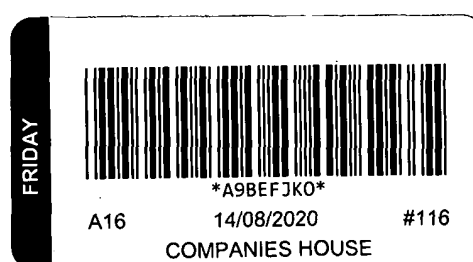


Registration number: 3148346

# AXA PPP Healthcare Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# AXA PPP Healthcare Group Limited

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# **AXA PPP Healthcare Group Limited**

## **Company Information**

**Directors**

F. A. Craig  
M. R. Howes  
T. N. Garrad  
M. A. Vardy  
A. Matty

**Company secretary** K. A. Beggs

**Registered office** 5 Old Broad Street  
London  
EC2N 1AD

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

## AXA PPP Healthcare Group Limited

### Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report of AXA PPP Healthcare Group Limited ("the Company") for the year ended 31 December 2019.

#### Principal activity

The principal activity of the Company is the provision of services to other companies in the AXA PPP group structure.

#### Review of the business

The loss for the financial year after tax is £14,151k (2018: profit of £4,329k). The loss mainly arises from the impairments of investments in AXA ICAS Limited and ICAS International Holdings Limited totalling £14,225.

#### Strategy

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

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

		2019	2018
Turnover	£'000	146,396	141,103
Administration Expenses	£'000	(146,432)	(140,983)
Net assets	£'000	85,328	149,440

#### 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.

#### Future developments

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

The impact of the COVID-19 pandemic is being monitored and plans are being established and implemented to manage the effects of the outbreak and assess disruptions and other risks to its operations. In particular the Company's management information flows, risk management processes and internal controls systems are being closely monitored and alternative mitigating controls are being introduced as appropriate. The directors are also monitoring potential adverse effects of the spread of COVID-19 on the Company's business activities, in particular, the scope and severity of any further downturn in global financial markets and the global economy and consequential impacts on the AXA UK Group investment portfolio; and the extent of the impact on the insurance businesses of the companies to which the Company provides services. Depending on the rate of transmission and related mortality, COVID-19 may have significant adverse effects on our business, operations and financial results. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty.

## AXA PPP Healthcare Group Limited

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

#### Brexit

The implications to the Company of the United Kingdom's departure from the European Union on 31st January 2020 have been considered, specifically the effects this could have on estimations and judgements made in the preparation of the financial statements. Whilst this assessment is ongoing with management carefully monitoring the latest events, as described above the Company has in place robust and effective capital and risk management processes, and the risks arising from Brexit are being managed alongside a range of risks inherent to its business. The directors anticipate limited operational impacts arising from Brexit.

#### Section 172 statement

##### The Company, its stakeholders and relevant issues

The principal and ongoing activity of AXA PPP Healthcare Group Limited ("AXA PPP Group" or the "Company") is the provision of services to other companies in the AXA PPP group structure. The Company is a wholly-owned subsidiary within the AXA Group, a worldwide leader in insurance and asset management.

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

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

- *Customers:* The customers of the Company and the quality and pricing of the products and services sold to them which have a major influence on the reputation of the Company.
- *Employees:* The Company is the employing entity for staff in the AXA PPP group structure. The workforce's culture, values, behaviours, performance, and engagement drive how AXA PPP group companies serve their customers and how they interact with suppliers.
- *Suppliers and third parties:* The Company manages and promotes strong relationships with its suppliers (either internal or external to the AXA Group ("AXA")) to ensure good service, cost effectiveness, use of economies of scale and effective collaboration. We have strong relationships with our network of suppliers, including hospitals, specialists and third-party suppliers. These relationships are a key focus for our business, as strong provider relationships enable good clinical outcomes for our members as well as enabling good commercial performance. We have sought out third parties to provide additional services, such as Doctor@Hand, enabling virtual GP appointments, especially assisting with Wellbeing propositions.
- *The environment:* The Company aims to minimise its impact on the environment in order to maintain its reputation and licence to operate. It is committed to reducing its impact on the environment by actively managing energy, paper and water consumption, as well as carbon emissions and waste. AXA's environmental programmes contribute positively both to the Company's corporate culture as a whole and to its relationships with customers and staff.
- *Community:* The Company understands that it has a vital role to play in being a responsible corporate citizen and believes this is important to the reputation of the Company and the wider AXA UK Group. AXA's community engagement programmes contribute positively both to the Company's corporate culture as a whole and to its relationship with customers and staff.
- *Shareholder & Other AXA Group companies:* The Company has one immediate shareholder; Guardian Royal Exchange plc, which provided its equity capital. AXA SA is the ultimate shareholder. Stakeholder management within the AXA UK & Ireland and wider AXA Group is key to ensure that positive relationships are maintained. Consideration is given to how we support other countries' Health businesses given our experience and expertise.

## AXA PPP Healthcare Group Limited

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

#### Methods of engagement

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

- *Customers:* The Company strives to build trusted relationships with customers and to always treat them fairly, providing commitment to its customers that the business delivers against its purpose, empowering them to live better lives. Customer experience tracking enables feedback to be gained from customers at a number of different points in the journey enabling action plans and changes to customer experiences where necessary. The Company actively encourages customers to give feedback externally on sites like Feefo (where the Company has been awarded Platinum Trusted accreditation after achieving a Gold Trusted rating for three consecutive years) and Trustpilot. NPS survey findings are also used to improve customer engagement with knowledge being shared across all of our business. Customer focus groups are led by the Customer Insights team.

The Company understands the importance of connecting with key intermediary partners on core business strategies, priorities and new propositions. Bringing intermediaries with us on this journey, providing clarity and reassurance.

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

Feedback from the workforce is sought through quarterly Pulse surveys, where staff can provide their views on how the business is performing against its strategic objectives and key values. The AXA PPP group held an employee conference in October 2019 to present the future strategy and ensure understanding and engagement from its workforce. Feedback from the conference was positive, and the employee Q&A event was well attended with strong contributions from staff.

Vox is AXA PPP healthcare's consultative body representing all employees and managers. It meets every month to discuss new ideas, policy changes and business matters affecting employees and managers.

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

## AXA PPP Healthcare Group Limited

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

- *Suppliers and third-parties:* The Company manages and promotes strong relationships with its network of suppliers through AXA UK Group company-wide procurement approach to ensure economies of scale and collaboration with suppliers can be achieved. The Company has Provider Management and other specialist teams which are in regular contact with hospital groups and medical specialists to ensure that positive and collaborative relationships are maintained. In 2019, AXA PPP healthcare worked collaboratively with Synergix Health Limited ("Synergix") to deliver an enhancement to the Doctor@Hand proposition, providing primary care and diagnostics in a cohesive journey for the benefit of the customer. The two companies used regular meetings and open dialogue to encourage a positive business relationship. They partnered in a Joint Venture in January 2020 to ensure the ongoing success of the partnership.
- *The environment:* From a Group perspective, AXA has sent a clear message by agreeing to the RE100, stating a commitment to have 100% renewable energy by 2025. The Company's directors are committed to implementing this within the Company. AXA UK already procures 67% of its energy from renewable sources through REGO certification. As a global organisation AXA has quadrupled green and clean investments target to €12billion, twice as high as the COP21 recommendation of 1% of assets and actively divested funds away from carbon-intensive industries as evidence by our pledge to divest from companies which derive more than 30% of their revenues from coal, have a coal-based energy mix that exceeds 30%, or produce more than 20 million tonnes of coal per year.

At an AXA PPP group level, the Company maintains a Green Travel policy, with a high proportion of local distribution carried out by a zero-emission electric van. Employees are encouraged to walk, cycle or use public transport to get to work. AXA PPP has been part of industry-wide initiatives on climate change since 2007, working with the Carbon Trust to calculate and reduce its energy use. It has made changes to how it runs its business, like installing solar panels to power the lighting in its car parks and introducing a wormery to produce rich compost for its grounds. AXA PPP has also built beehives and trained twelve colleagues in beekeeping. The honey made is sold to raise money for research into the causes and consequences of threats to pollinating insects.

- *Community:* The Company strives to play a positive role in society and actively supports communities it operates in. From volunteering and mentoring to fundraising or sharing business expertise, the Company encourages its employees to get involved wherever possible. Community partnership programmes such as Hearts in Action are designed to build a link between the business and local communities. The AXA UK Group has achieved over 100 apprenticeship hires, which have been filled by individuals from a diverse range of backgrounds and in support of wider societal issues, such as mental health. There are over 190 mental health first aiders across the AXA UK Group (108 across AXA PPP healthcare businesses) and at least one in every site.
- *Shareholder & Other AXA Group companies:* The Company engages with its shareholder through regular briefing of group directors on its performance and upward reporting through management information systems. The Company's website, intranet and social media channels provide extensive and up-to-date news on recent developments.

## **AXA PPP Healthcare Group Limited**

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

#### **Key decisions and consideration of stakeholders**

- Towards the end of 2019, the AXA PPP group announced plans to rationalise a number of existing brands under a new “AXA Health” identity; following an extensive brand review which engaged various stakeholders including customers, prospective clients and broker communities to understand how the business is perceived by the market and how the Company can serve its stakeholders better. The more unified, simpler approach to brand was announced to the market during October 2019, with key partners and regulators informed at the same time as employees to ensure early information was available to all. Work continues on the proposed two-year implementation programme to simplify the Company’s legal entities and integrate brands, people and business lines. The project is formed of several workstreams to ensure that all relevant stakeholders are engaged at the right stage of the project.
- Salesforce was selected as the Company’s preferred customer relationship management tool to deliver part of the strategic Transforming Customer Management programme, which will ultimately benefit the customer experience.
- The directors consider that the AXA UK Group’s employee engagement programmes, explained above, continue to serve the Company’s requirement in enabling employees from all levels of the organisation to actively contribute and participate in decisions where appropriate.
- The Company supports the Group’s environmental policy and evaluates and monitors its environmental impacts, seeking to reduce them year on year. During 2019, a decision was taken to implement a fully comprehensive environmental management system which achieves and maintains accreditation to BS EN ISO14001 with a view to reducing the carbon footprint.
- In March 2019, the Company provided a loan of £2.3 million to its subsidiary, PPP Taking Care Limited to enable PPP Taking Care Limited to meet its operating and local minimum liquidity requirements in 2019. The loan was subject to interest of LIBOR (3 month) + 0.44% and is repayable in full together with accrued interest on 1 April 2024. When considering the loan proposal, the directors took account of all relevant factors set out in section 172 as well as its own liquidity position. The directors concluded that the loan to PPP Taking care Limited was most likely to promote the success of the AXA PPP group for the benefit of its members as a whole and that neither the long-term interests of the Company nor the interests of its creditors were significantly prejudiced by entering into the loan agreement with PPP Taking Care Limited.
- In June 2019, the Board approved its annual Slavery & Human Trafficking Statement pursuant to Section 54 of the UK Modern Slavery Act 2015 (“MSA”). The AXA Group has a long history of adhering to and promoting strong professional ethics and is committed to conducting its business according to the highest standards of honesty and fairness. This commitment to observing such ethical standards is designed not only to ensure compliance with applicable laws and regulations in the various jurisdictions where AXA operates but also to earning and keeping the continued trust of its clients, shareholders, personnel and business partners. The directors believe that the Company’s success and reputation is not only dependent on the quality of its products and the services provided to its customers, but also on the way it does business. The Company ensures that it works with suppliers that meet the AXA standards with respect to ethics and corporate responsibility through a clearly documented process for supplier selection and contracting.

## AXA PPP Healthcare Group Limited

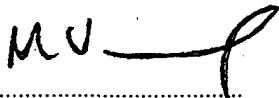
### Strategic Report for the Year Ended 31 December 2019 (continued)

- In October 2019, the Company entered into a joint venture agreement with Synergix to provide digital healthcare to customers of the Company in the UK (the "Transaction"). The Transaction included acquiring 50% of the issued share capital of Doctor at Hand Diagnostics Limited. The directors considered their duties under section 172 of the Companies Act 2006, regarding how the Transaction was most likely to promote the success of the Company for the benefit of its members as a whole, including all relevant matters. Specifically, the directors considered the likely consequences of the Transaction on the Company in the long term and its engagement with suppliers and customers. The directors concluded that entry by the Company into the Transaction and the joint venture agreement would promote the success of the Company for the benefit of its members as a whole.
- In December 2019, the Board approved the payment of an interim dividend of £49.8 million which was paid in December 2019 and drawn from available reserves. The dividend was made in accordance with the principles and practices of the AXA UK Capital Management Policy, which the directors consider appropriate to the Company, including:
  - Maintaining a level of capital consistent with Board approved risk appetite statements
  - Maintaining sufficient resources to fund planned growth
  - Compliance with Solvency 2 rules and regulations
  - Compliance with any additional local regulatory capital management rules and requirements

The directors took into account all relevant matters set out in Part 23, Chapter 1 of the Companies Act concerning the payment of dividends, including reviewing the Company's distributable reserves and its ability to pay its debts as they fall due, having regard to the entirety of the Company's business and the actual and contingent liabilities (present and future) inherent in that business. The directors concluded that neither the long-term interests of the Company nor the interests of its creditors were significantly prejudiced by payment of the interim dividends and that distributable reserves were sufficient to cover the dividends.

- In December 2019, the AXA UK plc Board decided to move the Defined Contribution ("DC") section of the AXA UK Group Pension Scheme (the "Scheme") to a Master Trust arrangement. AXA UK consulted with all participating employers of the Scheme, including the Company (the employer of AXA PPP staff), through written communications and working groups. All participating employers were asked to decide whether to participate in the Master Trust proposed by AXA UK plc or make alternative arrangements for the future pension provision for its employees. In consideration of the proposal, the Directors of AXA PPP Group took account of the replication of members benefits under the Master Trust and consultation periods regarding changes in pension provisions, receiving confirmation that there would be no unmitigated material impacts on individual employees/pension scheme members as a result of the Master Trust arrangement. Following approval to proceed by all participating employers, a 60-day employee consultation period commenced from 10th February 2020. The consultation ended on 10th April; however, due to Covid-19 and volatility in investment markets, it was agreed to postpone making a decision on whether to proceed with the Master Trust until later in 2020.

Approved by the Board on 6 August 2020 and signed on its behalf by:



M. A. Vardy  
Director

## **AXA PPP Healthcare Group Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

#### **Future Developments**

Future developments are discussed in the Strategic Report.

#### **Directors of the Company**

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

F. A. Craig

M. R. Howes

A. Wilkinson (resigned 31 March 2019)

T. N. Garrad (appointed 12 February 2019)

M. A. Vardy (appointed 14 June 2019)

The following director was appointed after the year end:

A. Matty (appointed 30 July 2020)

#### **Dividends**

During the year the Company declared and paid £49.8m (2018: £nil) of dividends.

#### **Political donations**

The Company made no donations for political purposes.

#### **Employment of disabled persons**

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.

#### **Employee involvement**

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

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

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

Information covering the engagement of employees, the engagement of suppliers, customers and others in business relationship and corporate governance arrangements are included within the section 172 statement on pages 3 to 7.

#### **Branches outside the United Kingdom**

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.

## **AXA PPP Healthcare Group Limited**

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

#### **Going concern**

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

The Company has detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the Company for the next 12 months and are considered within the strategic plan to 2023. The directors therefore believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook arising from the current COVID-19 pandemic, and the directors have a reasonable expectation, based on sensitivity analyses, that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual financial report.

#### **Financial instruments**

##### ***Objectives and policies***

Financial risk management, including the impact of risk on economic capital, is discussed further in the Management of financial risk note on page 31.

#### **Non-adjusting events after the financial period**

##### **COVID-19 OUTBREAK**

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

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

The Company and the companies to which it provides services are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining services to customers and other stakeholders and ensuring effective processes are in place to communicate and execute such plans.

The directors are closely monitoring the Company's exposures to the COVID-19 outbreak, including (i) the operational impact on its business, (ii) the consequences from a deterioration in macroeconomic conditions and a slowdown in the flow of people, goods and services and (iii) the financial condition of other AXA entities.

#### **PURCHASE OF AXA ICAS LIMITED**

On 19 March 2020 the Company purchased AXA ICAS Limited from ICAS International Holdings Limited for £2,866K.

## **AXA PPP Healthcare Group Limited**

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

#### **SALE OF ICAS INTERNATIONAL HOLDINGS LIMITED**

On 19 March 2020 the Company sold its entire shareholding in ICAS International Holdings Limited to ROX Equity Partners Limited for £3,594k including costs to sell.

#### **ACQUISITION OF JOINT VENTURE**

On 31 January 2020 the Company acquired 50% of the issued shares of Doctor At Hand Diagnostics Limited in a joint venture agreement with Synergix Health Limited for £3m.

#### **INVESTMENT IN NEW LEGAL ENTITY**

On 30 July 2020 the Company's board approved the establishment of a new legal entity as part of a corporate reorganisation. The new entity, AXA Health Limited, will provide a service as a regulated distributor of AXA PPP's insurance products.

#### **Directors' qualifying third party and pension scheme indemnity provision**

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

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

#### **Corporate governance statement**

A separate corporate governance statement has been presented on pages 12 to 17.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Statement of directors' responsibilities**

The directors 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:

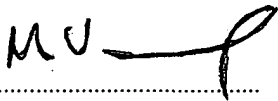
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial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

## **AXA PPP Healthcare Group Limited**

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

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

Approved by the Board on 6 August 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. A. Vardy', written over a dotted line.

M. A. Vardy  
Director

## **AXA PPP Healthcare Group Limited**

### **Corporate Governance Report**

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

#### **Principle 1 - Purpose and Leadership**

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

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

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

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

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

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

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

## **AXA PPP Healthcare Group Limited**

### **Corporate Governance Report (continued)**

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

The Company and the wider AXA PPP healthcare group strives to build trusted relationships with customers and to always treat them fairly, providing commitment to our customers that the business delivers against its purpose.

#### **Principle 2 - Board Composition**

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

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

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

#### **Principle 3 - Director Responsibilities**

##### **Accountability**

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

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

## **AXA PPP Healthcare Group Limited**

### **Corporate Governance Report (continued)**

#### **Committees**

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

#### **Integrity of information**

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

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

#### **Principle 4 - Opportunity and Risk**

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

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

#### **Opportunity**

The Company's success is closely connected to the success of AXA PPP healthcare limited. Its activities are aligned to the AXA PPP healthcare strategy, which is considered and agreed by the AXA PPP healthcare limited Board annually. The Company's key operational risks and mitigations are outlined in the Strategic Report (on pages 3-7).

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

## AXA PPP Healthcare Group Limited

### Corporate Governance Report (continued)

#### Responsibilities

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

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

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

#### Principle 5 - Remuneration

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

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

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

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

#### Principle 6 - Stakeholders

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

The Company’s key stakeholders and how it engages with them are described in the Strategic Report (see pages 3-7).

## **AXA PPP Healthcare Group Limited**

### **Corporate Governance Report (continued)**

Stakeholder engagement is a key part of AXA's overall strategy and its approach to sustainability. Engagement improves AXA's understanding of its operating environment and helps the business to take better business decisions. Accountability and transparency are key with all external stakeholders and with representatives of government and other opinion leaders, whilst maintaining an open and visible presence in the media. The Company's fundamental purpose of protecting people and empowering them to live better lives is demonstrated and supported in active engagement across industry bodies and our stakeholder community.

#### **Community**

The Company strives to play a positive role in society and actively supports communities it operates in. From volunteering and mentoring to fundraising or sharing business expertise, the Company encourages its employees to get involved wherever possible. Community partnership programmes such as Hearts in Action are designed to build a link between the business and local communities. The AXA UK Group has achieved over 100 apprenticeship hires, which have been filled by individuals from a diverse range of backgrounds and in support of wider societal issues, such as mental health, and has over 190 Mental Health first aiders across the organisation and at least one in every site.

#### **Customers**

The Company strives to build trusted relationships with customers and to always treat them fairly, providing commitment to our customers that the business delivers against its purpose, empowering them to live better lives. Customer experience tracking enables feedback to be gained from customers at a number of different points in the journey enabling action plans and changes to customer experiences where necessary. The Company actively encourages customers to give feedback externally on sites like Feefo (where the Company has been awarded Platinum Trusted accreditation after achieving a Gold Trusted rating for three consecutive years) and Trustpilot. NPS survey findings are also used to improve customer engagement with knowledge being shared across all of our business. Customer focus groups are led by the Customer Insights team.

The Company understands the importance of connecting with key intermediary partners on core business strategies, priorities and new propositions, bringing intermediaries with us on this journey, providing clarity and reassurance.

#### **Supplier and third-parties**

The Company promotes strong relationships with its network of suppliers, including hospitals, specialists and third-party suppliers, some of which are managed through an AXA UK Group company-wide procurement approach to ensure economies of scale and collaboration with suppliers can be achieved. These relationships are a key focus for our business, as strong provider relationships enable good clinical outcomes for our members as well as enabling good commercial performance. We have sought out third parties to provide additional services, such as Doctor@Hand, enabling virtual GP appointments, especially assisting with Wellbeing propositions.

#### **Regulators and industry bodies**

Ensuring there is a strong and positive regulatory relationship is key to achieving everything that is required. This is set by the tone at the top where continuous engagement with the regulator takes place. The tone adopted throughout the Company aims to maintain strong, and effective relationships with the PRA and FCA, working in a collaborative and transparent manner to enable good customer outcomes. Proper governance and effective communication are key in fostering these relationships. It is vital that these are well maintained as this is directly linked to our business being able to operate in the UK.

Engagement with wider industry bodies is critical to upholding the responsible enterprise position that the Company strives to achieve. This is evidenced through commitment and engagement with a number of bodies. AXA has policies on investment in tobacco and fossil fuels, responsible insurance products, and data protection. The AXA Research Fund was created in 2007 to encourage scientific research that helps understanding and prevention of environmental, life and socio-economic risks. Additionally, the Company (as part of the AXA UK Group) engages with key industry bodies often lobbying for change on critical issues. We foster strong relationships with the ABI (via our involvement in the ABI Health Committee) considering how private health insurers can contribute to improving quality and outcomes in the health sector in the UK.

## **AXA PPP Healthcare Group Limited**

### **Corporate Governance Report (continued)**

#### **Employees**

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

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

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

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

#### **Environment**

Corporate responsibility is key area of focus for the Company both as a business and as part of AXA's global organisation. There is a clear recognition of the role the business can play in avoiding negative contribution or contributing positively to the environment.

From a Group perspective, AXA has sent a clear message by agreeing to the RE100, stating a commitment to have 100% renewable energy by 2025. AXA UK already procures 67% of its energy from renewable sources through REGO certification. As a global organisation AXA has quadrupled green and clean investments target to €12billion, twice as high as the COP21 recommendation of 1% of assets and actively divested funds away from carbon-intensive industries as evidence by our pledge to divest from companies which derive more than 30% of their revenues from coal, have a coal-based energy mix that exceeds 30%, or produce more than 20 million tonnes of coal per year. At an entity level, AXA PPP healthcare is committed to reducing its impact on the environment by actively managing the use of energy, paper and water consumption, as well as carbon emissions and waste.

## **AXA PPP Healthcare Group Limited**

### **Independent Auditor's 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 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### **Basis for opinion**

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

#### **Emphasis of Matter - Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the Company Financial Statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 2 and the consideration in the going concern basis of preparation on page 25 and non-adjusting events after the financial period on page 45.

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

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

#### **Conclusions relating to going concern**

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

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

## **AXA PPP Healthcare Group Limited**

### **Independent Auditor's Report to the Members of AXA PPP Healthcare Group Limited (continued)**

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the Statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the Annual Report and Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **AXA PPP Healthcare Group Limited**

### **Independent Auditor's Report to the Members of AXA PPP Healthcare Group Limited (continued)**

#### **Auditor's responsibilities for the audit of the financial statements**

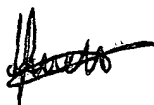
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

#### **Use of the audit report**

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



.....  
Leanne Finch (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

6 August 2020

# AXA PPP Healthcare Group Limited

## Profit and Loss Account for the Year Ended 31 December 2019

		(As restated)	
	Note	2019 £ 000	2018 £ 000
Turnover	5	146,396	141,103
Administrative expenses		<u>(146,432)</u>	<u>(140,983)</u>
Operating (loss)/profit		<u>(36)</u>	<u>120</u>
Income from shares in group undertakings		-	9,335
Other interest receivable and similar income		225	275
Amounts written off investments	10	(14,225)	(24,971)
Interest payable and similar charges		(225)	(275)
Gain from disposals of investments in subsidiaries		-	19,845
Investment income		<u>13</u>	<u>-</u>
		<u>(14,212)</u>	<u>4,209</u>
(Loss)/profit before tax		(14,248)	4,329
Tax on (loss)/profit on ordinary activities	7	<u>97</u>	<u>-</u>
(Loss)/profit for the year		<u>(14,151)</u>	<u>4,329</u>

The above results were derived from continuing operations.

# AXA PPP Healthcare Group Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2019

		(As restated)	
	Note	2019 £ 000	2018 £ 000
(Loss)/profit for the year		(14,151)	4,329
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post employment benefit obligations (net)	7, 15	<u>(194)</u>	<u>1,537</u>
Total comprehensive income for the year		<u><u>(14,345)</u></u>	<u><u>5,866</u></u>

The notes on pages 25 to 46 form an integral part of these financial statements.

# AXA PPP Healthcare Group Limited

(Registration number: 3148346)  
Balance Sheet as at 31 December 2019

		(As restated)	
	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Investments	12	107,735	121,960
<b>Current assets</b>			
Debtors	13	6,281	55,494
<b>Creditors: Amounts falling due within one year</b>	14	<u>(19,327)</u>	<u>(18,778)</u>
<b>Net current (liabilities)/assets</b>		<u>(13,046)</u>	<u>36,716</u>
<b>Net assets excluding pension liability</b>		94,689	158,676
Post-retirement healthcare scheme	15	<u>(9,361)</u>	<u>(9,236)</u>
<b>Net assets</b>		<u>85,328</u>	<u>149,440</u>
<b>Capital and reserves</b>			
Called up share capital	16	10,000	10,000
Revaluation reserve	17	(227)	(227)
Other reserves	17	(1,067)	(1,067)
Profit and loss account	17	<u>76,622</u>	<u>140,734</u>
<b>Shareholder's funds</b>		<u>85,328</u>	<u>149,440</u>

	2019 £ 000	2018 £ 000
<b>Included within Net Assets is the following asset classified as held for sale (see note 18)</b>		
Asset classified as held for sale	<u>3,594</u>	<u>-</u>

Approved by the Board on 6 August 2020 and signed on its behalf by:



.....  
M. A. Vardy  
Director

**AXA PPP Healthcare Group Limited**

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

	Share capital £ 000	Revaluation reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	10,000	(227)	(1,067)	140,734	149,440
Loss for the year	-	-	-	(14,151)	(14,151)
Other comprehensive income	-	-	-	(194)	(194)
Total comprehensive income	-	-	-	(14,345)	(14,345)
Dividends	-	-	-	(49,767)	(49,767)
At 31 December 2019	<u>10,000</u>	<u>(227)</u>	<u>(1,067)</u>	<u>76,622</u>	<u>85,328</u>

	Share capital £ 000	Revaluation reserve £ 000	Other reserves £ 000	(As restated) Retained earnings £ 000	Total £ 000
At 1 January 2018	10,000	(227)	(1,067)	134,868	143,574
Profit for the year	-	-	-	4,329	4,329
Other comprehensive income	-	-	-	1,537	1,537
Total comprehensive income	-	-	-	5,866	5,866
At 31 December 2018	<u>10,000</u>	<u>(227)</u>	<u>(1,067)</u>	<u>140,734</u>	<u>149,440</u>

The notes on pages 25 to 46 form an integral part of these financial statements.  
Page 24

## **AXA PPP Healthcare Group Limited**

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

#### **1 General information**

The principal activity of the Company is the provision of services to other companies in the AXA PPP group structure.

The Company is a private limited company limited by shares 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  
United Kingdom

These financial statements were authorised for issue by the Board on 6 August 2020.

#### **2 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.

##### **Statement of compliance**

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.

##### **Basis of preparation**

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

The Company has detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the Company for the next 12 months and are considered within the strategic plan of AXA Insurance UK plc to 2023. The directors consider that the financial impact of the COVID-19 virus on the UK economy and the Company is not currently estimable with any degree of certainty. In considering the potential impact on the Company, the directors have prepared various financial projections which incorporate the impact on trading, unemployment levels, financial markets and GDP, covering short, medium and longer-term time scales.

The directors believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook, and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial report.

## AXA PPP Healthcare Group Limited

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

#### 2 Accounting policies (continued)

Certain prior year balances have been reclassified to conform with accounting interpretations on the substance of transactions. The Company previously wrote down intercompany balances that it had waived with subsidiaries through the profit and loss account. It has since been determined that the waiving of such balances constitutes the provision of capital and therefore has been reclassified to investment in group undertakings. Upon reclassifying to investment in group undertakings an assessment of the carrying value in subsidiaries was undertaken, where it was determined the adjusted carrying value could not be supported and was impaired by £15.6m to its recoverable value as at 31 December 2018. Details of the prior year adjustments are shown in note 17 Reserves. Also 2018 turnover and administration expenses have both been increased by £12m, in order to remove an item included within wages and salaries that on subsequent assessment did not fall within the classification of wages and salaries. An update has also been made to note 8 - Employee numbers and costs.

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

- (a) The requirements of IFRS 7 'Financial Instruments: Disclosures' provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (b) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- (c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1.
- (d) 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'.
- (e) The requirements of IAS 7 'Statement of Cash Flows'.
- (f) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- (g) The requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'.
- (h) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (i) The requirements of 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.

#### Changes in accounting policy

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

#### Exemption from preparing group accounts

The financial statements contain information about AXA PPP Healthcare Group Limited as an individual company and do not contain consolidated financial information as the parent of a group.

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

## AXA PPP Healthcare Group Limited

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

#### 2 Accounting policies (continued)

##### Revenue recognition

###### *Recognition*

The Company earns revenue from the provision of services relating to the services of staff employed by the Company. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

###### *Performance obligations*

The main performance obligations in contracts consist of services to group companies. For all contracts the stage of completion and delivery of performance obligations are measured using an output method based on employee's service levels, in reference to the proportion of the service provided on a time elapsed basis.

##### Defined contribution pension obligation

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.

##### Post retirement healthcare 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.

##### Investments in group undertaking

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.

## **AXA PPP Healthcare Group Limited**

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

#### **2 Accounting policies (continued)**

##### **Assets classified as held for sale**

A non-current asset or group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and at least once every reporting period.

## AXA PPP Healthcare Group Limited

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

#### 2 Accounting policies (continued)

##### Financial instruments

###### Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

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

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

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

###### Classification and measurement

Financial instruments are classified at inception into the category amortised cost.

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

###### Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):-

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

If either of the above two criteria is not met, the financial assets are classified and measured at FVTPL.

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

##### Derecognition

###### Financial assets

The Company derecognises a financial asset when;

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

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

## **AXA PPP Healthcare Group Limited**

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

#### **2 Accounting policies (continued)**

##### *Financial liabilities*

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

##### **Impairment of financial assets**

##### *Measurement of Expected Credit Losses*

The Company measures loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely debtors and loans from related parties.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

For debtors from related parties, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

Provisions for credit-impairment are recognised in the profit and loss account and are reflected in accumulated provision balances against each relevant financial instruments balance.

#### **3 Critical accounting estimates and judgements in applying accounting policies**

The preparation of financial statements in compliance with FRS 101 requires management to monitor and exercise judgement in the selection and application of appropriate accounting policies and in the use of accounting estimates.

##### **Post-retirement healthcare scheme**

The carrying value of the post-retirement healthcare scheme at the reporting date of £9,361k (2018: £9,236k) is based on a qualified actuarial valuation, as explained in the accounting policy and note 15. Significant judgement is applied to estimate the discount rate, mortality assumptions, and future healthcare costs.

## AXA PPP Healthcare Group Limited

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

#### 4 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.

#### 5 Turnover

The analysis of the Company's turnover for the year from continuing operations arising from activities entirely within the UK, is as follows:

	(As restated)	
	2019	2018
	£ 000	£ 000
Group recharges	<u>146,396</u>	<u>141,103</u>

# AXA PPP Healthcare Group Limited

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

### 6 Auditor's remuneration

	2019 £ 000	2018 £ 000
Fees payable to the Company's auditor for the audit of the Company accounts	<u>7</u>	<u>7</u>

### 7 Taxation

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

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax	(4)	-
UK corporation tax adjustment to prior periods	<u>(92)</u>	<u>-</u>
	(96)	-
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(1)</u>	<u>-</u>
Tax credit in the profit and loss account	<u>(97)</u>	<u>-</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	(As restated)	
	2019 £ 000	2018 £ 000
(Loss)/profit before tax	<u>(14,248)</u>	<u>4,329</u>
Corporation tax at standard rate	(2,707)	823
Decrease in current tax from adjustment for prior periods	(93)	-
Decrease from effect of revenues exempt from taxation	-	(3,793)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	<u>2,703</u>	<u>2,970</u>
Total tax credit	<u>(97)</u>	<u>-</u>

# AXA PPP Healthcare Group Limited

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

### 7 Taxation (continued)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates.

It was announced in the budget on 11 March 2020 that the above noted corporation tax rate reduction will be repealed. The budget announcement was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date continue to be measured at the enacted rate at the end of the reporting period of 17%.

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

	2019			2018		
	Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000	Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000
Remeasurements of post employment benefit obligations (net)	<u>(239)</u>	<u>45</u>	<u>(194)</u>	<u>1,898</u>	<u>(361)</u>	<u>1,537</u>

#### Deferred tax

##### Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

2018	Asset £ 000
Accelerated tax depreciation	<u>1</u>

#### Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	<u>1</u>	<u>(1)</u>	<u>-</u>

## AXA PPP Healthcare Group Limited

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

#### 7 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	31 December 2018 £ 000
Accelerated tax depreciation	<u>1</u>	<u>1</u>

#### 8 Employee numbers and costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	(As restated) 2018 £ 000
Wages and salaries	119,934	115,176
Social security costs	10,536	10,810
Pension costs, defined contribution scheme	<u>15,926</u>	<u>14,997</u>
	<u>146,396</u>	<u>140,983</u>

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.

Prior year wages and salaries has been restated to remove an item that on subsequent assessment was not considered to fall within the classification of wages and salaries.

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

	2019 No.	2018 No.
Administration and support	595	555
Sales, marketing and distribution	857	818
Other departments	<u>1,121</u>	<u>1,113</u>
	<u>2,573</u>	<u>2,486</u>

## AXA PPP Healthcare Group Limited

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

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	758	752
Directors amount under long term incentive schemes in respect of qualifying services	286	147
Contributions paid to defined contribution schemes	-	14
	<u>1,044</u>	<u>913</u>

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

	2019 No.	2018 No.
Exercised share options	-	2
Accruing benefits under money purchase pension scheme	-	2

#### Amounts attributable to highest paid director

	2019 £ 000	2018 £ 000
Remuneration	397	393
Benefits under long-term incentive schemes (excluding shares)	166	85
Company contributions to defined contribution pension schemes	-	12

Mrs. T. N. Garrad was also a director of AXA UK plc during the year and her emoluments, which relate to his services to the AXA Group as a whole, are disclosed in the financial statements of that company.

Mr. M. A. Vardy was also a director of AXA ICAS Limited during the year and his emoluments, which relate to his services to the AXA Group as a whole, are disclosed in the financial statements of that company.

#### 10 Amounts written off investments

The analysis of the Company's amounts written off investments for the year is as follows:

	2019 £ 000	2018 £ 000
	(14,225)	(24,971)
Impairment of investment in subsidiaries	<u>(14,225)</u>	<u>(24,971)</u>

(As restated)

## AXA PPP Healthcare Group Limited

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

#### 11 Other gains and losses

The analysis of the Company's other gains and losses for the year is as follows:

	2019 £ 000	2018 £ 000
Gain from disposals of investments in group undertakings	-	19,845

#### 12 Investments in group undertakings

	(As restated) £ 000
<b>Subsidiaries</b>	
<b>Cost or valuation</b>	
At 1 January 2018	123,916
Additions	35,472
Impairment	(24,971)
Disposals	(12,457)
At 31 December 2018	121,960
At 1 January 2019	121,960
Impairment	(14,225)
At 31 December 2019	107,735
<b>Carrying amount</b>	
At 31 December 2019	107,735

Additions in the prior year include £26,137k of previously written down intercompany balances with subsidiaries that the company had waived through the profit and loss account. It has since been determined that the waiving of such balances constitutes the provision of capital and therefore has been reclassified. Upon reclassifying to investment in group undertakings an assessment of the carrying value in subsidiaries was undertaken, where it was determined the adjusted carrying value could not be supported and was impaired by £15,636k to its recoverable value as at 31 December 2018. Details of the prior year adjustments are shown in note 17 reserves.

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

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
AXA PPP Administration Services Limited*	Management services	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%

## AXA PPP Healthcare Group Limited

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

#### 12 Investments in group undertakings (continued)

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2019	2018
AXA PPP Healthcare Administration Services Limited*	Management services	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
AXA ICAS Limited	Counselling and advisory services	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
ICAS International Holdings Limited*	Holding company	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
ICAS Employee and Organisation Enhancement Services Southern Africa (Pty) Limited	Occupational health and consulting services	Dunkeld Office Park, 6 North Road, 2196, Johannesburg, South Africa	Ordinary shares	80.1%	80.1%
AXA ICAS Occupational Health Services Limited*	Occupational health and consulting services	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
ICAS Orientacion Independiente S.L.	Occupational health and consulting services	Arroyofresno 19, 28035 Madrid, Spain	Ordinary shares	100%	100%
Health-On-Line Company UK Limited*	Healthcare intermediary	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
The Permanent Health Company Limited*	Healthcare intermediary	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%
Sangano Investment Holdings Proprietary Limited	Holding company	Dunkeld Office Park, 6 North Road, 2196, Johannesburg, South Africa	Ordinary shares	34%	34%
PPP Taking Care Limited*	Telecare services	5 Old Broad Street, London, EC2N 1AD, UK	Ordinary shares	100%	100%

## AXA PPP Healthcare Group Limited

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

#### 12 Investments in group undertakings (continued)

\* indicates direct investment of the Company.

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.

##### Impairment:

An impairment review was conducted using cash flow projections based upon business plans approved by management, with a risk adjusted discount rate of 7.0%. Cash flows from the end of the plan period were extrapolated using a steady 2.5% growth rate and terminal value. 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.

Further to this assessment a review of the carrying value of the investments based upon business plans approved by management. The review led to the recognition of an overall impairment loss of £14,225k in ICAS International Holdings Limited, split between the UK and International operations. The UK business has been impaired by £8,970k to its recoverable value, representing its value in use. The International business has been classified as held for sale and consequently impaired by £5,255k, to its fair value less costs to sell.

No other provision for impairment was required.

#### 13 Trade and other debtors

	2019 £ 000	2018 £ 000
Debtors from related parties	3,981	55,493
Loans to related parties	2,300	-
Deferred tax assets	-	1
	<u>6,281</u>	<u>55,494</u>

Debtors from related parties are unsecured, repayable within one year, and non-interest bearing.

Loans to related parties represents a 5 year term loan at LIBOR(3 month) + 0.44% per annum.

#### 14 Creditors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Amounts due to related parties	18,413	17,654
Income tax liability	914	1,124
	<u>19,327</u>	<u>18,778</u>

Amounts due to related parties shown above are unsecured, non-interest bearing and repayable on demand.

## AXA PPP Healthcare Group Limited

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

#### 15 Post-employment benefits

##### Defined benefit pension schemes

##### AXA UK Pension Scheme

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

Responsibility for the governance of the plan, including investment decisions, contribution schedules and scheme administration, lies with a single trustee board consisting of company appointed directors and member nominated directors. Additionally, the Law debenture pension trust corporation is a director, acting on behalf of the Trustee board with Special Director Status.

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

An internal review by AXA UK of the defined benefit scheme, revealed an IAS 19 surplus of £263m as at 31 December 2019 (£293m surplus as at 31 December 2018) 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 meet the liabilities of the scheme.

The total pension cost which has been charged to the profit and loss account of the Company is £15.9m (2018: £15.0m). The outstanding contributions as at 31 December 2019 are £nil (2018: £nil).

##### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in respect of the AXA UK group pension scheme are as follows:

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

## AXA PPP Healthcare Group Limited

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

#### 15 Post-employment benefits (continued)

##### *Scheme assets*

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

	2019 £ 000	2018 £ 000
Fair value at start of year	5,348,265	5,486,610
Interest income	130,926	115,772
Return on plan assets, excluding amounts included in interest income/(expense)	398,741	(110,684)
Employer contributions	4,449	12,402
Contributions by scheme participants	-	41,541
Benefits paid	(205,657)	(215,964)
Asset backed contribution	19,149	18,588
Fair value at end of year	<u>5,695,873</u>	<u>5,348,265</u>

##### *Analysis of assets*

The major categories of scheme assets are as follows:

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

##### *Actual return on scheme's assets*

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

## AXA PPP Healthcare Group Limited

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

#### 15 Post-employment benefits (continued)

##### *Scheme liabilities*

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

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

##### *Principal actuarial assumptions*

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

	2019 %	2018 %
Discount rate	1.95	2.80
Future pension increases	2.80	3.00
Inflation (CPI)	<u>1.95</u>	<u>2.20</u>

##### **Other post-retirement healthcare scheme**

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 2019, have been assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial assessment as at 31 December 2019.

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 £394k (2018: £439k).

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

##### **Financial assumptions**

	2019 %	2018 %
Discount rate	1.95	2.80
Rate of increases in long-term medical expenses (after first five years)	5.00	5.00
Rate of increase in medical expenses over next five years	<u>5.00</u>	<u>5.00</u>

## AXA PPP Healthcare Group Limited

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

#### 15 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:

	2019 £ 000	2018 £ 000
<b>Amounts recognised in operating profit</b>		
Current service cost	55	73
<b>Amounts recognised in finance income or costs</b>		
Net interest	225	275
<b>Total recognised in the profit and loss account</b>	<b>280</b>	<b>348</b>

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

	2019 £ 000	2018 £ 000
Experience gain on liabilities	537	18
Change in financial assumptions	(1,072)	490
Gain on change in demographic assumptions	296	240
Changes in PMI claims cost assumption	-	1,150
<b>Amounts recognised in the Statement of Comprehensive Income (gross of tax)</b>	<b>(239)</b>	<b>1,898</b>

#### *Scheme liabilities*

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

	2019 £ 000	2018 £ 000
At 1 January	(9,236)	(11,225)
Other finance charges	(225)	(275)
Current Service cost	(55)	(73)
Actuarial gains and losses	(239)	1,898
Benefits paid	394	439
<b>Present value at end of year</b>	<b>(9,361)</b>	<b>(9,236)</b>

# AXA PPP Healthcare Group Limited

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

### 15 Post-employment benefits (continued)

#### Sensitivity analysis

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 2019 and 2018 is presented below:

	2019		2018	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Adjustment to discount rate	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	(637)	712	(600)	674

	2019		2018	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Adjustment to healthcare costs	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	693	(693)	656	(656)

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.

#### Maturity analysis of benefit payments

	Less than a year £ 000	Between 1-2 years £ 000	Between 2-5 years £ 000	Between 5-10 years £ 000	Between 10-15 years £ 000	Total £ 000
2019	439	923	961	2,392	8,420	13,135
2018	437	934	986	2,549	9,200	14,106

### 16 Called up share capital

#### Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
10,000,000 Allotted, called up and fully paid of £1 each	10,000	10,000	10,000	10,000

## AXA PPP Healthcare Group Limited

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

#### 17 Reserves

##### Revaluation reserve

Represents unrealised changes in the value of investments in group undertakings, in accordance with a previous accounting policy.

##### Other reserves

Comprises 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.

##### Profit and loss account

Represents the accumulated profits and losses of the Company.

##### Restatement of reserves

	Share Capital £'000	Revaluation Reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Previously stated at 1 January 2018	10,000	(227)	(1,067)	134,868	143,574
Previously reported total comprehensive income for the year ended 31 December 2018	-	-	-	(4,635)	(4,635)
Previously stated at 31 December 2018	10,000	(227)	(1,067)	130,233	138,938
Reversal of intercompany loan impairment	-	-	-	26,137	26,137
Recognition of impairment in group undertakings	-	-	-	(15,636)	(15,636)
Restated as at 31 December 2018	<u>10,000</u>	<u>(227)</u>	<u>(1,067)</u>	<u>140,734</u>	<u>149,440</u>

#### 18 Assets classified as held for sale

##### Sale of ICAS International Holdings Limited

On 19 March 2020 the Company disposed of its investment in ICAS International Holdings Limited, which was a wholly owned subsidiary. Plans and negotiations with potential bidders had taken place prior to 31 December 2019 and the asset was therefore reclassified as held for sale. An impairment loss of £4,750k and costs to sell of £1,156k were recognised on its reclassification as held for sale.

The major classes of assets and liabilities of ICAS International Holdings Limited are as follows:

	2019 £ 000
Investments	<u>3,594</u>

## **AXA PPP Healthcare Group Limited**

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

#### **19 Non-adjusting events after the financial period**

##### **COVID-19 OUTBREAK**

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

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

The Company and the companies to which it provides services are in the process of establishing and implementing plans to address how they will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining services to customers and other stakeholders and ensuring effective processes are in place to communicate and execute such plans.

The directors are closely monitoring the Company's exposures to the COVID-19 outbreak, including (i) the operational impact on its business, (ii) the consequences from a deterioration in macroeconomic conditions and a slowdown in the flow of people, goods and services and (iii) the financial condition of other AXA entities.

##### **PURCHASE OF AXA ICAS LIMITED**

On 19 March 2020 the Company purchased AXA ICAS Limited from ICAS International Holdings Limited for £2,866K.

##### **SALE OF ICAS INTERNATIONAL HOLDINGS LIMITED**

On 19 March 2020 the Company sold its entire shareholding in ICAS International Holdings Limited to ROX Equity Partners Limited for £3,594k including costs to sell.

##### **ACQUISITION OF JOINT VENTURE**

On 31 January 2020 the Company acquired 50% of the issued shares of Doctor At Hand Diagnostics Limited in a joint venture agreement with Synergix Health Limited for £3m.

##### **INVESTMENT IN NEW LEGAL ENTITY**

On 30 July 2020 the Company's board approved the establishment of a new legal entity as part of a corporate reorganisation. The new entity, AXA Health Limited, will provide a service as a regulated distributor of AXA PPP's insurance products.

## **AXA PPP Healthcare Group Limited**

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

#### **20 Immediate and ultimate parent**

The Company's immediate parent is Guardian Royal Exchange plc.

The ultimate parent is AXA SA.

The most senior parent entity producing publicly available financial statements is AXA SA. These financial statements are available upon request from 25, avenue Matignon, 75008 Paris, France.

#### **Relationship between entity and parents**

The parent of the largest group in which these financial statements are consolidated is AXA SA, incorporated in France.

The address of AXA SA is:  
25, avenue Matignon, 75008 Paris, France.