

Registration number: 01821312

Guardian Royal Exchange plc

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Guardian Royal Exchange plc

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Guardian Royal Exchange plc

Company Information

Directors	R. D. Pagden T. J. Page R. J. A. Moquet
Company secretary	C. A. Riddy
Registered office	20 Gracechurch Street London England EC3V 0BG
Auditors	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 2020

The directors present their strategic report on Guardian Royal Exchange plc ("the Company") for the year ended 31 December 2020.

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

The Company received a dividend of £300m during the year from subsidiary AXA Insurance plc. The board subsequently approved an interim dividend payment of £300m 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 have been considered, specifically the effects this could have on estimations and judgements made in the preparation of the financial statements. A trade deal between the UK and EU was signed into UK law on 30th December 2020, taking effect on 31st December 2020. The implications of this new trade deal are being worked through as part of the Company's robust and effective capital and risk management processes, and the risks arising therefrom are being managed alongside a range of risks inherent to its business. Mitigating actions have been taken in prior years with amendments made to international agreements where appropriate, thereby limiting any impact that could arise from (for example) the removal of reciprocal agreements within the financial services sector. The directors anticipate limited operational impacts and immaterial financial impacts, arising from Brexit.

Guardian Royal Exchange plc

Strategic Report for the Year Ended 31 December 2020 (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 2020.

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 11 May 2020 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.
- During the year, the Board approved an interim dividend of £300 million, which was paid in July 2020, following receipt of a £300 million dividend from its principal undertaking, AXA Insurance plc, in July 2020. 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 2020 (continued)

Future developments

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

The impact of the COVID-19 pandemic has been monitored throughout the year, with plans implemented to manage the effects of the outbreak and assess disruptions and other risks to its activities. 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 continuing to monitor 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 Guardian Royal Exchange plc acts as a holding company. To date the significant impacts on the insurance business has been through a reduction in motor claims and increase in business interruption claims. The ultimate financial impact of the pandemic on the UK economy and the Company is continually monitored, but the directors consider that it is not currently estimable with any degree of certainty.

Approved by the Board on 11 May 2021 and signed on its behalf by:



.....
R. J. A. Moquet
Director

Guardian Royal Exchange plc

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

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 subsidiaries (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 2024. In recognition of the uncertainty arising through the COVID-19 pandemic, plans and forecasts have been re-modelled using sensitivity analysis to assess a range of possible outcomes. The directors therefore believe that the Company is well placed to manage its business risks, recognising that plans are place in respect of the companies it holds and 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:

R. D. Pagden

T. J. Page

A. M. Breitburd (resigned 31 March 2020)

R. J. A. Moquet (appointed 1 April 2020)

Streamlined Energy and Carbon Reporting

The Company qualifies as a low energy user in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and is therefore exempt from reporting on its energy usage and carbon dioxide equivalent emissions for the year ended 31 December 2020.

Branches outside the United Kingdom

The Company does not operate branches outside the UK.

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 2020 (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 11 May 2021 and signed on its behalf by:



.....
R. J. A. 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 2020, 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

Conclusions relating to going concern

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.

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.

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

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. The directors are responsible for the other information contained within the annual report. 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 course of 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.

Guardian Royal Exchange plc

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

We have nothing to report in this regard.

Opinions on other matters 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 the 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 or 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 6, 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.

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 the 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. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, the Data Protection Act, the UK GDPR, health and safety regulations, the Bribery Act and the Proceeds of Crime and Anti-Money Laundering Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

Guardian Royal Exchange plc

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

We evaluated the directors' and 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 manual journal entries to manipulate financial performance and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

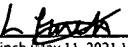
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Guardian Royal Exchange plc

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

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.


Leanne Finch (May 11, 2021 17:15 GMT+1)

Leanne Finch (Senior Statutory Auditor)
for and on behalf of Mazars LLP

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

11 May 2021

Guardian Royal Exchange plc

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Income from shares in group undertakings	4	300,000	601,953
Interest payable and similar charges	5	-	(4,853)
Loss on redemption of debentures		-	(37,116)
		<u>300,000</u>	<u>559,984</u>
Profit before tax		300,000	559,984
Tax on profit on ordinary activities	8	-	7,974
Profit for the year		<u>300,000</u>	<u>567,958</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 (2019: £nil). Therefore, the Company has elected not to present a Statement of Comprehensive Income for the year ended 31 December 2020.

Guardian Royal Exchange plc

(Registration number: 01821312)
Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	9	1,942,066	1,942,066
Current assets			
Debtors	10	11,803	11,803
Cash and cash equivalents	11	<u>75</u>	<u>75</u>
		11,878	11,878
Creditors: Amounts falling due within one year	12	<u>(62)</u>	<u>(62)</u>
Net current assets		<u>11,816</u>	<u>11,816</u>
Net assets		<u>1,953,882</u>	<u>1,953,882</u>
Capital and reserves			
Called up share capital	13	55,639	55,639
Share premium reserve	14	522,991	522,991
Capital redemption reserve	14	189,242	189,242
Capital contribution reserve	14	270,538	270,538
Profit and loss account	14	<u>915,472</u>	<u>915,472</u>
Shareholder's funds		<u>1,953,882</u>	<u>1,953,882</u>

Approved by the Board on 11 May 2021 and signed on its behalf by:



.....
R. J. A. Moquet
Director

Guardian Royal Exchange plc

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	55,639	522,991	189,242	270,538	915,472	1,953,882
Profit for the year	-	-	-	-	300,000	300,000
Total comprehensive income	-	-	-	-	300,000	300,000
Dividends	-	-	-	-	(300,000)	(300,000)
At 31 December 2020	<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 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>

The notes on pages 14 to 24 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 2020

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:

20 Gracechurch Street

London

England

EC3V 0BG

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 2024. 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 2020 (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 2020 have had a material effect on the financial statements.

Tax

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

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.

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 consider that the only significant estimates or judgment are those involved in the impairment review of investments - note 9.

4 Income from shares in group undertakings

During the year a dividend of £300m was received from AXA Insurance plc, a subsidiary undertaking (2019: £552m from AXA Insurance plc and £50m from AXA PPP Healthcare Group Limited).

5 Interest payable and similar charges

	2020	2019
	£ 000	£ 000
Interest expense on other financing liabilities	-	4,853

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Directors' remuneration

The directors' are employed and paid by companies in the AXA Group and their directorships are held as part of that employment. The emoluments of certain directors disclosed below are in respect of qualifying services to the AXA Group as a whole.

	2020 £ 000	2019 £ 000
Remuneration	368	234
Contributions paid to defined contribution scheme	32	6
	400	240

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

	2020 No.	2019 No.
Exercised share options	-	1
Accruing benefits under defined contribution pension scheme	2	2

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	211	224
Company contributions to money purchase pension schemes	17	5

Mrs. A. M. Breitburd and Mr. R. J. A. Moquet were directors of AXA UK plc during the year and their emoluments, which relate to their services to the AXA Group as a whole, are disclosed in the financial statements of that company.

Retirement benefits

Retirement benefits are accruing to two directors under a defined contribution pension scheme and to no directors under a defined benefit scheme.

Directors' Interests in Transactions

No contract in which a director was interested and which was material to the Group or its subsidiaries or to the other transacting party existed during the year.

Loans to Directors and Connected Persons

No loans or quasi-loans exceeding £10,000 to directors and connected persons were made or subsisted during the year.

Share Options

No directors exercised share options or employee sharesave options in AXA UK plc during the year (2019: one).

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Auditor's remuneration

During the year the Company obtained the following services from the Company's auditor and the costs incurred are as detailed below:

	2020 £ 000	2019 £ 000
Fees payable for the Company's audit of the statutory accounts	<u>10</u>	<u>8</u>

The remuneration of the auditor is borne by the intermediate parent company, AXA UK plc.

8 Income tax

Tax credited in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	(7,975)
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>-</u>	<u>1</u>
Tax credit in the profit and loss account	<u>-</u>	<u>(7,974)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>300,000</u>	<u>559,984</u>
Corporation tax at standard rate	57,000	106,397
Increase from effect of revenues exempt from taxation	<u>(57,000)</u>	<u>(114,371)</u>
Total tax credit	<u>-</u>	<u>(7,974)</u>

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Income tax (continued)

The tax rate for the current year is the same as the prior year.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19%, rather than reducing to 17%, as previously enacted. This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date are measured at the enacted rate at the end of the reporting period of 19%.

Subsequent to the balance sheet date, it was announced in the Budget on 3 March 2021 the rate of corporation tax would be increased to 25% with effect from 1 April 2023. Legislation is intended to be included in the Finance Bill 2021 to effect this change.

At the balance sheet date, the company has unused capital tax losses of £705,816 (2019: £705,816) available for offset against future capital gains. No deferred tax asset has been recognised as it is not considered probable that there will be future taxable gains. The unrecognised tax losses may be carried forward indefinitely.

9 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2020	1,942,066
At 31 December 2020	1,942,066
Carrying amount	
At 31 December 2020	1,942,066

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
AXA Insurance UK plc	General insurance	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA PPP healthcare limited	Health insurance	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA Insurance DAC	General insurance	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
AXA Insurance plc*	Holding company	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
AXA General Insurance Limited	Dormant	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA holdings Ireland Limited	Holding company	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
AXA PPP Healthcare Group Limited*	Holding company	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA Services Limited*	Service company	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
Health-on-line Company UK Limited	Healthcare intermediary	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA Health Services Limited	Management services	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
The Permanent Health Company Limited	Healthcare intermediary	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA ICAS Occupational Health Services Limited	Occupational health and consulting services	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA PPP Administration Services Limited	Management services	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA ICAS Limited	Counselling and advisory services	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA UK Pension Trustees Limited	Dormant	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	99%	99%

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
The Royal Exchange Assurance	Dormant	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA Pension Fund Ireland Limited	Pension fund	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
AXA Ireland Limited	Holding company	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
AXA Ireland Pension Trustees Limited	Nominee	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
AXA Assistance Ireland Limited	Motor rescue & claims handling	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	49%	49%
AXA Group Services Limited	Management services	Wolfe Tone House, Wolf Tone Street, Dublin 1 Ireland	Ordinary shares	100%	100%
Swiftcover Insurance Services Limited	Dormant	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
PPP Taking Care Limited	Telecare services	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	100%
AXA Health Limited	Insurance broker & agent	20 Gracechurch Street, London, EC3V 0BG England	Ordinary shares	100%	0%

* indicates direct investment of the Company.

During the year ICAS International Holdings Limited and its subsidiaries (ICAS Orientacion Independiente S.L., Sangano Investment Holdings Proprietary Limited, ICAS Employee Organisation Enhancement Services Southern Africa (PTY) Limited, ICAS Managed Care Proprietary Limited and ICAS International Holdings Limited (DMCC Branch)) were sold to Rox Equity Partners Limited.

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Investments (continued)

Impairment

An impairment review of Guardian Royal Exchange Plc's subsidiaries was conducted at 31 December 2020.

For AXA Insurance Plc the calculation method involved comparison of net assets to carrying value of subsidiaries.

For AXA PPP the calculation involved a combination of net assets and discounted cashflows. The cash flow projections used were based upon business plans approved by management, covering a period of 3 years and had a risk adjusted discount rate of 6.87% and 8.6%. Cash flows beyond this period were extrapolated using a steady growth rate of 2.5% and 2.63%.

A comparison between the carrying value and value in use, showed that an impairment was not required.

Joint ventures

Details of the joint ventures as at 31 December 2020 are as follows:

Name of joint venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Doctor At Hand Diagnostics Limited	Online health services	20 Gracechurch Street, London, EC3V 0BG England	50%	0%

AXA PPP Healthcare Group Limited acquired 50% of the issued shares of Doctor At Hand Diagnostics Limited in a Joint Venture Agreement with Synergix Health Limited (now called Doctor Care Anywhere Group plc) in January 2020. The joint venture is not a direct investment of the Company.

10 Trade and other debtors

	2020 £ 000	2019 £ 000
Debtors from related parties	11,803	-
Income tax asset	-	11,803
	<u>11,803</u>	<u>11,803</u>

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

Included within amounts due from related parties is £8m relating to group relief settlements. The prior year has not been restated.

11 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Other cash and cash equivalents	<u>75</u>	<u>75</u>

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Trade and other creditors

	2020 £ 000	2019 £ 000
Other creditors	<u>62</u>	<u>62</u>

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

13 Share capital

Allotted, called up and fully paid shares

	2020 No. 000	£ 000	2019 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>

14 Reserves

Share premium

Represents the difference between the par value and the amount for 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.

15 Dividends

	2020 £ 000	2019 £ 000
Interim dividend of £0.28 (2019 - £0.50) per ordinary share	300,000	533,893

Guardian Royal Exchange plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 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.