dunkeld Park, Dekeld West, 2196, Johannesburg, South Africa South Africa	Ordinary shares	34%	34%
PPP Taking Care Limited	Telecare services	5 Old Broad Street, London, EC2N 1AD, UK England	Ordinary shares	100%	100%
ICAS Managed Care Proprietary Limited	Occupational health and consulting services	Dunkeld Office Park, 6 North Road, Dunkeld West 2196, Johannesburg, South Africa South Africa	Ordinary shares	100%	100%

\* indicates direct investment of the Company.

#### 10 Trade and other debtors

	2019 £ 000	2018 £ 000
Debtors from related parties	-	176,798
Income tax asset	11,803	3,828
	<u>11,803</u>	<u>180,626</u>

The above debtors from related parties are unsecured, payable on demand and non-interest bearing.



## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Other cash and cash equivalents	<u>75</u>	<u>75</u>

#### 12 Trade and other creditors

	2019 £ 000	2018 £ 000
Amounts due to related parties	-	49,876
Other creditors	<u>62</u>	<u>3,683</u>
	<u>62</u>	<u>53,559</u>

The above amounts due to related parties are unsecured, payable on demand and non-interest bearing.

#### 13 Loans and borrowings

	2019 £ 000	2018 £ 000
<b>Non-current loans and borrowings</b>		
Unsecured debentures	<u>-</u>	<u>149,393</u>

The reduction in the unsecured debentures follows the decision to redeem the debenture on 26 June 2019. The early redemption resulted in a loss of £37.1m, representing the difference between the maturity value at 26 June 2019 and the carrying value.

#### 14 Share capital

##### Allotted, called up and fully paid shares

	2019 No. 000	£ 000	2018 No. 000	£ 000
Ordinary shares of £0.05 each	<u>1,059,786</u>	<u>55,639</u>	<u>1,059,786</u>	<u>55,639</u>

## Guardian Royal Exchange plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 15 Reserves

##### Share premium

Represents the difference between the par value and the amount of shares issued.

##### Capital redemption reserve

The capital redemption reserve is non-distributable and was created in 1998 on the redemption of B shares.

##### Capital contribution reserve

The capital contribution reserve represents capital contributions received in 2003 and 2013, from its immediate parent, AXA UK plc.

##### Profit and loss account

The profit and loss account represents the cumulative profit and losses of the Company.

#### 16 Dividends

	2019 £ 000	2018 £ 000
Interim dividend of £0.50 (2018 - £Nil) per ordinary share	<u>533,893</u>	<u>-</u>

An interim dividend of £533,892,558 was paid on 23 September 2019 (2018: £nil).

#### 17 Parent and ultimate parent undertaking

The Company's immediate parent is AXA UK plc.

The ultimate parent is AXA SA.

The most senior parent entity producing publicly available financial statements is AXA SA. These financial statements are available upon request from 25, avenue Matignon, 75008 Paris, France

##### Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is AXA SA, incorporated in France.

The address of AXA SA is:

25, avenue Matignon, 75008 Paris, France

## **Guardian Royal Exchange plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **18 Non-adjusting events after the financial period**

##### **COVID-19**

During December 2019, a number of cases of pneumonia associated with the Coronavirus, now called COVID-19 by the World Health Organization ("WHO"), were reported in the People's Republic of China. In the early part of 2020 this virus subsequently spread to many other countries, and it is currently not possible to know or to predict the extent to which the current levels of reported cases reflect the actual transmission of the virus within populations, and accordingly the scale of the pandemic may be significantly larger than is presently recorded.

Authorities in many countries, including the UK, have taken stringent measures (including travel restrictions, home quarantine, lockdowns, and school closures) to contain the pace and scale of its spread. This has led to significant disruptions in the global travel and hospitality industries, and in global trade and supply chains more broadly; has resulted in decreased economic activity and lowered estimates for future economic growth; has created severe strains on local, national and supra-national medical and healthcare systems and institutions; and has caused global financial markets to experience significant volatility and the worst downturn since the 2008 crisis.

The Company and the companies in which it has a holding, are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining services to customers and other stakeholders and ensuring effective processes are in place to communicate and execute such plans.

The directors are closely monitoring the Company's exposures to the COVID-19 outbreak, including (i) the operational impact on its business, (ii) the consequences from a deterioration in macroeconomic conditions and a slowdown in the flow of people, goods and services, and (iii) the financial condition of its holdings in AXA entities.

##### **Interim dividend**

On 11 May 2020 the Company's board approved an interim dividend of £300m.