

Aviva Health UK Limited

Directors and Officers

Directors

P C Brencher
M A Noble
A L Nye
L C Rix

Officer - Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Registered Office

8 Surrey Street
Norwich
NR1 3NG

Company Number

Registered in England and Wales: No. 2464270

Other Information

Aviva Health UK Limited ("the Company") is a member of the Association of British Insurers, is covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority.

The Company is a member of the Aviva plc group of companies ("the Group").



Aviva Health UK Limited

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Aviva Health UK Limited
Registered in England and Wales No. 2464270
Strategic report
For the year ended 31 December 2016

The directors present their Strategic Report for Aviva Health UK Limited ("the Company") for the year ended 31 December 2016.

Principle activities

The principal activity of the Company is the marketing and administration of healthcare products. The Company is authorised to act as an intermediary for the sale and administration of private medical insurance business and wellness products on behalf of the underwriting business, Aviva Insurance Limited. The Company also administers non insurance trust business.

As a result of the historical interaction with Aviva's Life insurance business, the Company also provides a small amount of residual services to Aviva Life & Pensions Ltd.

Review of the Company's business

Financial position and performance

Total revenue has increased for 2016 to £86.3 million (2015: £82.4 million) as have total operating expenses incurred to £84.6 million for 2016 (2015: £80.3 million). The increase is reflective of a higher level of investment in change activity.

Total equity has increased by £1.2 million (2015: increase of £1.6 million), reflecting the profit for the year. In 2016 £0.9m of losses were incurred in relation to the non-recovery of costs relating to the administration of Healthcare Trust business.

Future outlook

Health business volumes are expected to rise in future years as the business continues its growth strategy. Income is expected to rise modestly as the costs of servicing higher volumes and inflationary pressures are dampened by expense efficiency initiatives.

Financial risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business. It is also exposed to an operational risk of loss resulting from internal processes, people and systems, or from external events, including regulatory risk.

The Company uses a number of metrics to measure, monitor and manage risks and a fuller explanation of these risks, other than operational risk, may be found in note 14 to the financial statements.

Key performance indicators (KPIs)

Revenue primarily represents fees charged by the Company for the provision of operational assets and services to Group companies during the year. Revenue has increased by 5% to £86.3 million (2015: £82.4 million), due to an increase to the chargeable expense base which is passed on in the fees charged to Aviva Insurance Limited.

Profit after tax for the year is £1.2 million (2015: £1.6 million).

Shareholders' equity has increased by £1.2 million (2015: £1.6 million), reflecting the profit for the year.

Signed on behalf of the Board



M A Noble
Director
13th July 2017

Aviva Health UK Limited

Directors' report

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2016.

Directors

The names of the present directors of the Company appear on page 1.

C A Colton resigned as director of the Company on 31 January 2016.

L C Rix was appointed as a director of the Company on 22 February 2016.

D J R McMillan resigned as a director of the Company on 31 March 2017.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 3.

Dividend

The directors do not recommend the payment of a dividend for the financial year ending 31 December 2016 (2015: £nil).

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Details of financial risk management are discussed in the principal risks and uncertainties section of the strategic report on page 3.

Employees

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited, who make a management charge for services, including the provision of staff to the Company. It is not possible to ascertain separately the element of the management charge that relates to staff costs. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Aviva Employment Services Limited.

Disclosure of information to the auditors

Each person who was a director of the Company on the date that this report was approved, confirms that:

- so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and
- each director has taken all the 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985,

Aviva Health UK Limited

Directors' report

which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions were in force throughout the year and as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities

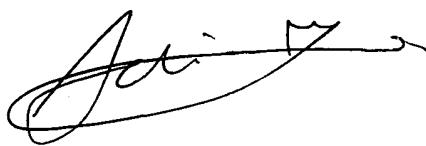
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union, and IFRSs as issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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



Signed on behalf of the Board

A L Nye
Director
13th July 2017

Aviva Health UK Limited

Independent auditors' report to the members of Aviva Health UK Limited

Report on the financial statements

Our opinion

In our opinion, Aviva Health UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies to the financial statements, the Company, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Aviva Health UK Limited

Independent auditors' report to the members of Aviva Health UK Limited

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

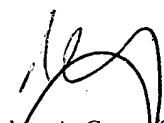
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



*Martin Cross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds*

13th July 2017

Aviva Health UK Limited

Accounting policies

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), markets and administers healthcare products.

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.

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. In addition to fulfilling their legal obligation to comply with IFRS as adopted by the EU, the Company has also complied with IFRS as issued by the IASB and applicable at 31 December 2016. The financial statements have been prepared under the historical cost convention, except for investments in associates which are at fair value through profit and loss.

The financial statements are prepared on the going concern basis.

The financial statements are stated in sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

Annual Improvements to IFRSs 2012-2014

These improvements consist of amendments to five IFRSs including IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures* and IAS 19 *Employee Benefits*. The amendments clarify existing guidance and there is no impact on the Company's financial statements.

The IASB has issued 3 new standards and 3 amendments to existing standards which are not yet effective and have not been adopted early by the Company.

(i) Narrow scope amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The revisions to IAS 12 *Income Taxes* clarify the accounting for deferred tax assets on unrealised losses and state that deferred tax assets should be recognised when an asset is measured at fair value and that fair value is below the asset's tax base. It also provides further clarification on the estimation of probable future taxable profits that may support the recognition of deferred tax assets. The adoption of this amendment is not expected to have an impact on the financial statements as the clarifications are consistent with our existing interpretation. The amendment is effective from 1 January 2017 and has not yet been endorsed by the EU.

(ii) Amendments to IAS 7 – Disclosure initiative

The amendments to IAS 7, *Statement of Cash Flows*, which form part of the IASB's Disclosure Initiative, require disclosure of the movements in liabilities arising from financing activities with cash and non-cash changes presented separately. The adoption of this amendment is not expected to have an impact on the financial statements. The amendment is effective from 1 January 2017 and has not yet been endorsed by the EU.

(iii) IFRS 15, Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 *Revenue* and establishes a principle based five-step model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. IFRS 15 also includes enhanced disclosure requirements. The impact of the adoption of the new standard is being assessed by the Company. This standard applies to annual reporting periods beginning on or after 1 January 2018.

(iv) Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*. The amendments clarify that the fair value of a cash-settled share-based payment is determined on a basis that is consistent with that used for equity-settled share-based payments. The amendments also clarify the classification of share-based payments settled net of withholding tax as well as the accounting consequences resulting from a modification of share-based payments from cash-settled to equity-settled. The adoption of these amendments is not expected to have a material impact on the Company's financial statements. The amendments are effective from 1 January 2018 and have not yet been endorsed by the EU.

Aviva Health UK Limited

Accounting policies

(v) IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 *Financial Instruments* which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. In September 2016, the IASB published amendments to IFRS 4 *Insurance Contracts* that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts.

(vi) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 *Leases* which will replace IAS 17 *Leases*. IFRS 16 introduces a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current financial lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice. The impact of the adoption of IFRS 16 has yet to be fully assessed by the Company. This standard applies to annual reporting periods beginning on or after 1 January 2019 and has not yet been endorsed by the EU.

(B) Critical accounting estimates and judgements

The preparation of the Company's financial statements, in accordance with IFRS, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. The major areas of judgement on policy application are summarised below:

Item	Accounting policy
Deferred tax asset	I

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. There are no items considered to be particularly susceptible to changes in estimates and assumptions for the Company.

(C) Revenue

Revenue represents fees charged by the Company for the provision of operational assets and services during the year. Revenue is recognised in the accounting period in which the services are provided when there are probable future economic benefits and when these can be reliably measured. Revenue is measured at the fair value of consideration receivable.

(D) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement but deferred and recognised in the income statement on an appropriate basis over the life of the

Aviva Health UK Limited

Accounting policies

instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

(E) Investments in associates

Investments in associates are managed on a fair value basis and classified as held at fair value through profit or loss, with movements recognised in the income statement.

(F) Receivables and payables

Receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are held at amortised cost, which given the short term nature of the items is considered a reasonable approximation to fair value.

(G) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand.

(H) Leases

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Payments made as lessees under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the relevant lease.

Leases, where substantially all of the risks and rewards of ownership are transferred to the lessee, are classified as finance leases. Assets held for use under such leases are capitalised, and are depreciated to their residual values over their estimated useful lives. Payments made under finance leases are set against the creditor and interest is charged to the income statement on an actuarial method.

The Company has not entered into any material finance lease arrangements either as lessor or lessee.

(I) Income taxes

The current tax expense is based on the profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from capital allowances available on fully depreciated equipment. The rates enacted or substantively enacted at the statement of financial position date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

(J) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Aviva Health UK Limited
Income statement
For the year ended 31 December 2016

	Note(s)	2016 £'000	2015 £'000
Income			
Revenue	C	86,273	82,368
Expenses			
Operating expenses	1	(84,637)	(80,259)
Operating profit		1,636	2,109
Profit before tax from continuing operations		1,636	2,109
Tax charge	I & 4	(442)	(543)
Profit for the year		1,194	1,566

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 8 to 10, and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Health UK Limited
Registered in England and Wales No. 2464270
Statement of financial position
As at 31 December 2016

	Note(s)	2016 £'000	2015 £'000
Assets			
Investments in associates	E & 5	-	-
Receivables	F & 6	31,897	43,061
Deferred tax assets	I & 9(b)	248	303
Cash and cash equivalents	G & 12(b)	33,434	21,239
Total assets		65,579	64,603
Equity			
Ordinary share capital	J & 7	7,700	7,700
Retained earnings	8	4,846	3,652
Total equity		12,546	11,352
Liabilities			
Payables and other financial liabilities	F & 10	52,648	52,777
Tax liabilities	I & 9(a)	386	474
Total liabilities		53,034	53,251
Total equity and liabilities		65,580	64,603

The financial statements on pages 8 to 23 were approved by the Board of directors on 13th July 2017 and were signed on its behalf by



A L Nye *Director*

The accounting policies (identified alphabetically) on pages 8 to 10, and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Health UK Limited
Statement of changes in equity
For the year ended 31 December 2016

	Note	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015		7,700	2,086	9,786
Total comprehensive income for the year	8	-	1,566	1,566
Balance at 31 December 2015		7,700	3,652	11,352
Total comprehensive income for the year	8	-	1,194	1,194
Balance at 31 December 2016		7,700	4,846	12,546

The accounting policies (identified alphabetically) on pages 8 to 10, and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Health UK Limited
Statement of cash flows
For the year ended 31 December 2016

		2016	2015
	Note	£'000	£'000
Cash flows from operating activities			
Cash generated from / (used in) operations	12(a)	12,195	(13,108)
Net cash generating from operating activities		12,195	(13,108)
Cash flows from investing activities			
Loan repayment from associate undertakings	5(b)	-	17
Net cash generated from investing activities		-	17
Net increase / (decrease) in cash and cash equivalents		12,195	(13,091)
Cash and cash equivalents at 1 January		21,239	34,330
Cash and cash equivalents at 31 December	12(b)	33,434	21,239

The accounting policies (identified alphabetically) on pages 8 to 10, and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Health UK Limited
Notes to the financial statements
For the year ended 31 December 2016

1. Operating expenses

Under management agreements, fellow group undertakings, including Aviva Central Services UK Limited, Aviva Life Services UK Limited, Aviva Insurance Limited and Aviva Employment Services Limited supply and make a charge for the provision of operational assets, services and staff to the Company.

	2016	2015
	£'000	£'000
Aviva Employment Services Limited	37,759	37,305
Other payments	13,382	15,977
Other group recharges	33,496	26,977
	84,637	80,259

2. Directors' emoluments

Emoluments of directors in office during the year were:

	2016	2015
	£'000	£'000
Aggregate emoluments in respect of qualifying services	2,222	1,693
Company pension contributions to money purchase scheme	43	62
Accrued pension at end of year from defined benefit pension scheme	266	112
Termination benefits	93	-
	2,624	1,867

Emoluments of the highest paid director:

Aggregate emoluments in respect of qualifying services	551	868
Company pension contributions to money purchase scheme	-	-
Accrued pension at end of year from defined benefit pension scheme	147	49
	698	917

The highest paid director received no shares under the executive long-term incentive scheme.

Certain of the directors are covered by private medical insurance provided by Aviva Insurance Limited. Payments may be made to, or on behalf of, directors, subject to the normal policy rules.

No lump sum in relation to the defined benefit pension scheme had accrued at the end of the current or previous year.

During the year none of the directors exercised share options (2015: four) and four of the directors received shares under long term incentive schemes (2015: three).

3. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP and its associates, in respect of the audit of these financial statements, is shown below:

	2016	2015
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	52	52

Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the

Aviva Health UK Limited
Notes to the financial statements
For the year ended 31 December 2016

Company's ultimate parent undertaking, Aviva plc (see note 15), are required to disclose other (non-audit) services on a consolidated basis.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

4. Tax charge

(a) Tax charged to the income statement

The total tax charge from continuing operations comprises:

	2016	2015
	£'000	£'000
Current tax		
Charge for the year	386	474
Adjustments in respect of prior years	1	65
Total current tax charge	387	539
Deferred tax		
Origination and reversal of temporary differences	45	(29)
Changes in tax rates	10	33
Total deferred tax charge	55	4
Total tax charged to the income statement	442	543

Aviva Health UK Limited
Notes to the financial statements
For the year ended 31 December 2016

(b) Tax reconciliation

The tax on the Company's profit before tax on continuing operations differs from tax calculated at the standard UK corporation tax rate as follows:

	2016 £'000	2015 £'000
Profit before tax	1,636	2,109
Tax calculated at standard UK corporation tax rate of 20.00% (2015: 20.25%)	327	427
Adjustments in respect of prior years	-	(17)
Disallowable expenses	105	100
Changes in UK tax rate	10	33
Tax charge for the year	442	543

Finance (No2) Act 2015 introduced legislation reducing the rate of corporation tax from 20.00% at 1 April 2016 to 19.00% from 1 April 2017 and to 18.00% from 1 April 2020. The Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17.00% from 1 April 2020.

The reduction in rate from 20.00% to 19.00% and then to 17.00% have been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2016. The reduction in the future corporation tax rates has resulted in a reduction of the company's net deferred tax asset of £10,000 charged to the income statement.

5. Investments in associates

(a) The Company's principal associate undertakings are shown below:

	Type of business	Class of share	Proportion held	Country of incorporation
Healthcode Limited	On-line billing	Ordinary	20.00%	England
Ballard Investment Company Limited	Investment	Preference	25.10%	England
Ballard Investment Company Limited	Investment	Ordinary	25.10%	England
Healthcare Purchasing Alliance Limited	Negotiation	Preference	50.00%	England

Registered Address of associates

Healthcode Limited Swan Court Waterman's Business Park Kingsbury Crescent Staines Surrey TW18 3BA	Ballard Investment Company Limited Melrose House 42 Dingwall Road Croydon Surrey CRO 2NE	Healthcare Purchasing Alliance Limited 8 Surrey Street Norwich Norfolk NR1 3NG
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(b) Movements in the Company's investments in its associate undertakings are as follows:

	Shares in associated undertakings £'000	Loans to associated undertakings £'000	2016 Total £'000	Shares in associated undertakings £'000	Loans to associated undertakings £'000	2015 Total £'000
At 1 January	-	-	-	-	17	17
Repayments	-	-	-	-	(17)	(17)
At 31 December	-	-	-	-	-	-

The Company holds an equity investment in Ballard Investment Company Limited (Ballard). A subsidiary undertaking of Ballard, Health and Case Management Limited (HCML), provides professional rehabilitation case management for the Company's customers on its behalf. The acquisition was in furtherance of the Company's strategy to become a Solutions Provider. The equity investment was fully impaired in 2011.

The equity investment in Healthcode Limited has been fully impaired. The investments were deemed to have no fair value on the basis that no income would be received from Healthcode Limited.

On 20 October 2015, the Company entered into a joint venture with Vitality Corporate Services Limited to form Healthcare Purchasing Alliance Limited (HPA) for the purpose of procuring hospital treatment on behalf of Aviva and Vitality. The preference shares held in the joint venture were acquired for a consideration of £50.

Investments are reviewed annually for any material changes in its fair value.

Distributions received from associates during the year amounted to £nil (2015: £nil). The associates have no significant contingent liabilities to which the Company is exposed, nor has the Company any significant contingent liabilities in relation to its interest in the associates.

6. Receivables

	2016 £'000	2015 £'000
Trade receivables	17,689	16,942
Amounts due from fellow subsidiaries	11,544	22,100
Other receivables	2,664	4,019
	31,897	43,061

Of the above total, £nil (2015: £nil) is expected to be recovered more than one year after the statement of financial position date.

As at 31 December 2016, £6,000,000 of trade receivables was due from an overseas government body (2015: £4,500,000). The Standard & Poors credit rating of this country stands at A+.

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7. Ordinary share capital

Details of the Company's ordinary share capital at 31 December are as follows:

	2016 £'000	2015 £'000
The allotted, called up and fully paid share capital of the Company was: 7,700,000 (2015: 7,700,000) ordinary shares of £1 each	7,700	7,700

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

8. Retained earnings

	2016 £'000	2015 £'000
At 1 January	3,652	2,086
Profit for the year	1,194	1,566
At 31 December	4,846	3,652

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to intermediary firms imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital.

9. Tax assets and liabilities

(a) Tax liabilities

Tax liabilities payable in more than one year are £386,000 (2015: £474,000).

(b) Deferred tax asset

(i) The balance at 31 December comprises:

	2016 £'000	2015 £'000
Capital allowances	178	220
Provisions and other temporary differences	70	83
	248	303

(ii) The movement in the deferred tax asset was as follows:

	2016 £'000	2015 £'000
Deferred tax asset at 1 January	303	307
Amounts debited to the income statement (note 4(a))	(55)	(4)
Deferred tax asset at 31 December	248	303

The timing of reversal of deferred tax assets and liabilities depends on a number of external factors and cannot be calculated with certainty. The majority of deferred tax assets and liabilities are however expected to reverse in more than one year. The Company has unrecognised temporary differences of £nil (2015: £nil) to carry forward.

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10. Payables and other financial liabilities

	2016	2015
	£'000	£'000
Trade payables	9,532	10,282
Amounts owed to fellow subsidiaries	25,176	20,766
Expense accruals	8,461	7,919
Deferred income	208	-
Other payables	9,271	13,810
	52,648	52,777

Of the above total, £nil (2015: £nil) is payable more than one year after the statement of financial position date.

11. Commitments

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£'000	£'000
Land & buildings		
Within 1 year	670	1,035
Later than 1 year and not later than 5 years	657	1,327
	1,327	2,362

12. Statement of cash flows

(a) The reconciliation of profit before tax to the net cash inflow / (outflow) from operating activities is:

	2016	2015
	£'000	£'000
Profit before tax	1,636	2,109
Changes in working capital:		
Decrease in receivables	11,164	7,412
Decrease in payables and other financial liabilities	(605)	(22,629)
Cash generated from operations	12,195	(13,108)

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	2016	2015
	£'000	£'000
Cash at bank and in hand	33,434	21,239

13. Capital

In managing its capital, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its customers and its regulator, the Financial Conduct Authority (FCA);
- Retain financial flexibility by maintaining liquidity; and

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- Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company is subject to the capital requirements applicable to intermediary firms imposed by the FCA. The Company fully complied with these regulatory requirements during the year.

The analysis below sets out the Company's capital resources available to meet its regulatory capital requirements:

	2016	2015
	£'000	£'000
Total equity	12,546	11,352
Adjustments onto a regulatory basis:		
Deferred tax assets	(248)	(303)
Total available capital resources	12,298	11,049

The intangible assets deduction relates to the deferred tax asset, which is inadmissible for FCA purposes.

In addition to the minimum regulatory requirements outlined above, the Company complies with Group mandated Capital Management Risk Standards which include the setting of risk appetites which are designed to give some buffer against adverse events when compared with minimum solvency. These appetites define what action should be taken by management where the actual capital level is above or below the desired target level.

14. Risk management

(a) Risk management framework

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision making framework. This risk management framework is aligned to the Aviva Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report ("IMMMR") risks, including the use of risk models and stress and scenario testing. The risk management framework has been adopted in the Aviva businesses collectively referred to as "UK Health" (including this Company and the UK Health Insurance business carried out primarily within Aviva Insurance Limited).

For the purposes of risk identification and measurement, risks are usually grouped by risk type: credit, market, liquidity and operational risk. Risks falling within these types may affect a number of metrics including those relating to strength within statement of financial position, liquidity and profit. They may also affect the performance of the products or services the Company delivers, which can be categorised as risks to brand and reputation.

To promote a consistent and rigorous approach to risk management across the business, the Company has a set of formal risk policies and business standards, which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations. The Chief Executive Officer and Chief Risk Officer sign off compliance with these policies and standards, providing assurance to the relevant oversight committees that there is a consistent framework for managing the business and the associated risks.

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business are accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. The oversight of risk and risk management in UK Health is supported by the Asset & Liability

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Committee ("ALCO"), which focuses on insurance and financial risks, and the Operational Risk Committee ("ORC"), which focuses on operational and reputational risks.

Further information on the types and management of specific risk types is given in sections (a) to (c) below.

(b) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Company's management of credit risk under the oversight of the UK Health Risk Management Committee (RMC) includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

The nature of the Company's business means that it is not exposed to significant credit risk. This is because its receivables are mainly inter-company balances. A significant amount of business relates to the Aviva Group of companies and exposure is managed through regular and timely payments.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

(c) Liquidity risk

Liquidity risk is the risk of the Company not being able to make payments as they become due because there are insufficient liquid assets.

The nature of the business means that the Company is not exposed to significant liquidity risk. The Business Trading Committee seeks to determine that the Company has sufficient financial resources to meet its obligations as they fall due. In extreme circumstances, the Company would approach the Aviva Group for additional short-term borrowing whilst the Company liquidated other assets.

(d) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, property prices, foreign currency exchange rates and inflation. UK Health has limited exposure to market risk.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has limited appetite for operational risk and an aim to reduce these risks as far as is commercially sensible.

Management is responsible for identifying and managing operational risks of the business, within the Aviva Group-wide operational risk framework including the risk and control self-assessment process. Management must be satisfied that all material risks falling outside risk tolerance are being mitigated, monitored and reported to an appropriate level. Management uses key indicator data to help monitor the status of the risk and control environment, and identifies and captures loss events, taking appropriate action to address actual control breakdowns and promote internal learnings.

The management of operational risk is overseen by the ORC.

15. Related party transactions

(a) The members of the Board of Directors are listed on page 1 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

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Amounts receivable from, or payments due to, related parties are disclosed separately in the relevant notes. The related parties' receivables and payables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts (2015: *£nil*).

(b) Income receivable from related parties

During the year, the Company received income of £83,982,000 (2015: £80,190,000), from fellow group undertakings.

(c) Services provided by related parties

Under management agreements Group companies supply and make charges for the provision of operational assets and services to the Company. The agreements specify the amounts payable in respect of these services. Details of these charges are included in note 1 to the financial statements.

Amounts payable in respect of services from Healthcode Limited were £610,000 (2015: £426,000). At the end of the year *£nil* remained outstanding (2015: *£nil*).

Amounts payable in respect of services from Health and Case Management Limited were £2,136,000 (2015: £2,805,000).

Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the executive directors, is as follows:

	2016 £'000	2015 £'000
Salary and other short-term benefits	2,109	2,996
Post-employment benefits	402	152
Other long-term benefits	112	239
	2,623	3,387

There are no amounts receivable from, or payments due to, key management.

The directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate holding company, Aviva plc. The emoluments of these directors are recharged to Aviva Life Services UK Limited, and details of their emoluments are given in note 2.

(d) Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated in England.

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Aviva plc are available on www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.