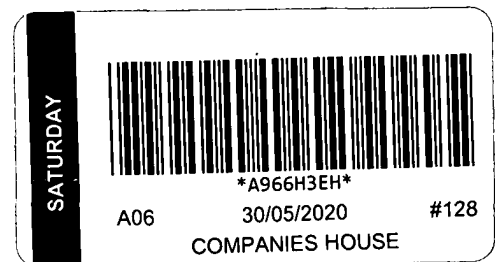


Registration number: 00932111

AXA INSURANCE PLC

Annual Report and Financial Statements

for the Year Ended 31 December 2019



AXA INSURANCE PLC

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AXA INSURANCE PLC

Company Information

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

AXA INSURANCE PLC

Strategic Report for the Year Ended 31 December 2019

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

Principal activity

The Company acts as a holding company and the principal business of its subsidiary undertakings is the provision of a comprehensive service in the United Kingdom and Republic of Ireland of all the principal classes of general insurance business.

Fair review of the business

The Company's profit for the year after taxation is £652m (2018: profit £424m), arising primarily through the receipt of dividends from subsidiary undertakings.

Dividends were received during the year from subsidiary AXA Insurance UK plc for £550m and £100m (2018: Three dividends were received from subsidiaries: one from AXA Holdings Ireland Limited on 18 May 2018 for €50m (£44m) and two from AXA Insurance UK plc on 14 May 2018 and 31 October 2018 for £240m and £140m respectively).

Business environment

The UK and Ireland insurance markets are highly competitive and the AXA UK Group (the "Group") has endeavoured to maintain strong positions in the selected markets through developing a far greater customer understanding and focus. The Group has increased its use of e-enabled systems, which allow brokers to interact directly with these systems and improve the overall broker experience. The Group continues to look at ways of improving claims management within an overall risk management approach, whilst focusing on customer satisfaction.

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 10. The Company's subsidiaries which primarily affect the performance of this 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.

Key performance indicators (KPIs)

The Company's key financial performance indicator during the year was as follows:

		2019	2018
Net asset value (total shareholders' funds)	£'000	2,429,494	2,329,701

The Company's activities are affected by the performance of the three main operating subsidiaries: AXA Insurance UK plc and AXA PPP healthcare limited in the United Kingdom; and AXA Insurance DAC in Ireland. The performance indicators for these operations are disclosed in the respective individual entity financial statements.

AXA INSURANCE PLC

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

Principal risks and uncertainties

The AXA 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.

Financial risk management is discussed in the Management of Financial Risk note set out on page 18.

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.

Section 172 statement

The Company, its stakeholders and relevant issues

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

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

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

The Company seeks to engage with its shareholders 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 16 May 2019 with due notice given to all members. All resolutions proposed at the Annual General Meeting (concerning the re-appointment of directors, receipt of the financial statements and re-appointment of Mazars LLP as the Company's auditors) were approved.

AXA INSURANCE PLC

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

Key decisions and consideration of stakeholders

During the year the Board met to approve changes in board membership and to approve the financial statements for the previous year.


The Company made a short-term loan of £550 million to its intermediate holding company, AXA UK plc. The directors took account of all relevant factors set out in section 172 and decided that the loan was most likely to promote the success of the AXA UK Group and for the benefit of its members as a whole. The directors concluded that the loan interest received by the Company during 2019 would utilise some of its brought forward tax losses. The loan was repaid in full on 23 September 2019.

The Board approved an interim dividend of £552 million, which was paid in September 2019, following receipt of a £550 million dividend from its principal undertaking, AXA Insurance UK plc. 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.

Future developments

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 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 monitoring potential adverse effects of the spread of COVID-19 on the Company's holding's 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 AXA UK plc acts as a holding company. Depending on the rate of transmission and related mortality, COVID-19 may have adverse effects on our business, operations and financial results. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty.

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



.....
R. Moquet
Director

AXA INSURANCE PLC

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the audited financial statements of AXA Insurance plc ("the Company") for the year ended 31 December 2019.

Future developments

Future developments are discussed in the Strategic Report.

Dividends

An interim dividend of £552m was paid in September (2018: £132m).

Directors' of the company

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

C. G. Bobby (resigned 31 December 2019)

R. D. Pagden

T. J. Page (appointed 5 December 2019)

A. M. Breitburd (appointed 3 June 2019 and resigned 31 March 2020)

The following director was appointed after the year end:

R. Moquet (appointed 1 April 2020)

Directors' qualifying third party and pension scheme indemnity provision

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.

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 10). Detailed budgets, plans and forecasts have been prepared and reviewed setting out the financial position of the AXA UK Group for the next 12 months and a strategic plan to 2023. The directors therefore believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook arising from the current COVID-19 pandemic, and the directors have a reasonable expectation, based on sensitivity analyses, that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Branches outside the United Kingdom

The Company does not operate branches outside the UK.

Political donations

The Company made no donations for political purposes.

AXA INSURANCE PLC

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

Non-adjusting events after the financial period

COVID-19

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

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

The Company and the companies in which it has a holding, are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks. 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.

Interim dividend

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

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.

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:

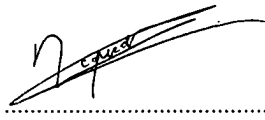
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial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

AXA INSURANCE PLC

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



.....
R. Moquet
Director

AXA INSURANCE PLC

Independent Auditor's Report to the Members of AXA INSURANCE PLC

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

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

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

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

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

Conclusions relating to going concern

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

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

AXA INSURANCE PLC

Independent Auditor's Report to the Members of AXA INSURANCE PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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.

AXA INSURANCE PLC

Independent Auditor's Report to the Members of AXA INSURANCE PLC (continued)


Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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



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

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

15 May 2020

AXA INSURANCE PLC

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Income from shares in group undertakings	5	650,000	423,634
Income from other fixed asset investments	6	2,186	-
Interest payable and similar charges	7	-	(63)
Net exchange (losses)/gains	8	-	482
		<u>652,186</u>	<u>424,053</u>
Profit before tax		652,186	424,053
Tax on profit on ordinary activities	9	<u>(208)</u>	<u>(80)</u>
Profit for the year		<u>651,978</u>	<u>423,973</u>

All the transactions relate to continuing operations.

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

The notes on pages 14 to 25 form an integral part of these financial statements.

AXA INSURANCE PLC

(Registration number: 00932111)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	10	2,346,369	2,346,369
Current assets			
Debtors	11	104,063	4,270
Creditors: Amounts falling due within one year	12	<u>(20,938)</u>	<u>(20,938)</u>
Net current assets/(liabilities)		<u>83,125</u>	<u>(16,668)</u>
Net assets		<u>2,429,494</u>	<u>2,329,701</u>
Capital and reserves			
Called up share capital	15	69,810	69,810
Share premium reserve	16	1,129,975	1,129,975
Other reserves	16	479,386	479,386
Profit and loss account	16	<u>750,323</u>	<u>650,530</u>
Shareholder's funds		<u>2,429,494</u>	<u>2,329,701</u>

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



.....
R. Moquet
Director

The notes on pages 14 to 25 form an integral part of these financial statements.

AXA INSURANCE PLC

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

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	69,810	1,129,975	479,386	650,530	2,329,701
Profit for the year	-	-	-	651,978	651,978
Total comprehensive income	-	-	-	651,978	651,978
Dividend	-	-	-	(552,185)	(552,185)
At 31 December 2019	69,810	1,129,975	479,386	750,323	2,429,494

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	69,810	1,129,975	479,386	358,458	2,037,629
Profit for the year	-	-	-	423,973	423,973
Total comprehensive income	-	-	-	423,973	423,973
Dividend	-	-	-	(131,901)	(131,901)
At 31 December 2018	69,810	1,129,975	479,386	650,530	2,329,701

The notes on pages 14 to 25 form an integral part of these financial statements.

AXA INSURANCE PLC

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

1 General information

The Company acts as a holding company for its insurance subsidiaries in the United Kingdom (“UK”) and the Republic of Ireland. Refer to note 10 for a list of subsidiary undertakings.

The Company is a public limited company limited by shares under the Companies Act 2006, and is incorporated and domiciled in the UK.

The address of its registered office is:

5 Old Broad Street
London
England
EC2N 1AD

These financial statements were authorised for issue by the Board on 15 May 2020.

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 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 AXA UK Group for the next 12 months and a strategic plan to 2023. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty. In considering the potential impact on the Company, the directors have prepared various financial projections which incorporate the impact on trading, unemployment levels, financial markets and GDP, covering short, medium and longer-term time scales. The directors believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook, and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual 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) 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.
- (b) 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.
- (c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- (d) 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

AXA INSURANCE PLC

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

2 Accounting policies (continued)

- (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 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.
- (j) 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 the Company as an individual company and do not contain consolidated financial information as the parent of a group.

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

Changes in accounting policy

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

Foreign currency transactions and balances

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Translation differences related to changes in amortised cost are recognised in the Profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Tax

The current tax 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

AXA INSURANCE PLC

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

2 Accounting policies (continued)

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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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.

Investments in group undertakings and associate

Investments in group undertakings and associate 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. The reviews use discounted cash flow projections under different scenarios.

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.

AXA INSURANCE PLC

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

2 Accounting policies (continued)

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.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, apart from investments in subsidiaries, deferred tax assets and employee benefits plans.

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.

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.

AXA INSURANCE PLC

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

2 Accounting policies (continued)

Financial liabilities

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

3 Management of Financial Risk

Objectives and policies

The Company is exposed to financial risk through its business operations affecting the financial assets and liabilities. The most important components of this risk, given the nature of the Company's operations as a holding company, are currency, liquidity and cash flow risks and credit risk.

The Company forms part of the AXA UK Group which has an established risk management framework on how each risk profile is identified, measured, monitored and controlled through Risk Committees advising the individual business unit Chief Executives. A dedicated risk management function supports the individual business units by ensuring that a full understanding and control of risks is incorporated into management decision making and procedures.

The risk policies are documented in adherence to the AXA Group Standards issued by AXA Group Risk Management ("GRM"). The AXA UK Board is responsible for governance and the AXA UK Executive Committee for approving all new policies.

Currency risk

The Company is exposed to currency risk in respect of its subsidiary undertaking in the Republic of Ireland. The directors monitor the exposures on a regular basis from a net asset perspective.

Liquidity and cash flow risk

Liquidity risk is defined as the risk that the Group, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when they fall due at reasonable cost.

This is controlled via regular liquidity risk monitoring and reporting in addition to regular short-term cash flow forecasting. A robust capital management framework is in place to ensure there are appropriate loan and overdraft facilities in place.

Credit risk

Non-investment credit risk arises from the exposure of the Company to intra-group debts with other companies in the Group and from debts due from third parties. The risk in respect of these debts is controlled through ongoing monitoring of amounts due.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires management to monitor and exercise judgement in the selection and application of appropriate accounting policies and in the use of accounting estimates. Management has determined that there are no accounting policies subject to significant accounting policy judgement and has not identified areas of significant judgement or estimation that could materially impact the financial statements.

AXA INSURANCE PLC

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

5 Income from shares in related undertakings

Two dividends were received from subsidiary AXA Insurance UK plc, for £550m and £100m (2018: Three dividends were received from subsidiaries: one from AXA Holdings Ireland Limited on 18 May 2018 for €50m (£44m) and two from AXA Insurance UK plc on 14 May 2018 and 31 October 2018 for £240m and £140m, respectively).

6 Other interest receivable and similar income

	2019	2018
	£ 000	£ 000
Other finance income	2,186	-

The loan interest relates to a short term loan provided to AXA UK plc for £550m. The loan was provided for a period of 8 months, from 30 April 2019 to the 20 December 2019, in lieu of a dividend payment.

7 Interest payable and similar charges

	2019	2018
	£ 000	£ 000
Interest expense	-	63

Interest expense for the year consists of interest on a loan with AXA UK plc, repaid early on 18 May 2018.

8 Net exchange

Net foreign exchange for the year relates to movements in borrowings denominated in a foreign currency.

	2019	2018
	£ 000	£ 000
Foreign exchange gain	-	482

The foreign exchange gain arose on a euro denominated loan held with intermediate parent company, AXA UK plc. The loan was repaid early on the 18 May 2018.

9 Income tax

Tax charged in the profit and loss account

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	208	80

AXA INSURANCE PLC

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

9 Income tax (continued)

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the income statements as follows:

	2019	2018
	£ 000	£ 000
Profit before tax	<u>652,186</u>	<u>424,053</u>
Corporation tax at standard rate	123,915	80,570
Increase (decrease) from effect of income not taxable	(123,500)	(80,490)
Tax decrease from utilisation of tax losses	<u>(207)</u>	<u>-</u>
Total tax charge	<u>208</u>	<u>80</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2018: 19.00%). Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

It was announced in the budget on 11 March 2020 that the above noted corporation tax rate reduction will be repealed. The effect of this change has no impact on the balance sheet at 31 December 2019. The budget announcement was substantively enacted on 17 March 2020.

At the balance sheet date, the company has unused tax losses of £49,026,203 (2018: £50,119,145) available for offset against future profits. No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available. The unrecognised tax losses may be carried forward indefinitely.

10 Investments

	£ 000
Subsidiaries and associate	
Cost or valuation	
At 1 January 2019	<u>2,346,369</u>
At 31 December 2019	<u>2,346,369</u>
Carrying amount	
At 31 December 2019	<u>2,346,369</u>

AXA INSURANCE PLC

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

10 Investments (continued)

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

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
AXA Insurance DAC	General insurance	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary Shares	100%	100%
AXA Insurance UK plc*	General insurance	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	100%	100%
AXA PPP healthcare limited	Health insurance	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	100%	100%
AXA General Insurance Limited	Dormant	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	100%	100%
Swiftcover Insurance Services Limited	Dormant	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	100%	100%
AXA Holdings Ireland Limited*	Holding company	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	100%	100%
AXA Ireland Limited	Holding company	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	100%	100%
AXA Ireland Pension Trustees Limited	Nominee	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	100%	100%
AXA Assistance Ireland Limited	Motor rescue & claims handling	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	49%	49%
AXA Group Services Limited	Management services	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	100%	100%
AXA Pension Fund Ireland Limited*	Pension fund	Wolf Tone House, Wolfe Tone Street, Dublin 1, Ireland	Ordinary shares	100%	100%

AXA INSURANCE PLC

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

10 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
The Royal Exchange Assurance*	Dormant	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	100%	100%
AXA UK Pension Trustees Limited*	Dormant	5 Old Broad Street, London, EC2N 1AD England	Ordinary shares	99%	99%

* indicates direct investment of the Company.

11 Trade and other debtors

	2019 £ 000	2018 £ 000
Amounts owed by related parties	103,961	3,961
Income tax asset	<u>102</u>	<u>309</u>
Total current trade and other debtors	<u>104,063</u>	<u>4,270</u>

Amounts owed by related parties are unsecured, non-interest bearing and repayable on demand.

12 Creditors - amounts falling due within one year

	2019 £ 000	2018 £ 000
Amount owed to subsidiary undertaking	<u>20,938</u>	<u>20,938</u>

The above amount owed to subsidiary undertaking is unsecured, non-interest bearing and repayable on demand.

13 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:

	2019 £ 000	2018 £ 000
Fees payable to the Company's audit of the statutory accounts	<u>4</u>	<u>4</u>

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

AXA INSURANCE PLC

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

14 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 qualifying services to the Company in the current or prior year.

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

Mr. R. D. Pagden and Mrs. T. J. Page were directors of Guardian Royal Exchange 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. C. G. Bobby was a director of SBJ Group Limited during the year and his emoluments, which relate to his services to the AXA Group as a whole, are disclosed in the financial statements of that company.

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

	2019	2018
	No.	No.
Exercised share options	1	1

15 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
279,239,907 Ordinary Shares of £0.25 each	279,240	69,810	279,240	69,810

16 Reserves

	Capital redemption reserve	Capital contribution reserve	Total
	£ 000	£ 000	£ 000
Other reserves			
Balance as at 1 January 2019 and 31 December 2019	3,305	476,081	479,386

Share premium

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

Capital redemption reserve

Represents the redemption of previously owned shares.

Capital contribution reserve

Represents amounts received from parent undertakings.

AXA INSURANCE PLC

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

16 Reserves (continued)

Profit and loss account

Represents the accumulated profits and losses of the Company.

17 Contingent liabilities

The Company has entered into a mutual guarantee whereby it guarantees payment of all liabilities incurred by AXA Insurance UK plc and AXA PPP healthcare limited in respect of general insurance business.

18 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.

The ultimate controlling party is AXA SA.

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

AXA INSURANCE PLC

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

19 Non-adjusting events after the financial period

COVID-19

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

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

The Company and the companies in which it has a holding, are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks. 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.

Interim dividend

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