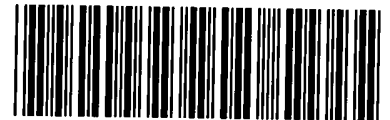


AXA PPP HEALTHCARE GROUP LIMITED

Financial Statements

for the year ended 31 December 2016

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AXA PPP Healthcare Group Limited

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AXA PPP Healthcare Group Limited

Company Information

Directors

F. A. Craig
K. G. Gibbs
S. J. Harland (Alternate)‡
M. R. Howes
A. Wilkinson

‡ Mrs. A. Wilkinson has appointed Mr. S. J. Harland as her alternate director.

Company Secretary

J. P. Small

Independent Auditor

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

AXA PPP Healthcare Group Limited

Strategic Report

The directors present their Strategic Report on AXA PPP Healthcare Group Limited ("the Company") for the year ended 31 December 2016.

REVIEW OF THE BUSINESS

The Company's principal business is to act as an investment holding company and a management service company.

Results and performance

The profit for the financial year after tax is £7,174k (2015: £518k). The increase is primarily due to a dividend received from the Company's subsidiary, Health-On-Line Company UK Limited for an amount of £7.0m.

In the prior year, the Company provided a capital contribution of £9,005k to subsidiary Health and Protection Solutions Limited, for the acquisition of The Permanent Health Company Limited, an insurance intermediary specialising in private medical insurance. In January 2016, an additional capital contribution of £330k was made in respect of deferred consideration.

On 1 November 2016 the Company acquired Aid-Call Limited for a consideration of £17.7m, the legal entity responsible for the marketing, rental, installation, monitoring and maintenance of telecare systems for the elderly. On 3 April 2017, Aid Call Limited changed its name to PPP Taking Care Limited.

In November 2016, the Company enacted a capital reduction to reduce its share capital by £90m with a corresponding increase in distributable reserves. The Company then paid an interim dividend of £50m to its parent company, Guardian Royal Exchange plc.

Strategy

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

Key performance indicators (KPIs)

The Board monitors the progress of the Company by reference to the following KPIs:

	2016 £'000	2015 £'000
Turnover	130,207	118,768
Administration Expenses	(129,862)	(118,381)
Net assets	136,081	179,811

PRINCIPAL RISKS AND UNCERTAINTIES

The AXA UK Group has an established process for risk acceptance and risk management, which is addressed through a framework of policies, procedures and internal controls. All policies are subject to ongoing review by management, risk management and group internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance and finance teams take on an important oversight role in this regard. Line management is responsible for maintaining an internal control framework to manage financial and operational risks, which is monitored regularly to ensure the completeness, accuracy and integrity of the Company's financial information.

Financial risk management is discussed in the Management of Financial Risk note set out on page 17 of the financial statements.

AXA PPP Healthcare Group Limited

Strategic Report (continued)

FUTURE DEVELOPMENTS

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

Signed on behalf of the Board by

A handwritten signature in black ink, appearing to be 'S. J. Harland', written in a cursive style.

S. J. Harland
Director
3 July 2017

AXA PPP Healthcare Group Limited

Directors' Report

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

FUTURE DEVELOPMENTS

Future developments are discussed in the Strategic Report.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report above. The ability to cope with unexpected risks to the financial position is shown within the Management of Financial Risk note on page 17 of the financial statements.

Detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the AXA PPP Healthcare group of companies for the next 12 months and a strategic plan to 2020. These support the continued financial position of the Company and, as a consequence, the directors believe sufficient contingencies have been put in place that will enable the Company to manage its business risks.

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

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: £nil). The directors paid an interim dividend of £50m to Guardian Royal Exchange plc (2015: £400m).

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1. The directors who have served for part of the year and up to the date of signing the financial statements, are given below:

S. J. Harland resigned as Nicola Bell's alternate director and as a director of the Company on 29 March 2016.

N. Bell resigned as a director of the Company on 31 October 2016.

D. P. Clarke resigned as a director of the Company on 15 November 2016.

F. A. Craig was appointed as a director of the Company on 24 October 2016.

S. J. Harland was appointed as Amber Wilkinson's alternate director and as a director of the Company on 4 May 2017.

M. A. Howes was appointed as a director of the Company on 24 October 2016.

A. Wilkinson was appointed as a director of the Company on 27 January 2017.

Directors' qualifying third party and pension scheme indemnity provisions

The Company is party to a group wide indemnity policy which benefits all of its current directors and is a qualifying third party indemnity provision for the purpose of the Companies Act 2006.

The indemnification was in force during the year and at the date of approval of the financial statements.

AXA PPP Healthcare Group Limited

Directors' Report (continued)

EMPLOYEES

The Company is committed to a policy of equal opportunity in recruitment, training, career development and promotion of staff, irrespective of gender, marital status, ethnicity, sexual orientation and religion. Full and fair consideration is also given to disabled persons, including the rehabilitation and retention of staff who become disabled, having regard to their particular aptitudes and abilities.

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

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

BRANCHES OUTSIDE THE UK

The Company does not operate branches outside the UK.

RESEARCH AND DEVELOPMENT

The AXA UK Group has a significant in-house IT function and in line with the Group strategy a key focus is on design and development of new and improved IT processes and platforms, elements of this work constitute research and development.

POLITICAL DONATIONS

The Company made no donations for political purposes.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 January 2017 the sale of AXA Healthcare Management (Asia regional centre) PTE Limited to AXA Global Protect Limited was completed for a consideration of £12m.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

Each director in office at the date the Directors' Report is approved confirms that:

- a) so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AXA PPP Healthcare Group Limited

Directors' Report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Signed on behalf of the Board by



S. J. Harland
Director
3 July 2017

AXA PPP Healthcare Group Limited

Independent Auditor's Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA PPP HEALTHCARE GROUP LIMITED

We have audited the financial statements of AXA PPP Healthcare Group Limited ("the Company") for the year ended 31 December 2016 which comprise of the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

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

AXA PPP Healthcare Group Limited

Independent Auditor's Report (continued)

Matters on which we are required to report by exception

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

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

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



Amanda Barker (Senior Statutory Auditor)

For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

3 July 2017

AXA PPP Healthcare Group Limited**Profit and Loss Account
for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
Turnover	3	130,207	118,768
Administration expenses		(129,862)	(118,381)
Profit on operating activities		345	387
Income from shares in group undertakings		7,000	12,196
Amounts written off investments	8	-	(11,966)
Interest payable and similar charges	11	(345)	(387)
Other income		-	258
Profit on ordinary activities before taxation		7,000	488
Tax on profit from ordinary activities	5	174	30
Profit for the financial year		7,174	518

All transactions relate to continuing operations.

The information on pages 13 to 26 forms an integral part of these financial statements.

AXA PPP Healthcare Group Limited**Statement of Comprehensive Income
for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
Profit for the financial year after tax		7,174	518
Other comprehensive income:			
Items that will not be subsequently reclassified to profit and loss			
Actuarial loss on post-retirement benefit obligation	11	(1,130)	(215)
Movement in current tax relating to the post-retirement benefit obligation	5	226	44
Other comprehensive income net of tax		(904)	(171)
Total comprehensive income for the year attributable to the equity shareholders of the Company		6,270	347

All transactions relate to continuing operations.

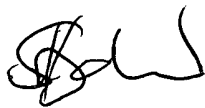
The information on pages 13 to 26 forms an integral part of these financial statements.

AXA PPP Healthcare Group Limited

Balance Sheet
as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments in group undertakings	8	133,436	114,569
Current assets			
Debtors	9	84,824	124,651
Creditors: amounts falling due within one year	10	(70,226)	(48,750)
Net current assets		14,598	75,901
Total assets less current liabilities		148,034	190,470
Provisions for liabilities			
Post-retirement benefit obligation	11	(11,953)	(10,659)
Net assets		136,081	179,811
Capital and reserves			
Called up share capital	12	10,000	100,000
Revaluation reserve	13	(227)	(227)
Other reserves	13	(1,067)	(1,067)
Profit and loss account		127,375	81,105
Total shareholders' funds		136,081	179,811

The financial statements on pages 9 to 26 were approved and authorised for issue by the Board of Directors on 3 July 2017 and were signed on behalf of the Board by:



S. J. Harland
Director
3 July 2017

AXA PPP Healthcare Group Limited

Statement of Changes in Equity for the year ended 31 December 2016

	Called up share capital £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	100,000	(227)	(1,067)	81,105	179,811
Profit for the year	-	-	-	7,174	7,174
Other comprehensive income:					
Actuarial loss on post- retirement benefit obligation	-	-	-	(1,130)	(1,130)
Current tax relating to the post-retirement benefit obligation	-	-	-	226	226
Total comprehensive income for the year	-	-	-	6,270	6,270
Transactions with owners:					
Share capital reduction	(90,000)	-	-	90,000	-
Dividend paid on equity shares	-	-	-	(50,000)	(50,000)
At 31 December 2016	10,000	(227)	(1,067)	127,375	136,081

	Called up share capital £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	100,000	(227)	(1,067)	480,758	579,464
Profit for the year	-	-	-	518	518
Other comprehensive income:					
Actuarial loss on post- retirement benefit obligation	-	-	-	(215)	(215)
Current tax relating to the post-retirement benefit obligation	-	-	-	44	44
Total comprehensive income for the year	-	-	-	347	347
Transactions with owners:					
Dividend paid on equity shares	-	-	-	(400,000)	(400,000)
At 31 December 2015	100,000	(227)	(1,067)	81,105	179,811

The information on pages 13 to 26 forms an integral part of these financial statements.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements as at 31 December 2016

General Information

The Company provides services to companies in the AXA UK Group. Costs incurred by the Company in discharging these functions are recoverable from group undertakings.

The Company is a private limited company under the Companies Act 2006, which is incorporated and domiciled in the United Kingdom ("UK"). The address of its registered office is 5 Old Broad Street, London, EC2N 1AD.

1. Principle Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires management to monitor and exercise judgment in the selection and application of appropriate accounting policies and in the use of accounting estimates. Those areas that could have a significant impact to the financial statements are set out in note VII.

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

- (a) The requirements of IFRS 7 'Financial Instruments: Disclosures' provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (b) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1.
- (c) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, and 134 to 136 of IAS 1 'Presentation of Financial Statements'.
- (d) The requirements of IAS 7 'Statement of Cash Flows'.
- (e) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- (f) The requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'.
- (g) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (h) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135 (c) to 135 (e) of IAS 36 'Impairment of Assets', provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (i) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations', provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

II. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the following:

Amendments to FRS 101 – 2015/16 cycle

The amendments from the 2015/16 annual review of FRS 101 principally provide certain disclosure exemptions in relation to IFRS 15 'Revenue from Contracts with Customers', which are available from when the standard is applied. The amendments also clarify a legal requirement relating to the order in which the notes to the financial statements are presented. These amendments had no material impact on the financial statements.

Annual improvements 2012 to 2014 (amendments)

The IASB's annual improvements process addresses a series of narrow scope amendments to existing standards that do not form part of a major project. The annual improvements for the 2012 to 2014 cycle amended four standards. The Company adopted the amendments with effect from 1 January 2016, with no material impact on the financial statements.

IAS 27 (amendments) 'Separate financial statements'

IAS 27 currently allows entities to measure investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in separate financial statements, and the amendments introduce the equity method as a third option. These amendments have no material impact on the financial statements as the Company continues to carry investment in subsidiaries at cost.

IAS 1 (amendments) 'Presentation of Financial Statements'

The amendments made in the context of the IASB's Disclosure Initiative, explore how financial statement disclosures can be improved and provides clarification on materiality and aggregation; the presentation of subtotals; the structure of financial statements and confirmation that the notes do not need to be presented in a particular order. The Company adopted the amendments with effect from 1 January 2016, with no material impact on the financial statements.

Amendments to FRS 101 – Notification to shareholders

The amendments remove the requirement for a qualifying entity to notify its shareholders in writing that it intends to take advantage of the disclosure exemptions in FRS 101. The amendments are effective for periods beginning on or after 1 January 2016.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

III. Turnover

Turnover comprises management fees charged to fellow subsidiary companies for the costs of services of staff employed by the Company, and is recognised in the accounting period in which the services are rendered.

IV. Post-employment benefits

AXA UK Pension Scheme

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

The charge for pension costs principally represents the costs of providing pension benefits to staff employed by subsidiaries of the Company in respect of their service during the year. The associated costs of providing pensions are recharged to the respective entity, as the contributions become payable in accordance with the rules of the relevant scheme.

The Company offers healthcare benefits on a non-contributory basis to certain employees on retirement. The scheme is accounted for in accordance with IAS 19 'Employee benefits (revised 2011)'. The liabilities in respect of this benefit are unfunded and recognised on the balance sheet.

The scheme liabilities are measured on an annual basis by an independent qualified actuary. The methodology underlying the calculations is very similar to that used for an actuarial valuation of a pension scheme. It involves the projection of estimated future benefit payments on the basis of certain assumptions and then the discounting of these future payments back to present capital values. The change in present value of the scheme liabilities is recognised in the Profit and Loss Account. The expected increase during the period in the present value of the scheme liabilities, arising from the passage of time is included as other finance charges. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

V. Investments in group undertakings

Investments in group undertakings are stated at cost, unless their value has been impaired, in which case they are valued at their recoverable amount, being the greater of fair value less costs of disposal and value in use. The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The reviews use discounted cash flow projections under different scenarios.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

VI. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

VII. Critical accounting estimates and judgements in applying accounting policies

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

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued)
as at 31 December 2016

VII. Critical accounting estimates and judgements in applying accounting policies (continued)

a) Defined benefit obligation

The carrying value of the defined benefit obligation at the reporting date of £11,953k (2015: £10,659k) is based on a qualified actuarial valuation, as explained in accounting policy IV. Significant judgement is applied to estimate the discount rate, mortality assumptions, and future healthcare costs.

2. Management of Financial Risk

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

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

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

The notes to follow address the individual components of financial risk.

Liquidity and cash flow risk

Liquidity risk is defined as the risk that the Company may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations, as they become due. This could arise where timing differences occur between expenses paid and recharges received.

A robust working capital management environment is encouraged by ensuring that there are appropriate funding arrangements from other group companies and overdraft facilities, backed up by shorter-term, regular cash flow forecasting.

Credit risk

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

3. Turnover

	2016 £'000	2015 £'000
Management fees charged to group companies	130,207	118,768

4. Auditor's remuneration

During the year the Company obtained the following services from the Company's auditor at costs detailed below:

	2016 £'000	2015 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the Company accounts	7	7

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued)
as at 31 December 2016

5. Taxation

	2016	2015
	£'000	£'000
Current Tax		
Adjustments in respect of prior years	174	30
Tax credit on profit on ordinary activities	174	30

Corporation tax is calculated at 20.0% (2015: 20.25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the Profit and Loss Account as follows:

	2016	2015
	£'000	£'000
Profit before tax on continuing operations	7,000	488
Tax at UK corporation tax rate of 20.00% (2015: 20.25%)	(1,400)	(99)
Tax effects of expenses that are not deductible in determining taxable profit	-	(2,423)
Tax effect of income not taxable in determining taxable profit	1,400	2,522
Adjustments in respect of prior years	174	30
Tax credit for the year	174	30

The standard rate of tax applied to reported profit on ordinary activities is 20.00% (2015: 20.25%). During 2016 the deferred tax balances were re-measured as a result of the changes to the UK corporation tax rate that were enacted in the Finance Act 2016. The UK corporation tax rate will reduce from 20% to 19% with effect from 1 April 2017 and will be further reduced from 19% to 17% with effect from 1 April 2020.

The impact included in the tax credit for the year is a charge of £nil (2015: £nil).

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	2016	2015
	£'000	£'000
Current tax:		
Remeasurement of net defined benefit liability	226	44
Factors affecting tax credit for the period		
	2016	2015
	£'000	£'000
Losses recognised before tax	(1,130)	(215)
Losses recognised multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	226	44
Total income tax credit recognised in other comprehensive income	226	44

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

6. Employee number and costs

The majority of the staff employed by the Company work for AXA PPP healthcare limited, a fellow subsidiary company, and AXA ICAS Limited, a subsidiary undertaking of the Company. The staff costs relating to these employees are recharged through the management fees.

The monthly average number of employees by activity (including executive directors) in the UK during the year was as follows:

	2016 Number	2015 Number
Administration and support services	642	585
Customer services	868	890
Sales and marketing	1,160	899
Total	2,670	2,374

	2016 £'000	2015 £'000
Wages and salaries	103,941	93,836
Social security costs	11,005	11,018
Pension costs	15,261	13,914
Total	130,207	118,768

7. Directors' emoluments

The directors are employed and paid by companies in the AXA Group and their directorships are held as part of that employment. The directors did not receive any emoluments or other benefits from the Company or from any other company in the AXA Group in respect of qualifying services to the Company in the current or prior year.

Mr. K. G. Gibbs was a director of the intermediate parent company, AXA UK plc, during the year and his emoluments, which relate to his services to the AXA Group as a whole, are disclosed in the financial statements of that company.

Mrs. N. Bell, Mr. D. P. Clarke, Mr. F. A. Craig, Mr. S. J. Harland and Mr. M. R. Howes were directors of AXA PPP healthcare limited during the year and their emoluments, which relate to their services to the AXA Group as a whole, are disclosed in the financial statements of that company.

Two directors exercised share options or employee sharesave options in AXA UK plc during the year (2015: Two).

8. Investments in group undertakings

	2016 £'000	2015 £'000
Current value at 1 January	114,569	98,531
Addition in the year	17,737	10,279
Disposals in year	-	(11,966)
Capital contributions	1,130	17,725
Movement in current value	-	-
Current value at 31 December	133,436	114,569

AXA PPP Healthcare Group Limited**Notes to the Financial Statements (continued)
as at 31 December 2016****8. Investments in group undertakings (continued)**

Subsidiary undertakings	Address of registered office	Holdings of ordinary shares
AXA PPP Healthcare Administration Services Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
AXA ICAS Occupational Health Services Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
ICAS International Holdings Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
AXA ICAS Limited	5 Old Broad Street, London, EC2N 1AD, UK	100
Sangano Investment Holdings Proprietary Limited	Dunkeld Office Park, 6 North Road, 2196, Johannesburg, South Africa	34
ICAS Employee and Organisation Enhancement Services Southern Africa (Pty) Limited	Dunkeld Office Park, 6 North Road, 2196, Johannesburg, South Africa	80.1
ICAS Orientacion Independiente S.L.	Arroyofresno 19, 28035 Madrid, Spain	100
Health and Protection Solutions Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
The Permanent Health Company Limited	5 Old Broad Street, London, EC2N 1AD, UK	100
AXA Healthcare Management (Asia regional centre) PTE Limited	8 Shenton Way, #27-03, AXA Tower, 68811, Singapore	100*
Health-On-Line Company UK Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
AXA PPP Administration Services Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*
PPP Taking Care Limited	5 Old Broad Street, London, EC2N 1AD, UK	100*

- a) An asterisk indicates holdings held directly by the Company.
- b) In the opinion of the directors the aggregate value of the subsidiaries is not less than the aggregate of the amounts at which they are stated in the balance sheet.
- c) On 1 January 2016, a new ownership structure was put in place creating a black minority shareholding in ICAS South Africa in order to achieve a viable rating under the Broad-Based Black Economic Empowerment Code. Under this transaction, the ICAS International Holdings Limited sold 19.9% of its investment in ICAS South Africa to Sangano Investment Holdings Proprietary Limited ("SIHPL") and acquired 34% in SIHPL, amending its effective shareholding in ICAS South Africa to 86.9%.
- d) In January 2016 the Company made an additional capital contribution of £330k to Health and Protection Solution Limited respect of deferred consideration for the acquisition of The Permanent Health Company Limited, bringing the total consideration to £9,335k.
- e) SecureHealth (Holdings) Limited was dissolved on 29 March 2016.
- f) On 1 November 2016 the Company acquired Aid Call Limited for a consideration of £17.7m. Aid Call Limited changed its name to PPP Taking Care Limited on 3 April 2017.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

8. Investments in group undertakings (continued)

g) In 2016, the Company made further capital contribution of £800k to AXA Healthcare Management (Asia regional centre) PTE Limited. The accumulated capital contribution at 31 December 2016 is £9,520k. On 1 January 2017 the sale of AXA Healthcare Management (Asia regional centre) PTE Limited to AXA Global Protect Limited was completed for a consideration of £12m.

h) Impairment

An impairment review was conducted using cash flow projections based upon business plans approved by management, with a risk adjusted discount rate of 9.9%. Cash flows from the end of the plan period were extrapolated using a steady 2.5% growth rate and terminal value. No provision for impairment was required.

The six year projection exceeded the standard projection period of 5 years under IAS 36 'Impairment of Assets'. This slightly extended period better reflected the management plans designed to grow the business.

9. Debtors

	2016 £'000	2015 £'000
Amounts owed by immediate parent undertaking	71,971	109,911
Amounts owed by subsidiary undertakings	12,400	13,904
Current tax receivable	452	835
Deferred tax	1	1
Total	84,824	124,651

Amounts owed by parent and subsidiary undertakings are unsecured, repayable within one year, and non-interest bearing.

The net deferred tax asset of £1k (2015: £1k) is in respect of accelerated capital allowances.

10. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to intermediate parent company	115	-
Amounts owed to subsidiary undertakings	489	193
Amounts owed to fellow subsidiary undertakings	69,622	48,557
Total	70,226	48,750

Amounts owed shown above are unsecured, non-interest bearing and repayable on demand.

11. Post-employment benefits

AXA UK Pension Scheme

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

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

11. Post-employment benefits (continued)

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

In 2015, as a measure to reduce the plan deficit, the Scheme received a contribution of £310m, which it subsequently invested into AXA Scotland Limited Partnership ("SLP"), a company within the AXA UK Group. SLP holds £342m of long term interest bearing debt of AXA. In accordance with the terms of the partnership agreement, the scheme is initially entitled to the principal and interest repayments of the debt.

An internal review by AXA UK of the defined benefit scheme, subsequently reviewed by Willis Towers Watson, revealed an IAS 19R deficit of £321m as at 31 December 2016 (£381m as at 31 December 2015) before taking account of any tax relief and after reflecting the investment in SLP. This represents a snapshot of the present cost of meeting pension obligations that will crystallise over a period of many years. The Scheme invests in a wide range of assets, including equities, which over the long term, are expected by the Directors to produce higher returns than those underlying the assessment of the deficit as at 31 December 2016.

The AXA UK Group made additional contributions totalling £119m (2015: £102m) to the Scheme, in accordance with the ten year plan to reduce the deficit and to ensure that the Statutory Funding Objective is met. The appropriate level of contributions to be paid under the recovery plan are based on the actuarial valuation performed every three years, however, these may change more frequently if significant events occur in the year. The expected contributions to be paid for the next annual reporting period under the recovery plan is £243m.

The total pension cost which has been charged to the Profit and Loss account of the Company is £15.2m (2015: £13.9m). There were no outstanding contributions as at 31 December 2016 (2015: £nil).

The principal assumptions used by the actuaries were:

	2016	2015
Discount rate	2.7%	3.9%
Future pension increases	3.3%	3.1%
Inflation assumption for deferred members (CPI)	2.3%	2.1%

The discount and inflation rates disclosed within the above table represent single equivalent rates based on the cashflow profile of the scheme. The 2016 and 2015 valuations have been calculated on a full yield curve rather than a single rate, as this methodology provides a more accurate approach that is better aligned with a general move in the market to use a market consistent approach in valuing the liabilities.

Changes in the present value of the defined benefit obligation are as follows:

	2016 £m	2015 £m
Present value of obligation as at 1 January	4,520	4,583
Remeasurements:		
Service cost	5	8
Interest cost	147	171
Actuarial losses/(gains) - financial assumptions	1,131	(57)
Actuarial (gains)/losses - demographic assumptions	(98)	23
Benefits paid	(209)	(208)
Present value of obligation as at 31 December	5,496	4,520

AXA PPP Healthcare Group Limited**Notes to the Financial Statements (continued)
as at 31 December 2016****11. Post-employment benefits (continued)**

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

	2016	2015
	£m	£m
Fair value of plan assets as at 1 January	4,139	4,041
Remeasurements:		
Expected return on plan assets	136	158
Employer contributions paid by AXA UK plc	40	52
Employer contributions paid by other participating entities	67	58
Asset backed contribution	18	310
Benefits paid	(209)	(208)
Actuarial gains/(losses)	984	(272)
Fair value of plan assets as at 31 December	5,175	4,139

Analysis of assets by category:

	2016	2015
	£m	£m
Equities	55	67
Debt securities	2,287	2,111
Government	1,661	1,465
Corporate	626	646
Property	334	307
Other assets	2,169	1,434
Derivatives	339	(92)
Cash	22	29
Investment funds	1,808	1,497
Investment in limited partnership	326	310
Longevity hedge	4	(90)
Fair value of plan assets as at 31 December	5,175	4,139

Other post-retirement benefits

The Company offers certain healthcare benefits upon retirement, on a non-contributory basis, to substantially all employees who were employed prior to June 1989. The expected costs of this benefit, as at 31 December 2016, have been assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial assessment as at 31 December 2016.

The scheme is an unfunded arrangement and therefore no company contributions were paid during the accounting period or are to be paid in the future. However, the Company has paid the current claims during the year amounting to £257k (2015: £408k).

Responsibility for the governance of the plan and scheme administration lies with the directors of the Company.

Financial assumptions:

	2016	2015
Discount rate	2.68%	3.88%
Rate of increases in long-term medical expenses (after first five years)	5.00%	5.00%
Increase in medical expenses over next five years	8.00%	8.00%
Average claim cost (£ per retired member per annum)	1,830	1,960

AXA PPP Healthcare Group Limited**Notes to the Financial Statements (continued)
as at 31 December 2016****11. Post-employment benefits (continued)**

There are no scheme assets. Scheme liabilities are detailed below.

The amounts recognised in the Profit and Loss Account are as follows:

	2016	2015
	£'000	£'000
Current service cost	77	65
Interest cost	345	387
Total	422	452

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2016	2015
	£'000	£'000
Experience gain/(loss) on liabilities	905	(10)
Change in financial assumptions	(2,035)	(125)
Change in demographic assumptions	-	(80)
Remeasurement losses on pension benefits	(1,130)	(215)

Changes in the present value of the post-retirement benefit obligation are as follows:

	2016	2015
	£'000	£'000
At 1 January	(10,659)	(10,400)
Remeasurements:		
Benefits paid by the Company	257	408
Current service cost	(76)	(65)
Other finance charges	(345)	(387)
Actuarial losses	(1,130)	(215)
At 31 December	(11,953)	(10,659)

The sensitivity analysis for significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that is reasonably possible for the year ended as of 31 December 2016 and 2015 is presented below:

	2016		2015	
	£000		£000	
	Effect of	Effect of	Effect of	Effect of
	0.5%	0.5%	0.5%	0.5%
	increase	decrease	increase	decrease
Discount rate	(801)	801	(640)	640
Long term medical cost trend	860	(860)	722	(722)

The sensitivity analysis is performed using the projected unit credit method and based on a change in an assumption whilst holding all other assumptions constant.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

11. Post-employment benefits (continued)

The following payments are estimated future benefits to be paid in the future years out of the defined benefit plan obligation. The estimated payments are subject to uncertainty as they will be notably driven by economics of future years.

	2016 £'000
2017	447
2018	484
2019	513
2020	543
2021	572
Between 5 years and 10 years	3,019
Beyond 10 years	11,963
Total estimated payments	17,541

The average duration of the defined benefit plan at the end of the period is 13 years.

History of experience gains and losses

	2016	2015
Experience gain/(loss) on scheme liabilities £'000	905	(10)
% of scheme liabilities at end of period	7.57%	0.09%
Total actuarial (loss) recognised in OCI £'000	(1,130)	(215)
% of scheme liabilities at end of period	9.45%	2.02%

12. Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
10,000,000 (2015: 100,000,000) ordinary shares of £1 each	10,000	100,000

In November 2016, the Company reduced its share capital by £90m.

13. Reserves

	Revaluation Reserve £'000	Other reserves £'000	Total £'000
At 1 January 2016	(227)	(1,067)	(1,294)
At 31 December 2016	(227)	(1,067)	(1,294)

The analysis of the movement in reserves is detailed within the Statement of Changes in Equity on page 12.

The revaluation reserve represents unrealised changes in the value of investments in group undertakings. Group undertakings are valued using the directors' valuation model.

Other reserves comprise the excess of the fair value of assets transferred to the Company over the nominal value of the shares issued in consideration for the assets.

AXA PPP Healthcare Group Limited

Notes to the Financial Statements (continued) as at 31 December 2016

14. Guarantee

The Company has provided a guarantee to AXA Assistance UK Limited over the lease agreement on the Redhill property. The guarantee is provided in line with the surety provisions within the existing lease agreement, which is contracted to be surrendered in March 2018. The amount of the guarantee will decline in line with the remaining term of the lease agreement, representing a potential liability of £1.5m as at 31 December 2016.

15. Events occurring after the reporting period

On 1 January 2017 the sale of AXA Healthcare Management (Asia regional centre) PTE Limited to AXA Global Protect Limited was completed for a consideration of £12m.

16. Immediate and ultimate parent

The Company is an immediate subsidiary of Guardian Royal Exchange plc, a company registered in England.

In the opinion of the directors, the Company's ultimate parent and controlling company is AXA, a company incorporated in France. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is AXA. Copies of the AXA group financial statements can be obtained from 25, avenue Matignon, 75008 Paris, France.

The parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared is Guardian Royal Exchange plc, a company registered in England. Copies of the Guardian Royal Exchange plc financial statements can be obtained from that company's registered office at 5 Old Broad Street, London EC2N 1AD.