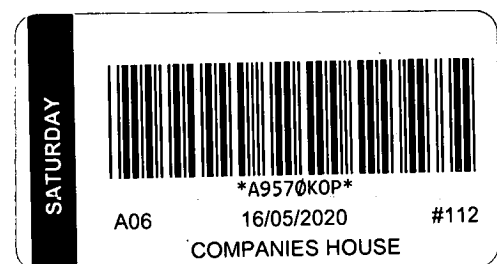


Registration number: 00446043

AXA Services Limited

Annual Financial Report

for the Year Ended 31 December 2019



AXA Services Limited

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 7
Corporate Governance	8 to 12
Independent Auditor's Report	13 to 15
Profit and Loss Account	16
Balance Sheet	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19 to 32

AXA Services Limited

Company Information

Directors	J. P. Walker C. Gienal L. Matras
Company secretary	J. P. Small
Registered office	5 Old Broad Street London EC2N 1AD
Auditors	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

AXA Services Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report on AXA Services Limited ("the Company") for the year ended 31 December 2019.

Principal activity

The Company's principal activities are the third-party processing and intermediation activities under the direction and oversight of AXA Insurance UK plc ("AXA Insurance") and the performance of core administrative and support activities, predominantly staff related, for AXA UK plc (AXA UK) and AXA Insurance.

The Company employs the majority of AXA Insurance staff, as well as a number of staff of other AXA UK entities.

On occasion the Company may enter into distribution agreements with third parties and ad hoc initiatives where AXA Insurance is unable to participate due to internal contagion risk within AXA Insurance.

Review of the business

The profit for the year after tax was £nil (2018: profit £nil), reflecting that expenses incurred were all recharged to AXA group entities.

Strategy

The Company has a clear strategic business model focusing on the provision of services to other companies in the AXA UK Group. The Company will continue to fulfil its function as a service company by recharging expenses to the respective entities.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Revenue and Recharge	£'000	494,258	430,167
Net Assets	£'000	3,532	3,532

Principal risks and uncertainties

The AXA UK Group has an established 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 principal risk would arise from failure by a group entity to settle a recharge of allocated expenses. This risk is within the control of management and strategies are communicated clearly throughout the business through policy statements and guidelines.

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.

AXA Services Limited

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

Section 172 statement

The Company, its stakeholders and relevant issues

The directors of AXA Services Limited ("AXA Services" or 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:

- (i) **Employees:** The Company is the main employing entity for AXA UK plc and AXA Insurance UK plc staff. The workforce's culture, values, behaviours, performance, and engagement drive how these entities serve their customers and how they interact with suppliers.
- (ii) **Suppliers and third parties:** The Company manages and promotes strong relationships with its suppliers (either internal or external to the AXA Group ("AXA")) to ensure good service, cost effectiveness, use of economies of scale and effective collaboration.
- (iii) **Regulators:** The Company is regulated by the Financial Conduct Authority ("FCA") as it provides regulated services in respect of some of AXA Insurance UK plc's insurance business. Ensuring there is a strong and positive relationship with the Company's regulators is key to its business activities. It determines its licence to operate, its ability to recruit and retain senior staff, its reputation with customers and its ability to operate.
- (iv) **Shareholders:** The Company has one immediate shareholder; Guardian Royal Exchange plc which provided its equity capital. AXA SA is the ultimate shareholder.

Methods of engagement

For each of these groups or issues the Company seeks to ensure it understands concerns or salient matters through a process of engagement:

- (i) **Employees:** The Company is committed to enabling its workforce at all levels of the organisation to actively contribute and participate in decisions where appropriate. Two specific forums were used in 2019 to help facilitate this, the CEO Forum and 2020 Group. The Company's workforce participated in these initiatives and engaged in matters relevant to the Company's activities. The CEO Forum, which operates at an AXA UK & Ireland Group level, focussed specifically on empowerment, identifying local actions and initiatives, and engaging with senior leaders on the strategy. The 2020 Group is a collection of employees, of varying grades and tenure, brought together from within the AXA UK Group to help challenge and provide input to the strategy. They were brought together to challenge traditional thought processes and provide insight into the strategic review contributing and reviewing proposals before they were submitted to the Board. They also helped to communicate the strategy to peers across the wider organisation.

Feedback from the workforce is sought through quarterly Pulse surveys, where staff can provide their views on how the business is performing against its strategic objectives and key values. AXA recognises the union Unite for the purposes of negotiation and consultation on issues affecting the Company's workforce.

The Company has access to five employee resource groups (ERGs) providing an opportunity for employee-communities to promote positive cultural change within the business and the Company participates in and facilitates these. The ERGs are focussed on Working Families, Gender Equality, Pride (supporting our LGBT community), BAME (focusing on the under-representation of black, Asian and minority ethnic staff) and ABLE (raising awareness about disabilities and carers and promoting change and support).

AXA Services Limited

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

- (ii) **Suppliers:** The Company promotes strong relationships with its network of suppliers which are actively managed through an AXA UK Group company-wide procurement approach to ensure economies of scale and collaboration with suppliers can be achieved. The Company reports bi-annually on its supplier payment practices in accordance with Section 3 of the Small Business, Enterprise and Employment Act 2015. For the six-month period to 31 December 2019 the Company's made 97% of its payments to suppliers within 30 days.
- (iii) **Regulator:** The directors aim to maintain a strong, effective relationship with the FCA, working in a collaborative and transparent manner to enable good customer outcomes. Proper governance and effective communication are key in fostering these relationships. The openness and cooperativity of this relationship is set by the AXA UK plc Board where continuous engagement with the regulator takes place. It is vital that this relationship is well maintained as this is directly linked to our business being able to operate in the UK.
- (iv) **Shareholders:** Companies in the AXA UK Group engage with its ultimate shareholder through regular briefing's of group directors on the performance of the AXA UK Group and upward reporting through management information systems.

Key decisions and consideration of stakeholders

- (i) During the year the Board met to approve routine changes in board membership, to consider its responsibilities under The Senior Managers & Certification Regime, and to approve the financial statements for the previous year.
- (ii) In June 2019, the Board approved its annual Slavery & Human Trafficking Statement pursuant to Section 54 of the UK Modern Slavery Act 2015 ("MSA"). The AXA Group has a long history of adhering to and promoting strong professional ethics and is committed to conducting its business according to the highest standards of honesty and fairness. This commitment to observing such ethical standards is designed not only to ensure compliance with applicable laws and regulations in the various jurisdictions where AXA operates but also to earning the trust of its clients, shareholders, personnel and business partners. AXA believes that its success and reputation is not only dependant on the quality of its products and the services provided to its customers, but also on the way it does business. AXA companies ensure that they work with suppliers that meet the AXA standards with respect to ethics and corporate responsibility through a clearly documented process for supplier selection and contracting.
- (iii) In December 2019, the AXA UK plc Board decided to move the Defined Contribution ("DC") section of the AXA UK Group Pension Scheme (the "Scheme") to a Master Trust arrangement. AXA UK consulted with all participating employers of the Scheme, including AXA Services Limited (the employer of AXA UK and AXA Insurance staff), through written communications and working groups. All participating employers were asked to decide whether to participate in the Master Trust proposed by AXA UK plc or make alternative arrangements for the future pension provision for its employees. In consideration of the proposal, the Directors of AXA Services Limited took account of the replication of members benefits under the Master Trust and consultation periods regarding changes in pension provisions, receiving confirmation that there would be no unmitigated material impacts on individual employees/pension scheme members as a result of the Master Trust arrangement. Following approval to proceed by all participating employers, a 60-day employee consultation period commenced from 10th February 2020.

Approved by the Board on 17 April 2020 and signed on its behalf by:



.....
C. Gienal
Director

AXA Services Limited

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

The Company has a clear strategic business model focusing on the provision of services to other companies in the AXA UK Group. The Company will continue to fulfil its function as a service company by recharging expenses to the respective entities.

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 also monitoring potential adverse effects of the spread of COVID-19 on the Company's business activities, 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 provides services. 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.

Going Concern

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

The Company has detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the Company for the next 12 months and are considered within the strategic plan of AXA Insurance UK plc 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 financial report.

Directors' of the company

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

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

J. P. Walker

G. R. Howell (resigned 13 February 2019)

C. Gienal (appointed 9 December 2019)

L. Matras (appointed 9 December 2019)

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.

Employment of disabled persons

Full and fair consideration is given to disabled persons, including the rehabilitation and retention of staff who become disabled, having regard to their particular aptitudes and abilities.

AXA Services Limited

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

Employee involvement

The Company is committed to a policy of equal opportunity in recruitment, training, career development and promotion of staff, irrespective of gender, gender reassignment, marital status, ethnicity, sexual orientation, religion or belief of age, disability, pregnancy or any other protected ground.

Great importance is placed on good communication with employees and in seeking to inform and involve staff in the development of the AXA UK Group operations and in the achievement of the global business goals.

A full range of written, audio, video and regular face-to-face communications, including team briefings, regular appraisals, company news briefings and various bulletins is used. Regular consultation is maintained with independent and certified trade unions and other employee representative bodies on the complete range of employment and business issues.

Branches outside the United Kingdom

The Company does not operate branches outside the UK.

Political donations

During the year the Company made political donations of £nil.

Disclosure of information to the auditors

Each director in office at the date the Directors' Report is approved 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.

Non adjusting events after the financial period

COVID-19 OUTBREAK

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 to which it provides services 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 other AXA entities.

AXA Services Limited

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 17 April 2020 and signed on its behalf by:



.....
C. Gienal
Director

AXA Services Limited

Corporate Governance

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website). The Company has adopted the Wates Principles as an appropriate framework in which to disclose its corporate governance arrangements.

Principle 1 - Purpose and leadership

The Company's principal activities are described in the Strategic Report.

AXA Services Limited is a subsidiary within the wider AXA Group ("AXA"), a worldwide leader in insurance. As one of the largest global insurers, AXA's purpose is to "empower people to live a better life". The Company is aligned to AXA's core values of Customer First, Integrity, Courage (we speak our mind and act to make things happen), and One AXA (being together and being different makes us better).

AXA's values are underpinned by commitments to help influence the way decisions are made and how business is conducted. They guide how the Company serves its customers, interacts with suppliers, makes decisions and recruits, promotes and manages employees. The values and commitments drive the behaviours at AXA, defining and shaping the One AXA culture. The directors consider AXA's purpose and values appropriate to the Company and apply them to the business where relevant.

The Company, AXA UK and AXA Insurance strive to be responsible employers, placing employee engagement at the heart of their business. Achieving this means creating a workplace built on AXA's values that fosters diversity and equal opportunities for all, promotes employee participation, encourages professional development, and supports employee well-being. The Company, AXA UK and AXA Insurance recognise the importance of workforce unions and engages with them regularly to maintain positive working relationships. Feedback is sought through quarterly Pulse surveys, where staff can provide their views on how the business is performing against its strategic objectives and key values.

Diversity and inclusion are key to creating a culture of trust and respect. The UK Group has a Diversity & Inclusion Board, which meets quarterly and is sponsored by a member of the Management Committee. As well as news articles, blogs and vlogs, a number of local events are run across all locations within the AXA UK Group. These include workshops, panel discussions and talks with senior leaders. Diversity and inclusion focused forums are also held, providing UK Group employees with the opportunity to speak to senior leaders about topics that matter to them.

The Company has access to five employee resource groups (ERGs) providing an opportunity for employee-communities to promote positive cultural change within the business and the Company participates in and facilitates these. The ERGs are focussed on Working Families, Gender Equality, Pride (supporting our LGBT community), BAME (focusing on the under-representation of black, Asian and minority ethnic staff) and ABLE (raising awareness about disabilities and carers and promoting change and support). These ERGs help to influence AXA UK Group policies, recent examples include the introduction of a Transitioning at Work Policy and the Family Friendly Policy.

Being part of a large global organisation, the Company understands that it has a vital role to play in being a responsible corporate citizen. The AXA Cares initiative is based on four areas: People, Community, Environment and Customer. AXA UK has a network of AXA Cares Champions around the business to help drive the corporate social responsibility mission. The Company's workforce has access to a community partnership programme (Hearts in Action) which is designed to link the business with local communities, as well as a community grant scheme and charity partnerships.

AXA Services Limited

Corporate Governance (continued)

Entities in the AXA UK Group are committed to reducing their impact on the environment by actively managing energy, paper and water consumption, as well as carbon emissions and waste. The nature of insurance concerns protecting people from unexpected events and AXA is committed to using its business expertise to help build an understanding of the risks faced by individuals and society at large. To support this the AXA Research Fund was created in 2007 to encourage scientific research that helps understanding and prevention of environmental, life and socio-economic risks.

The Company, AXA UK and AXA Insurance strive to build trusted relationships with customers and to always treat them fairly, providing commitment to our customers that the business delivers against its purpose (see Principle 6 - Stakeholders, on page 12).

Principle 2 - Board composition

The Board of AXA Services Limited comprises the AXA UK Chief Executive Officer, AXA UK Chief Financial Officer and two Executive Directors. The Directors consider the size and composition of the Board to be proportionate to the scale and complexity of the business. All directors have equal voting rights. The Company Secretary is the first point of contact for directors seeking advice and services. Directors can also take professional advice at the Company's expense.

The Company's directors continue to keep their knowledge, skills and familiarity with the business current and up to date by engaging with senior management, attending appropriate external seminars, and internal and external training courses. All new directors undergo individually tailored induction (depending on their current skillset, experience and knowledge). This is also designed to ensure that the collective Board has the correct tools to address and balance stakeholders' interests with the company's business needs.

AXA UK values diversity and inclusion and continues to create and develop an inclusive culture. We are committed to ensuring equality of opportunities, with the aim of promoting diversity throughout the Company including at the most senior levels, with a diversity and inclusion agenda that goes beyond the protected characteristics of the Equality Act 2010. Recruitment processes (including those for directors) follow the diversity and equal opportunities policy.

Principle 3 - Director responsibilities

Accountability

The Board delegates certain decision-making powers to Committees and individuals. This allows those with appropriate knowledge and industry experience to make effective decisions whilst Board oversight is maintained. The Board has adopted a Corporate Authorities document which clearly sets out the Board's terms of reference, matters that are reserved to the Board, signing authorities and delegation to Committees and individuals. This is reviewed at least annually (and whenever there is a significant change) and is considered and re-approved as necessary by the Board each year. Each Director has a clear understanding of their accountability and responsibilities.

The Company Secretary maintains a Register of Director's Interests, which is updated when a change occurs. All Directors complete a conflicts of interest questionnaire annually and are regularly reminded of their statutory duties and personal obligations to avoid conflicts. Directors are regularly reminded to disclose any additional interests of which the Board should be aware.

AXA Services Limited

Corporate Governance (continued)

Committees

The Board delegates certain of its duties to AXA UK Group Committees (Audit, Risk, Remuneration & Nomination), which operate under clearly defined terms of reference. Board Committees are chaired by Non-Executive Directors and the membership of the Audit and Risk Committees are comprised solely of independent Non-Executive Directors. This allows the Non-Executives to constructively challenge the executives. The Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the Company that might influence their independence or judgement. Although the Board delegates a range of tasks, the Board itself retains ultimate responsibility for the affairs and management of the Company.

Integrity of information

The Board receives reports from management at its meetings. It reviews the information provided and provides appropriate enhancements and challenge. Key financial information is collated from AXA UK's various accounting systems. AXA UK's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by Mazars LLP on an annual basis, and financial controls are reviewed by the AXA UK internal audit function.

The Audit Committee is aware of, and comfortable with, the scope of work planned by the internal auditors. The Committee receives a summary of the proposed audit plan, highlighting the budget / resource available, the rationale for the plan, and any limitations in its scope. Once agreed by the Committee any significant changes proposed to the plan are notified to the Committee by the Head of Internal Audit.

Principle 4 - Opportunity and Risk

The Board is responsible for strategic decision-making and risk management. In March 2019, the AXA UK plc Board decided to change the AXA UK risk governance structure by combining regulated entity board risk committees to form a single AXA UK Group Risk Committee to assist the Board in its responsibility for the oversight and management of risk. The AXA UK Group Risk Committee has adopted a forward-looking approach, anticipating changes in business conditions as well as reviewing the risk profile of the operating entities and the AXA UK Group as a whole. It also considers the effectiveness of its risk management framework, use of the capital model and relevant regulatory requirements.

The AXA UK Group Risk Committee, which meets at least quarterly, is comprised of independent Non-Executive Directors, and ensures that inherent and emerging risks are identified and managed appropriately and in a timely manner. The Directors of the Company have considered the terms of reference and the membership of the AXA UK Group Risk Committee and concluded that it is an appropriate body to consider the Company's risks. The Board monitors and implements the Committee's decisions where appropriate.

Opportunity

The Company's success is closely connected to the success of AXA UK and AXA Insurance. Its activities are aligned to the AXA Insurance strategy, which is considered and agreed by the AXA Insurance Board annually. The Company's key operational risks and mitigations are outlined in the Strategic Report (on page 2).

The AXA Insurance Chief Risk Officer has oversight of the Company and reports key risk matters directly to the Group Risk Committee, which establishes the risk control framework by validating both risk policy and risk strategy. The framework is based on the five following pillars and is cemented by a strong risk culture: Risk Management independence and comprehensiveness; Common risk appetite framework; Systematic second opinion on key processes; Robust Internal Model; and, Proactive Risk Management.

AXA Services Limited

Corporate Governance (continued)

Responsibilities

AXA Group has developed a formal set of standards (the “AXA Group Standards”) in order to promote a consistent approach to governance, supported by an effective risk management framework. The Company has adopted and complies with all relevant AXA Group Standards, including those relating to internal control, risk management and solvency management.

AXA UK (and in turn, the Company) has a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis, and have the necessary information and tools to appropriately analyse and manage these risks.

The Company’s systems and controls are designed to provide reasonable reassurance to the Board and senior management regarding the achievement of objectives, ensuring effectiveness and efficiency of operations, reliable financial and non-financial reporting, and compliance with laws, regulations and policies.

Principle 5 - Remuneration

The Board delegates authority to the AXA UK Remuneration & Nomination Committee, which has clearly defined terms of reference and is responsible for making recommendations to the Board in accordance with the AXA Group Remuneration Policy and as required by regulation. In 2019 the Committee was comprised of the Chairman of AXA UK, two Independent Non-Executive Directors and a Non-Executive Director from within the AXA Group.

The AXA Group Remuneration Policy sets out the remuneration principles applicable to all AXA Group companies and their employees. It is designed to support the Group’s long-term business strategy and to align the interests of its employees and other stakeholders by (i) establishing a clear link between performance and remuneration over the short-, medium- and long-term, (ii) ensuring that the AXA Group can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain, and (iii) ensuring compliance with Solvency II regulations and any other applicable regulatory requirements.

Pay is aligned with performance and takes into account fair pay and conditions across the AXA UK Group’s workforce. Executive remuneration is reviewed annually and in the event of significant change in the structure and size of the Company’s operations, with reference to market data and trends. AXA UK has formally adopted the Willis Towers Watson methodology for job grading for all levels (executive and other employees), an approach that aligns with AXA Group. A full benchmarking review will next take place in 2021 ahead of the 2022 annual remuneration review process, unless significant changes occur in the meantime in the business and its structure.

The AXA UK Group is an equal opportunities employer and promotes an environment of diverse cultures, ideas, people and perspectives. It reports on Gender Pay, has signed the Women in Finance Charter and demonstrates its commitment to gender equality by setting a target of 40% of senior management roles to be held by women by the end of 2020. This currently stands at 30% across the AXA UK Group.

AXA Services Limited

Corporate Governance (continued)

Principle 6 - Stakeholders

The Board understands that good governance and effective communication are critical factors to ensure our brand, reputation and relationships with all stakeholders, including shareholders, customers, employees, suppliers and the local communities are effective and supportive of the way in which the Company wants to work. The Board participates in all relevant AXA UK Group engagement initiatives, delegating responsibility to group staff and Committees as appropriate.

The Company's key stakeholders and how it engages with them are described in the Strategic Report (see pages 3-4).

Stakeholders

Accountability and transparency are key with all external stakeholders and with representatives of government and other opinion leaders, whilst maintaining an open and visible presence in the media. The fundamental purpose of protecting people and empowering them to live better lives is demonstrated and supported in active engagement across industry bodies and our stakeholder community.

AXA UK Group entities promote strong relationships with their network of suppliers which are managed through an AXA UK Group company-wide procurement approach to ensure economies of scale and collaboration with suppliers can be achieved.

Ensuring there is a strong and positive regulatory relationship is key to achieving everything that is required. This is set by the tone at the top where continuous engagement with the regulator takes place. The tone adopted throughout the Company aims to maintain a strong, effective relationships with the FCA, working in a collaborative and transparent manner to enable good customer outcomes. Proper governance and effective communication are key in fostering these relationships.

Employees

The Company aims to create an empowering, innovative, flexible and supportive working environment for its workforce. Diversity and inclusion is actively promoted and supported, allowing everyone to contribute to businesses success in their own unique way.

Employees are listened to through a structured programme of engagement call 'Pulse', which is taken quarterly, this is in addition to ongoing conversations. The surveys ask employees questions to gauge their confidence in the strategic direction of the firm, whether they see AXA's values alive, to consider their own sense of empowerment and to measure employee satisfaction.

Employees are actively encouraged to undertake suitable professional development. AXA UK also supports holistic employee wellbeing across the dimensions of physical, mental, financial and social health and a new proposition is being launched to our people in this space in 2020, including new benefit offerings. These new additions will complement the benefits already in place such as free eye tests, flu vaccinations, online support to reduce health risks and a free confidential Employee Assistance Programme (BeSupported).

Employee briefings are live-streamed across all our locations to update the workforce on the Company's performance. More regular, but structured interactions, are in place across the organisation to better understand local challenges offering the opportunity for a more location-specific update from the CEO, along with the opportunity for individuals to raise questions and concerns. A detailed communications strategy is in place to engage employees on an ongoing basis, including news stories, blogs from Executive Committee members, and sharing of financial or employee survey results.

AXA Services Limited

Independent Auditor's Report to the Members of AXA Services Limited

Opinion

We have audited the financial statements of AXA Services Limited (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 results 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 6, and the consideration in the going concern basis of preparation on page 5 and non-adjusting post balance sheet events on page 32.

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.

AXA Services Limited

Independent Auditor's Report to the Members of AXA Services Limited (continued)

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.

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 where 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.

AXA Services Limited

Independent Auditor's Report to the Members of AXA Services Limited (continued)

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.

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. This description forms part of our auditor's report.

Use of the audit report

The 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, Statutory Auditor

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

17 April 2020

AXA Services Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	494,258	430,167
Administrative expenses		<u>(494,258)</u>	<u>(430,167)</u>
Operating profit/(loss)	5	<u>-</u>	<u>-</u>
Profit/(loss) before tax		-	-
Income tax receipt/(expense)	9	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u><u>-</u></u>	<u><u>-</u></u>

The above results were derived from continuing operations.

The Company had 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.

AXA Services Limited

**(Registration number: 00446043)
Balance Sheet as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Debtors			
Amounts owed by group undertakings	11	105,483	175,269
Other receivables	11	9,273	13,979
Current tax assets		8,391	2,040
Deferred tax assets	9	3,509	9,215
		<u>126,656</u>	<u>200,503</u>
Creditors: Amounts falling due within one year			
Bank overdrafts	13	(1,409)	(2,312)
Amounts owed to group undertakings	13	(8,124)	(81,581)
Other Creditors including taxation and social security	13	(11,798)	(11,511)
Accruals	13	(101,793)	(101,567)
		<u>(123,124)</u>	<u>(196,971)</u>
Net assets		<u>3,532</u>	<u>3,532</u>
Capital and reserves			
Called up share capital	12	522	522
Profit and loss account		3,010	3,010
Shareholders' funds		<u>3,532</u>	<u>3,532</u>

Approved and authorised for issue by the Board on 17 April 2020 and signed on its behalf by:



.....
C. Gienal
Director

AXA Services Limited

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

	Share capital	Profit and loss	Total
	£ 000	account	£ 000
	£ 000	£ 000	£ 000
At 1 January 2019	522	3,010	3,532
At 31 December 2019	<u>522</u>	<u>3,010</u>	<u>3,532</u>

	Share capital	Profit and Loss	Total
	£ 000	Account	£ 000
	£ 000	£ 000	£ 000
At 1 January 2018	522	3,010	3,532
At 31 December 2018	<u>522</u>	<u>3,010</u>	<u>3,532</u>

The notes on pages 19 to 32 form an integral part of these financial statements.

AXA Services Limited

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

1 General information

The Company's principal activities are the third-party processing and intermediation activities under the direction and oversight of AXA Insurance UK plc ("AXA Insurance") and the performance of core administrative and support activities, predominantly staff related, for AXA UK plc ("AXA UK") and AXA Insurance.

The Company employs the majority of AXA Insurance staff, as well as a number of staff of other AXA UK entities.

On occasion the Company may enter into distribution agreements with third parties and ad hoc initiatives where AXA Insurance is unable to participate due to internal contagion risk within AXA Insurance.

The Company is a private limited company under the Companies Act 2006, with the entire share capital held by its parent Guardian Royal Exchange plc, which is incorporated and domiciled in the United Kingdom ("UK").

The address of its registered office is:

5 Old Broad Street
London
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 and in accordance with the Companies Act 2006.

The Company has detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the Company for the next 12 months and are considered within the strategic plan of AXA Insurance UK plc 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 they 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 financial report.

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

- (a) IFRS 7 'Financial Instruments Disclosures'.
- (b) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 and 127 to 129 of IFRS 15 Revenue from Contracts with Customers.

AXA Services Limited

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

2 Accounting policies (continued)

- (c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; a reconciliation of share capital and
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- (d) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 111 of IAS 1 'Presentation of Financial Statements'.
- (e) The requirements of IAS 7 'Statement of Cash Flows'.
- (f) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- (g) The requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'.
- (h) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (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.

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.

Revenue recognition

Recognition

The Company earns revenue from the provision of services relating to a group service company. Revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. The adoption of a service structure has meant that the Company has an income that matches expenses.

Activities undertaken by the Company include:

- i) Third-party processing and intermediation;
- ii) Undertaking payments on behalf of other AXA entities within the UK;
- iii) Setting up of distribution agreements with third parties; and
- iv) Employment contracts of AXA staff, on behalf of other AXA companies and related services.

Performance obligations

The main performance obligation in contracts consist of services to group companies. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date in reference to the proportion of the service provided on either a time elapsed basis or at a point in time, measured based on the delivery of the service promised.

Share capital

Ordinary shares are treated as equity when the instruments incur no obligation to transfer cash or any other asset to the holder. Incremental costs directly attributable to the issue of equity instruments are deducted from equity.

AXA Services Limited

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

2 Accounting policies (continued)

Tax

The tax credit represents the sum of the tax currently receivable and deferred tax.

Current Tax

The tax currently receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

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.

Defined benefit and contribution pension obligation

Pension obligations

Staff employed by the Company are members of the AXA UK pension scheme ("the Scheme"). The Scheme supports a number of companies in the AXA UK Group, through both defined benefit and defined contribution schemes. The defined benefit scheme shares risks between the companies in the AXA UK Group and is not facilitated by a contractual agreement or stated policy to charge the individual companies the net defined benefit cost. As the outcome of various restructuring activities and movement of staff between companies in the AXA UK Group, it is not feasible to allocate the defined benefit scheme assets and liabilities to individual participating companies. Consequently, the Company recognises its contribution payable for the period as permitted by IAS 19 'Employee benefits (revised 2011)' for defined benefit plans that share risks between companies under common control.

AXA Services Limited

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

2 Accounting policies (continued)

The charge for pension costs principally represents the costs of providing pension benefits to the Company's staff in respect of their service during the year, undertaken within various AXA Group entities. The associated costs of providing pensions are recharged to the respective entity, as the contributions become payable in accordance with the rules of the relevant scheme.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, apart from deferred tax assets, prepayments and deferred tax liabilities.

The Company recognises financial assets and financial liabilities in the balance sheet when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

Classification and measurement

Financial instruments are classified at inception into the following categories, which then determine the subsequent measurement methodology:-

- financial assets at amortised cost.
- financial liabilities at amortised cost.

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities at amortised cost

All financial liabilities, are measured at amortised cost using the effective interest rate method.

AXA Services Limited

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

2 Accounting policies (continued)

Derecognition

Financial assets

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas that the directors consider particularly susceptible to changes in estimates and assumptions are detailed below:

Deferred taxation

The carrying value at the reporting date of the net deferred tax asset is £3.51m (2018: £9.21m), further details of which are disclosed in the accounting policy and note 9. Significant management judgement is applied to determine the deferred tax asset that can be recognised and is based on the probability of future taxable profits.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2019	2018
	£ 000	£ 000
Rendering of services	<u>494,258</u>	<u>430,167</u>

All business arises within the UK.

AXA Services Limited

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

5 Operating profit

Arrived at after charging

	2019	2018
	£ 000	£ 000
Marketing and administrative expenses	219,241	142,738
Employee benefit expense	275,017	287,424
Depreciation of equipment	-	5
Total	494,258	430,167

6 Staff costs

The aggregate payroll costs (including directors' remuneration) of those employees holding contracts of employment, were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	141,554	143,490
Social security costs	14,912	15,018
Pension contributions	23,083	22,749
	179,549	181,257

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Admin, Finance & IT	589	664
Sales, marketing and distribution	1,889	1,917
Claims handling & Underwriting	1,916	1,938
	4,394	4,519

The above numbers reflect only those staff that have contracts of employment with the Company.

7 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 directors did not receive any emoluments or other benefits from the Company or from any other company in the AXA Group in respect of services to the Company in the current or prior year.

The directors' remuneration for the year was as follows:

	2019	2018
	£ 000	£ 000
Remuneration	-	35

AXA Services Limited

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

7 Directors' remuneration (continued)

Mrs. A. M. Breitburd and Mr. C. Gienal were also 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.

Mr. L. Matras, Mr. J. P. Walker and Mr. G. R. Howell were also directors of AXA Insurance 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.

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

8 Auditors' remuneration

	2019	2018
	£ 000	£ 000
Audit of the financial statements	27	27

9 Income tax

Tax charged/(credited) in the profit and loss account

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	810	1,008
UK corporation tax adjustment to prior periods	(6,516)	(3,312)
	(5,706)	(2,304)
Total deferred taxation	5,706	2,304
Tax expense/(receipt) in the profit and loss account	-	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%). The differences are reconciled below:

AXA Services Limited

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

9 Income tax (continued)

	2019	2018
	£ 000	£ 000
Profit/(loss) before tax	-	-
Corporation tax at standard rate	-	-
Decrease in current tax from adjustment for prior periods	(324)	(1,617)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	31	194
Group relief surrendered at other than the tax rate	940	1,552
Deferred tax expense credit relating to changes in tax rates or laws	(647)	(129)
Total tax charge/(credit)	-	-

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

Changes to the UK corporation tax rate were enacted in the Finance Act 2016. These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

It was announced in the budget on the 11 March 2020 that the above noted corporation tax rate reduction will be repealed. The effect of this change would be to increase the deferred tax asset at 31 December 2019 by £363k. 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

	Asset	Liability	Net deferred tax
	£ 000	£ 000	£ 000
2019			
Accelerated tax depreciation	2,411	-	2,411
Pension benefit obligations	-	(6)	(6)
Other items	1,104	-	1,104
	<u>3,515</u>	<u>(6)</u>	<u>3,509</u>
 2018			Asset
			£ 000
Accelerated tax depreciation			2,648
Pension benefit obligations			-
Other items			6,567
			<u>9,215</u>

AXA Services Limited

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

9 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	2,648	(237)	2,411
Pension benefit obligations	-	(6)	(6)
Other items	6,567	(5,463)	1,104
Net tax assets/(liabilities)	9,215	(5,706)	3,509

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	2,571	77	2,648
Pension benefit obligations	925	(925)	-
Other items	8,023	(1,456)	6,567
Net tax assets/(liabilities)	11,519	(2,304)	9,215

10 Tangible assets

	Furniture, fittings and equipment £ 000
Cost or valuation	
At 1 January 2019	1,563
At 31 December 2019	1,563
Depreciation	
At 1 January 2019	1,563
At 31 December 2019	1,563
Carrying amount	
At 31 December 2019	-
At 31 December 2018	-

Depreciation expense is nil (2018: £5k charged to administration expenses)

AXA Services Limited

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

11 Trade and other debtors

	2019	2018
	£ 000	£ 000
Amounts owed by intermediate parent companies	72,392	144,869
Amounts owed by fellow subsidiary companies	33,091	30,400
Total amounts owed by group undertakings	105,483	175,269
Prepayments	3,881	5,657
Other debtors	5,392	8,322
	<u>9,273</u>	<u>13,979</u>
Total current trade and other debtors	<u>114,756</u>	<u>189,248</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Issued and fully paid ordinary shares at 31 December of £1 each	<u>522</u>	<u>522</u>	<u>522</u>	<u>522</u>

13 Trade and other creditors

	2019	2018
	£ 000	£ 000
Overdrafts	1,409	2,312
Amounts owed to group undertakings	8,124	81,581
Social security and other taxes	11,000	10,119
Other creditors	798	1,392
Accrued expenses	101,793	101,567
	<u>123,124</u>	<u>196,971</u>

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

AXA Services Limited

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

13 Trade and other creditors (continued)

Analysis of accrued expenses	2019	2018
	£'000	£'000
Invoices not yet received	11,795	7,003
IT, pension, projects and audit fee	21,066	29,030
Staff related	34,600	32,021
Other	34,332	33,513
	101,793	101,567

14 Pension and other schemes

AXA UK Pension Scheme

Staff engaged in the Company's activities are members of the AXA UK Pension Scheme which embraces a number of companies in the AXA UK Group. The Scheme has both defined benefit and defined contribution sections but the Company is unable to accurately identify its share of the underlying assets and liabilities of the defined benefit section. There is no contractual agreement or stated policy for charging the net defined benefit cost to the Company, as such the Company has recognised within the financial statements a cost equal to its contribution for the period. On 31 August 2013 the AXA UK Pension Scheme closed to both new members and future accrual and all remaining active members moved to deferred status.

Responsibility for the governance of the plan, including investment decisions, contribution schedules and scheme administration, lies with a single trustee board consisting of company appointed directors and member nominated directors. Additionally, the Law Debenture Pension Trust Corporation is a director, acting on behalf of the Trustee board with Special Director status.

The AXA UK Group pension scheme is targeted to be fully funded over a ten year time horizon (2028), contributions are payable in the event that the funding deficit is below a pre-agreed anticipated level. The level of contributions to be paid under the funding deficit recovery plan are based on the actuarial valuation performed every three years, however, these may change more frequently if significant events occur in the year. Following the 2018 triennial actuarial valuation, it was agreed between the Trustee and AXA UK that over the next annual reporting period the contributions to be paid will be nil (2018: £66m payable in 2019). The assumptions adopted for the triennial actuarial valuations are determined by the Trustee and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are on a best estimate basis.

An internal review by AXA UK of the defined benefit scheme revealed an IAS 19 surplus of £263m as at 31 December 2019 (£293m surplus as at 31 December 2018). This represents a snapshot of the present cost of meeting pension obligations that will crystallise over a period of many years. The Scheme invests in a wide range of assets, including equities, which over the long term, are expected by the Directors to meet the liabilities of the scheme.

The total pension cost which has been charged to the Profit and Loss Account of the Company is £27.7m (2018: £68.3m). The total cost is split between the defined contribution scheme £27.7m (2018: £28.4m) and the multi employer scheme £nil (2018: £39.9m). There were no outstanding contributions as at 31 December 2019 (2018: £nil).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

AXA Services Limited

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

14 Pension and other schemes (continued)

	2019 %	2018 %
Discount rate	1.95	2.80
Future pension increases	2.80	3.20
Inflation	1.95	2.20

The discount and inflation rates disclosed within the above table represent single equivalent rates based on the cashflow profile of the scheme. The 2019 and 2018 valuations have been calculated on a full yield curve rather than a single rate, as this methodology provides a more accurate approach that is better aligned with a general move in the market to use a market consistent approach in valuing the liabilities.

The key risk to the entity is the valuation of the scheme liabilities, where a decrease in corporate bond yields, or an increase in inflation rates, or an increase in life expectancy will result in an increase in plan liabilities. This effect will be partially offset by the hedging strategy in place which seeks to align the asset portfolio with the inherent risk of the liabilities, in addition to entering into a longevity swap transaction with the aim of hedging longevity risk inherent within the pensioner population of the scheme. An increase in plan liabilities could lead to the calling on, of additional contributions to fund any scheme shortfalls.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	5,695,873	5,348,265
Present value of scheme liabilities	(5,432,633)	(5,055,420)
Defined benefit pension scheme surplus	263,240	292,845

Scheme assets

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

	2019 £ 000	2018 £ 000
Fair value at start of year	5,348,265	5,486,610
Return on plan assets, excluding amounts included in interest income/(expense)	130,926	115,772
Actuarial gains and losses arising from experience adjustments	398,741	(110,684)
Benefits paid	(205,657)	(215,964)
Employer contributions paid by AXA UK plc	4,449	12,402
Employer contributions paid by other participating entities	-	41,541
Asset backed contribution	19,149	18,588
Fair value at end of year	5,695,873	5,348,265

AXA Services Limited

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

14 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019	2018
	£ 000	£ 000
Cash and cash equivalents	19,238	141,845
Equity instruments	11,196	14,269
Debt instruments	3,182,771	2,915,238
Real estate	351,246	359,103
Derivatives	245,892	(30,484)
Investment funds	1,443,233	1,557,167
Investment in limited partnership	316,000	311,000
Longevity hedge	672	(1,999)
Loans	125,625	82,126
	<u>5,695,873</u>	<u>5,348,265</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019	2018
	£ 000	£ 000
Present value at start of year	5,055,420	5,334,636
Current service cost	4,449	5,986
Actuarial gains and losses arising from changes in demographic assumptions	(87,919)	343
Actuarial gains and losses arising from changes in financial assumptions	553,221	(186,016)
Actuarial gains and losses arising from experience adjustments	(10,486)	4,452
Interest cost	123,605	111,983
Benefits paid	<u>(205,657)</u>	<u>(215,964)</u>
Present value at end of year	<u>5,432,633</u>	<u>5,055,420</u>

AXA Services Limited

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

15 Parent and ultimate parent undertaking

The Company's immediate parent is Guardian Royal Exchange 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 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

16 Non adjusting events after the financial period

COVID-19 OUTBREAK

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 to which it provides services 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 other AXA entities.