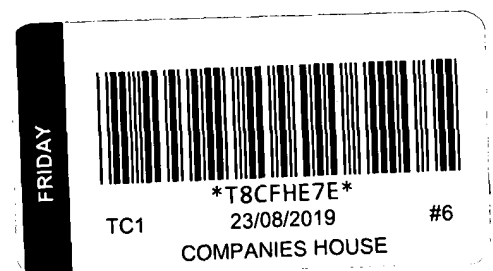


AVIVA HEALTH UK LIMITED

Registered in England and Wales: No. 2464270

**ANNUAL REPORT AND FINANCIAL STATEMENTS
2018**



Aviva Health UK Limited

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Aviva Health UK Limited

Directors and Officers

Directors:

R Barker
P C Brencher
A Beckett

Officer - Company Secretary:

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

Independent auditors:

PricewaterhouseCoopers LLP
7 More London Riverside
London, SE1 2RT

Registered office:

8 Surrey Street
Norwich
Norfolk
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

Registered in England and Wales: No. 2464270

Strategic report

For the year ended 31 December 2018

The directors present their Strategic report and financial statements for the Company for the year ended 31 December 2018.

Review of the Company's business

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 (AIL). 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 UK Limited.

Financial position and performance

The financial position of the Company at 31 December 2018 is shown in the statement of financial position on page 15, with the results shown in the income statement on page 14 and the statement of cash flows on page 17.

Total revenue has increased for 2018 to £96.2 million (2017: £94.9 million) as have total operating expenses incurred to £94.8 million for 2018 (2017: £94.4 million). The increase in operating expenses is reflective of a higher level of investment in change activity.

Total equity has decreased by £3.3 million (2017: increase of £0.6 million), reflecting the dividend paid to Group company offset by the profit for the year.

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 expense efficiency initiatives are dampened by the costs of servicing higher volumes and inflationary pressures.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 15 to the financial statements.

Although Brexit is not expected to have significant operational impact on the Company, the influence that it will continue to have on the UK economy will require careful monitoring.

Aviva Health UK Limited

Strategic report (continued)

Review of Company's business (continued)

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 1% to £96.2 million (2017: £94.9 million), due to an increase in 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 (2017: £0.6 million).

Shareholders equity has decreased by £3.3 million (2017: increase of £0.6 million), reflecting the dividend paid to AIL offset by the profit for the year.

By order of the Board on 12 August 2019



For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

Aviva Health UK Limited

Directors' report For the year ended 31 December 2018

Directors

The names of the present directors of the Company appear on page 1. The changes in directors in office since the start of the accounting period are as follows:

A Beckett (appointed on 29 January 2018)

A N Nye (resigned on 16 March 2018, re-appointed on 19 September 2018, resigned 30 April 2019)

L C Rix (resigned on 12 April 2018)

M Noble (resigned on 31 March 2019)

R Barker (appointed on 2 April 2019)

Dividends

A dividend of £4.5m was paid in 2018 (2017: £nil).

Going concern

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.

Future outlook

Likely future developments in the business of the Company are discussed in the Strategic report on page 2.

Financial instruments and financial risk management

The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives, policies and exposures to risk relating to financial instruments are set out in note 15 to the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through in-house newsletters.

The Group ensures that involvement for employees in its performance is encouraged by allowing eligible employees to participate in the Group's Save As You Earn Plan.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of s487 of the Companies Act 2006.

Aviva Health UK Limited

Directors' report (continued)

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:

- (a) 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
- (b) Each director has taken all the steps that he 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 provisions of s418 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 (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 s309A to s309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 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.

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. other irregularities.

By order of the Board on 12 August 2019



For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

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

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Health UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

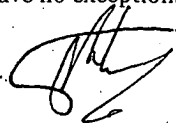
Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Sean Forster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 August 2019

Aviva Health UK Limited

Accounting policies

The Company is a private limited liability company incorporated and domiciled in the United Kingdom (UK). The Company's principal activity is managing and collecting the debt from the sale of Aviva Health products.

The principal accounting policies adopted 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 preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) 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. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of any land and buildings. The financial statements of the Company have been prepared and approved by the directors on the going concern basis as described in the Directors' report on page 4.

The financial statements are stated in pounds 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").

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2018:

(i) IFRS 9, Financial Instruments

In July 2014, the IASB published IFRS 9, Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which replaces the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets are measured at either amortised cost or fair value. The basis of classification depends on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

IFRS 9 is effective for the Company from 1 January 2018 as it is not eligible to apply the deferral option available to insurers. The adoption of IFRS 9 does not have material impact on the Company's balance sheet.

(ii) IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU. This standard replaces IAS 18 Revenue.

The scope of IFRS 15 includes all contracts where the Company has agreed to provide goods or services to a customer, except for the following:

- Financial instruments (IAS 39 / IFRS 9)
- Leases (IAS 17 / IFRS 16)

Aviva Health UK Limited

Accounting policies (continued)

(A) Basis of preparation (continued)

(ii) IFRS 15, Revenue from Contracts with Customers (continued)

The adoption of this standard has resulted in the following minor amendments to the Company's accounting policies:

- Contract fee revenue – updated to clarify that revenue is recognised over time, as performance obligations are satisfied;
- Rebate income – updated to clarify that fixed consideration is recognised over time as the services are provided, and variable consideration is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur;
- Other fee and commission income – updated to clarify that all other fee and commission income is recognised over time as the services are provided.

The adoption of IFRS 15 does not have a material impact on the Company's financial statements.

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards, amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company:

(i) 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 finance lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice. This standard applies to annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

The impact of the adoption of IFRS 16 on the Company has been fully assessed. The Company has chosen to adopt the modified retrospective approach on transition permitted by IFRS 16. It is expected that the adoption of the standard will result in an increase in assets of £1.2m, an increase in liabilities of £2.8m and a reduction of retained earnings of £1.6m at 1 January 2019. This arises from the value of lease assets brought onto the balance sheet being lower than the value of lease liabilities due to the different rates of run-off. The Company has taken exemptions for low value and short term leases and the impact of adoption is expected to have a material impact to the property portfolio. This standard is applied to annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

Standards, interpretations and amendments to published standards that are not yet effective and are not expected to have a material impact on the Company

The following new standards, amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(ii) IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019 and has not yet been endorsed by the EU.

(iii) Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective for annual reporting beginning on or after 1 January 2019 and have not yet been endorsed by the EU.

Aviva Health UK Limited

Accounting policies (continued)

(iv) Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to three IFRSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019 and have not yet been endorsed by the EU.

(v) Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018, the amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(B) Use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements. Although these estimates are based on management's best knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

(C) Revenue recognition

The Company derives revenue from the marketing and administration of healthcare products and is recognised when its performance obligation is satisfied, at the fair value of consideration receivable. Revenue can be split into the following streams:

(i) Revenue generated from services provided for the administration of insurance business

Revenue represents fees charged by the Company for the provision of operational assets and services during the year. The performance obligation is satisfied over time as the service is delivered. 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.

(ii) Revenue generated from the administration of non-insurance trust policies

Trusts are held by Aviva Health UK Limited on behalf of its customers, who pay an administration fee for the service provided. 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. The performance obligation is satisfied over time as the service is delivered.

(iii) Revenue generated from rebates on hospital contracts

Contracts are arranged with hospital operators for the provision of medical treatment under the medical insurance business administered by Aviva Health UK Limited. For fixed rebates, revenue is recognised based on a set benchmark as determined in the contract. Revenue is accounted for across the length of the contract, in line with the service provided. For variable rebates, consideration is contingent on a future event specified in the contract. Revenue is recognised at a point in time when this condition is met.

(iv) Other income

Revenue represents fees charged by the Company for the provision of ad hoc services. 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. The performance obligation is satisfied over time when the service is delivered.

Aviva Health UK Limited

Accounting policies (continued)

(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 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) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on trade receivables with related parties.

(G) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

Aviva Health UK Limited

Accounting policies (continued)

(H) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made 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 lease.

Leases of property and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current financial liabilities where relevant. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases include hire purchase contracts that have characteristics similar to operating or finance leases.

(I) Income taxes

The current tax expense is based on the taxable 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 taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

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

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

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

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

Aviva Health UK Limited

Accounting policies (continued)

(J) Trade and other payables and other liabilities

Trade and other payables and other liabilities are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

(K) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of 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.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

Aviva Health UK Limited

Income statement

For the year ended 31 December 2018

	Note	<u>2018</u> £000	<u>2017</u> £000
Income			
Revenue	C & 1	96,207	94,893
Expenses			
Operating Expenses	2	(94,810)	(94,395)
Operating profit		<u>1,397</u>	<u>498</u>
Profit before tax		<u>1,397</u>	<u>498</u>
Taxation	5	<u>(234)</u>	<u>150</u>
Profit for the year		<u><u>1,163</u></u>	<u><u>648</u></u>

The Company has no recognised income and expense other than those included in the results above and therefore a statement of comprehensive income has not been presented.

The accounting policies on pages 8 to 13 and notes on pages 18 to 28 are an integral part of these financial statements.

Aviva Health UK Limited

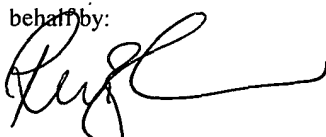
Registered in England and Wales: No. 2464270

Statement of financial position

As at 31 December 2018

	Note	2018 £000	Restated 2017 £000
ASSETS			
Investments in associates	E & 6	-	-
Receivables	F & 7	35,846	37,114
Tax assets	I & 10(a)	-	159
Deferred tax assets	I & 10(b)	120	146
Cash and cash equivalents	G & 13(b)	35,517	65,487
Total Assets		71,483	102,906
LIABILITIES			
Trade and other payables	J & 11	61,358	89,678
Liability for current tax	5	234	-
Total Liabilities		61,592	89,678
Net assets		9,891	13,228
EQUITY			
Ordinary share capital	K & 8	7,700	7,700
Retained earnings	9	2,191	5,528
Total equity		9,891	13,228

The accounting policies on pages 8 to 13 and notes on pages 18 to 28 are an integral part of these financial statements. The financial statements on pages 8 to 28 were approved by the Board on 12 August 2019 and signed on its behalf by:


R Barker
Director

Aviva Health UK Limited

Statement of changes in equity For the year ended 31 December 2018

	Ordinary share capital £000	Restated Retained earnings £000	Total equity £000
Balance at 1 January 2017	7,700	4,846	12,546
Prior year adjustment		34	34
Restated Balance at 1 January 2017	7,700	4,880	12,580
Profit for the year	-	648	648
Total movement in the year	-	648	648
Balance at 31 December 2017	7,700	5,528	13,228
Profit for the year	-	1,163	1,163
Dividend paid	-	(4,500)	(4,500)
Total movement in the year	-	(3,337)	(3,337)
Balance at 31 December 2018	7,700	2,191	9,891

Please note there is a prior year adjustment of £34,000 in last year's Retained Earnings and this has been restated. This adjustment is also reflected in Amounts due from fellow subsidiaries.

The accounting policies on pages 8 to 13 and notes on pages 18 to 28 are an integral part of these financial statements.

Aviva Health UK Limited

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	13(a)	(25,470)	32,053
<i>Net cash (outflow)/inflow from operating activities</i>		<u>(25,470)</u>	<u>32,053</u>
Cash flows from investing activities			
Dividend paid		(4,500)	-
<i>Net cash outflow from financial activities</i>		<u>(4,500)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(29,970)	32,053
Cash and cash equivalents at 1 January		65,487	33,434
Cash and cash equivalents at 31 December	13(b)	<u>35,517</u>	<u>65,487</u>

The accounting policies on pages 8 to 13 and notes on pages 18 to 28 are an integral part of these financial statements.

Aviva Health UK Limited

Notes to the financial statements

1. Revenue

Revenue has been disaggregated by revenue stream as follows:

	<u>2018</u> <u>£000</u>	<u>2017</u> <u>£000</u>
Administration of insurance business	93,182	91,974
Administration of non-insurance trust policies	1,974	1,425
Other income including Rebates on hospital contracts	1,051	1,494
Total revenue	<u>96,207</u>	<u>94,893</u>

2. 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.

	<u>2018</u> <u>£000</u>	<u>2017</u> <u>£000</u>
Aviva Employment Services Limited	38,876	39,017
Other payments	23,971	16,627
Other group recharges	31,963	38,751
Total expenses	<u>94,810</u>	<u>94,395</u>

Aviva Health UK Limited

Notes to the financial statements (continued)

3. Directors' emoluments

Emoluments of directors in office during the year were:

	<u>2018</u> <u>£000</u>	<u>2017</u> <u>£000</u>
Aggregate emoluments in respect of qualifying services	1,473	2,113
Company pension contributions to money purchase scheme	23	23
Accrued pension at end of year from defined benefit pension scheme	139	196
Termination benefits	0	354
	<u>1,635</u>	<u>2,686</u>
Emoluments of the highest paid director:		
Aggregate emoluments in respect of qualifying services	577	651
Company pension contributions to money purchase scheme	4	-
Accrued pension at end of year from defined benefit pension scheme	68	60
	<u>649</u>	<u>711</u>

The highest paid director received shares under the executive long-term incentive scheme (2017: none).

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 (2017: none) and five of the directors received shares under long term incentive schemes (2017: two).

4. 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:

	<u>2018</u> <u>£000</u>	<u>2017</u> <u>£000</u>
Fees payable for the audit of the Company's financial statements	55	53

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 Company's ultimate parent undertaking, Aviva plc (see note 16), 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.

Aviva Health UK Limited

Notes to the financial statements (continued)

5. Taxation

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
Current tax:		
For this year	234	(159)
Adjustments in respect of prior years	<u>(26)</u>	<u>(93)</u>
Total current tax	<u>208</u>	<u>(252)</u>
Deferred tax:		
Origination and reversal of temporary differences	29	36
Adjustments in respect of prior years	-	70
Changes in tax rates or tax laws	<u>(3)</u>	<u>(4)</u>
Total deferred tax	<u>26</u>	<u>102</u>
Total tax charged / (credited) to income statement	<u>234</u>	<u>(150)</u>

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
Profit before tax	<u>1,397</u>	<u>498</u>
Tax calculated at standard UK corporation tax rate of 19% (2017: 19.25%)	265	96
Adjustments in respect of prior years	(26)	(23)
Non-assessable dividends	(2)	-
Disallowable expenses	-	(219)
Impact of change in rate of tax	<u>(3)</u>	<u>(4)</u>
Tax charged to the income statement	<u>234</u>	<u>(150)</u>

The Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020.

The Company's deferred tax assets and liabilities have been calculated using the reduced rates where appropriate, resulting in an increase in the current year tax charge of £3,000 (2017: £4,000).

Aviva Health UK Limited

Notes to the financial statements (continued)

6. Investment 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	Ballard Investment Company Limited	Healthcare Purchasing Alliance Limited
Swan Court	Melrose House	8 Surrey Street
Waterman's Business Park	42 Dingwall Road	Norwich
Kingsbury Crescent	Croydon	Norfolk
Staines	Surrey	NR1 3NG
Surrey	CRO 2NE	
TW18 3BA		

(b) Movements in the Company's investments in its associate undertakings are as follows:

	Share in associated undertakings £'000	Loans to associated undertakings £'000	2018 Total £'000	Share in associated undertakings £'000	Loans to associated undertakings £'000	2017 Total £'000
At 1 January	-	-	-	-	-	-
Repayments	-	-	-	-	-	-
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 (2017: £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.

Aviva Health UK Limited

Notes to the financial statements (continued)

7. Receivables

	2018	Restated 2017
	£000	£000
Trade receivables	20,512	28,831
Amounts due from fellow subsidiaries	13,922	7,690
Other Receivables	1,412	593
	<u>35,846</u>	<u>37,114</u>

Please note there is a prior year adjustment of £34,000 on Amounts due from fellow subsidiaries. This adjustment is reflected within Retained Earnings.

Of the above total, £nil (2017: £nil) is expected to be recovered more than one year after the statement of financial position date.

As at 31 December 2018 £3,000,000 of trade receivables was due from an overseas government body (2017: £6,000,000). The amount of provision in relation to this balance is determined based on the estimated likelihoods and recovery values of each of the potential outcomes using the extensive experience of the Aviva Legal teams at the statement of financial position date. The valuation of the provision involves a high degree of judgement and estimation uncertainty due to the complexity and individual nature of this dispute. The current most likely outcome remains that the debt will be settled outside of the formal litigation process for a fee in excess of the £3,000,000, however, there remains a risk that due to the complex nature of the process and the debtor that there will be significant time delay or no recovery.

8. Ordinary share capital

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

	2018	2017
	£000	£000
Allotted, called up and fully paid share capital of the Company was:- 7,700,000 (2017: 7,700,000) ordinary shares of £1 each	<u>7,700</u>	<u>7,700</u>

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.

9. Retained earnings

	2018	Restated 2017
	£000	£000
At 1 January	5,528	4,846
Profit for the year	1,163	648
Dividend paid	(4,500)	-
At 31 December	<u>2,191</u>	<u>5,528</u>

Please note there is a prior year adjustment of £34,000 in last year's Retained Earnings and this has been restated. This adjustment is also reflected in Amounts due from fellow subsidiaries.

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.

Aviva Health UK Limited

Notes to the financial statements (continued)

10. Tax assets and liabilities

(a) Current tax

Tax assets receivable and liabilities payable in more than one year are £nil and £234,000 (2017: £159,000 and £nil) respectively.

(b) Deferred taxes

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
Accelerated capital allowances	120	146
Net deferred tax asset	<u>120</u>	<u>146</u>

The movement in the net deferred tax asset / (liability) was as follows:

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
Net asset at 1 January	146	248
Amounts credited to profit (note 5(a))	(26)	(102)
Net asset at 31 December	<u>120</u>	<u>146</u>

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 (2017: £nil) to carry forward.

11. Trade and other payables

	<u>2018</u>	<u>2017</u>
	<u>£000</u>	<u>£000</u>
Trade payables	9,060	8,285
Amounts owed to fellow subsidiaries	30,412	57,082
Expenses accruals	-	7,969
Deferred income	3,621	501
Other payables	18,265	15,842
	<u>61,358</u>	<u>89,679</u>

Aviva Health UK Limited

Notes to the financial statements (continued)

12. Commitments

Operating lease commitments

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

	<u>2018</u>	<u>2017</u>
Land & buildings	£000	£000
Within 1 year	894	657
Later than 1 year and not later than 5 years	<u>1,043</u>	<u>-</u>
	<u>1,937</u>	<u>657</u>

13. Statement of cash flows

(a) The reconciliation of profit before tax to the net cash flow from operating activities is:	<u>2018</u>	<u>2017</u>
	£000	£000
Profit before tax	1,397	498
Changes in working capital:		
Decrease / (increase) in trade and other receivables	1,268	(5,183)
(Decrease) / increase in trade and other payables	<u>(28,135)</u>	<u>36,737</u>
Net cash (outflow)/ inflow from operating activities	<u>(25,470)</u>	<u>32,052</u>

Changes in "trade and other payables" are stated after eliminating £nil (2017: £nil) of corporation tax settled by or to be settled by group relief.

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:	<u>2018</u>	<u>2017</u>
	£000	£000
Cash and cash equivalents	<u>35,517</u>	<u>65,487</u>

Aviva Health UK Limited

Notes to the financial statements (continued)

14. Capital structure

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
- 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:

	2018	2017
	£000	£000
Total equity	9,891	13,228
Adjustments onto a regulatory basis:		
Deferred tax assets	(120)	(146)
Total available capital resources	9,771	13,082

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.

Aviva Health UK Limited

Notes to the financial statements (continued)

15. Risk management

(a) Risk Management framework

The Company operates in accordance with the Aviva Group's risk management framework that forms an integral part of the management and Board processes and decision-making framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards and roles and responsibilities; and the processes used to identify, measure, manage, monitor and report ("IMMMR") risks.

The Board has overall responsibility for determining risk appetite for the Company, which is an expression of the risk the business is willing to take. For the purposes of risk identification and measurement, risks are usually grouped by risk type: credit, liquidity and operational risk. Risks falling within these types may affect a number of metrics including those relating to strength within the 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.

The risk policies and business standards set out the risk strategy, appetite, framework and minimum requirements for the Aviva Group's operations. The parent Company's Chief Executive Officer and Chief Risk Officer sign-off compliance with these policies and standards, providing assurance to the Company's Board 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.

(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 & Protection 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.

Aviva Health UK Limited

Notes to the financial statements (continued)

15. Risk management (continued)

(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.

The Company's Operational Risk and Control Management Framework integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risks outside tolerance are given prioritised management action to reduce them within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

16. 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.

Amounts receivable from, or payments due to, related parties are disclosed separately in the relevant notes. The related parties' receivables (note 7) and payables (note 11) 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 (2017: £nil).

(b) Income receivable from related parties

During the year, the Company received income of £93,683,000 (2017: £91,974,000), from fellow group undertakings.

Aviva Health UK Limited

Notes to the financial statements (continued)

16. Related party transactions (continued)

(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 2 to the financial statements.

Amounts payable in respect of services from Healthcode Limited were £502,240 (2017: £470,433). At the end of the year £nil remained outstanding (2017: £nil).

Amounts payable in respect of services from Health and Case Management Limited were £5,711,854 (2017: £2,372,185).

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:

	2018	2017
	£000	£000
Salary and other short-term benefits	1,473	2,113
Termination benefits	0	354
Other long-term benefits	162	219
	<u>1,635</u>	<u>2,686</u>

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 Health UK Limited, and details of their emoluments are given in note 3.

(d) Immediate parent company

The Company's immediate parent company is Aviva Insurance Limited, registered in Scotland.

(e) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at www.aviva.com.