Our financial report to you 2014

"I cannot thank the advisors enough for providing such friendly & reassuring customer service"

simplyhealth

Where you can find it

Officers and professional advisers

Directors
Mrs R Abdin
Mr T Brooke
Mr M Hall
Mr R Harris
Mr B Kent
Mr K Piggott
Mr J Wilson

Secretary
Mr J Glover

Registered office
Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

Bankers
National Westminster Bank plc
Andover Bridge Street Branch
9 Bridge Street
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SP10 1BD

Solicitors
Addleshaw Goddard
Sovereign House
PO Box 8
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Leeds
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Independent auditor
Grant Thornton UK LLP
30 Finsbury Square
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EC2P 2YU

Strategic report

The Directors present their strategic report and the audited financial statements for the year ended 31 December 2014.

Review of activities and enhanced business review

The results for 2014 are shown in the consolidated profit and loss account on page 20. The Group result for the year was a profit after tax of £6.4 million (2013: £8.7 million profit). During the year, increased claims costs and lower returns on investments were offset by the positive impact of our three year programme of business investment that commenced in 2012, and increases in property values. Our investment programme has been targeted to deliver benefits for our current and future customers.

Overview of Simplyhealth

Simplyhealth is a healthcare company which, for over 140 years, has provided a range of insurance and health related products designed to help people access affordable healthcare. We pride ourselves on offering an unrivalled customer experience through a dedicated and committed workforce. We are driven by our mutual ethos. This means we measure our success both in financial and non financial terms. Our ethos drives the investment decisions that we make, challenging us to balance the need to make a profit and the desire to make a difference. Making a profit increases our reserves and creates the opportunity to grow and develop the business for the future benefit of our customers. Making a difference strengthens our reputation and generates goodwill in the communities in which we operate.

Simplyhealth comprises three principal companies: Simplyhealth Access, Simplyhealth Wellbeing Limited, and Denplan Limited. Simplyhealth Access operates within the financial services sector and offers a range of health plans and private medical insurance for both individuals and corporate customers. Simplyhealth Wellbeing Limited contains the retail trading division, which sells a range of mobility scooters and daily living aids, under the trading name Independent Living. During 2014, as part of its continued expansion, Independent Living acquired the trade and assets of Collins Care Limited. Denplan Limited provides independent capitation plans to the dental profession and its patients, and to the veterinary profession and pet owners; it also administers insurance products that are underwritten by Simplyhealth Access. Simplyhealth has increased its presence in the veterinary market through the acquisition of Practice Plan for Vets Limited, acquired in April 2014, and of The Animal Healthcare Company Limited in early 2015. Details about the performance and development of the Group can be found later in this report.

In previous reports, we explained our decision to combine our private medical insurance operations into one location, Bristol, and to close our Letchworth office in 2014. We have now completed this integration enabling us to serve customers more efficiently.

Business performance

The Group retained a profit of £6.4 million (2013: £8.7 million profit), increasing reserves to £264.9 million (2013: £258.5 million), reflecting a reduction in the number of policyholders, the increased costs of healthcare and lower investment returns in the continuing low interest rate economic environment. These factors were offset by an upwards revaluation of the Group's property of £5.6 million.

The Group manages its business performance based on key financial and other performance indicators which are as follows:

		2014	2013	Change
Technical income	£m	384.8	393.3	-2.2%
Loss ratio	%	71.2	69.9	+1.3%
Business operating profit	£m	16.4	24.6	-33.3%
Retained profit	£m	6.4	8.7	26.4%

- Group technical income decreased 2.2% (£8.5 million) to £384.8 million, (2013: 0.9% decrease). The decrease was largely the result of a fall in the number of policyholders, partially offset by the impact of annual policy price increases.

- While policyholder numbers fell in 2014, the incident claims and medical cost inflation led to an increase in the loss ratio of 1.3% even though total claims costs decreased by £1.1 million (0.4%) compared to 2013.

- Business operating profit decreased by 33.3% to £16.4 million (2013: 80.9% increase) largely as a consequence of the lower underwriting profit that resulted from a higher loss ratio. Operating profit excludes taxation, exceptional items, investment returns, revaluations, goodwill amortisation and donations.

Other financial highlights of the year were as follows:

- Operating expenses (before goodwill amortisation) decreased by £1.6 million (2.1%) to £75.8 million, (2013: 1.0% increase); the decrease resulted from a range of initiatives to improve operational effectiveness and increased levels of automation.

- Other income increased by £2.1 million to £19.2 million, a 12.3% increase (2013: 55.5% decrease). This was due to growth in the dental capitation business and post acquisition income from veterinary capitation and retail businesses acquired during the year.

- Other charges increased by £4.5 million to £38.0 million, a 13.4% increase due to additional non technical operating expenses following the acquisitions in 2014 and costs relating to the Group's strategy review.

- Total investment income, including unrealised gains and losses, was £2.4 million in 2014 compared to £9.2 million in 2013, reflecting the performance of equity markets and low interest rates on cash deposits.

The Group's strategy is to generate a sustainable profit so that we can reinvest in the business for the benefit of our customers, present and future. We also need to retain sufficient profit to build our financial reserves to pursue new opportunities, while retaining a secure balance sheet and solvency capital position. These reserves will enable us to serve our customers long into the future.

The graphs on the right summarise our five year performance and represent the main indicators used to monitor, control and make decisions about our business.

Since 2010, income has risen by £73.6 million (23.7%) while claims have increased by £37.1 million (15.7%). This improved insurance underwriting performance on the general business technical account has enabled the company to invest and develop products and services for the future benefit of customers. In 2012, the acquisition of the Groupama private medical insurance portfolio had a significant and positive impact on the underwriting results and this has been continued through into subsequent years. 2013 performance benefitted from better claims experience and higher investment returns that reflected an improvement in equity and bonds markets in line with the emerging global economic recovery at that time. In 2014 the overall underwriting result fell by £7.4 million (6.7%) as average private medical insurance claims costs increased by 7.9%, and incidence rates rose by 3.6%; improvements in medical treatments are largely responsible for the increase in average claims costs.

Risk management

The role of risk management

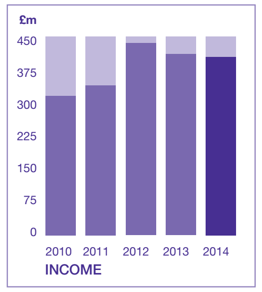
We consider risk management to be fundamental to good management practice and a significant element of corporate governance; we therefore take this responsibility very seriously and actively embed risk management principles throughout the Group. The effective management of risk is central to our culture and provides an essential contribution towards the achievement of our strategy, goals and objectives.

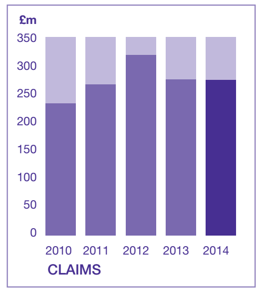
Like all organisations, we operate in an uncertain world and we have to take risks to run and grow our business. We continually work to identify, assess and manage both the risks and the opportunities that might affect the development of our business and the achievement of our strategic objectives and, ultimately, our purpose.

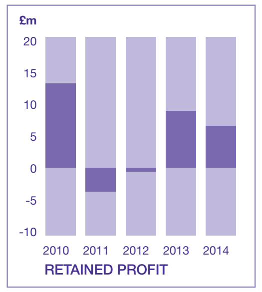
Risk management framework

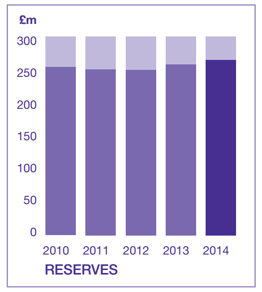
We maintain a Risk Management Framework which establishes how risk management operates across the business and how it links together risk policies, risk appetite, business strategy and capital management so that there is an appropriate awareness of the risks being faced. This includes the adoption of the "Three Lines of Defence" operating model for defining risk roles and responsibilities.

Business performance









The Framework provides a comprehensive and consistent approach for measuring, controlling, monitoring and reporting risk, for establishing risk appetite and for managing capital. The Framework sets out the processes involved in the identification, assessment, analysis, management and mitigation of risk, including forthcoming requirements of the Solvency II Directive for example the Own Risk and Solvency Assessment (ORSA).

Risk governance

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives, including the setting of the Group's overall risk appetite. The Board delegates oversight of risk management to a Board sub committee, the Risk and Capital Committee. The purpose of this committee is to oversee, understand and review Simplyhealth's risk profile, advising the Board on principal risk exposures and future risk strategy. This includes recommending the risk appetite of the Group, and changes to it. The Committee is also responsible for overseeing the embedding and maintenance of an effective risk management culture and framework across the Group.

Day to day oversight and challenge of our risk management and reporting processes rests with the risk management function, which has continued to enhance our risk management processes during the year. The consolidated risk register produced by this function is firmly embedded in our management reporting. The risk management function reports quarterly to the Risk and Capital Committee on progress made. The Group risk register is regularly updated. It enables management and the Board to provide oversight of risk both within the organisation and the external environment. These risks are presented with an indication of the likelihood of them materialising, together with actions being taken to reduce the impact that they could have on the business should they materialise.

Principal risks and uncertainties

The Directors have considered the principal and emerging risks and uncertainties facing the business and these are described below.

Credit risk

The Group's credit risk is primarily attributable to its premium debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and other financial instruments is low because the counterparties are banks with acceptable credit ratings assigned by international credit rating agencies.

Operational / conduct risk

The Group's strategic plans bring with them the increased risk of failure to manage the overall type, volume and pace of change. Increasing demands on resources and skills within the business could negatively affect the operational capacity and capability of the Group and the resilience of its operational systems and processes.

This could lead to financial loss, customer detriment, reputational damage and potentially failure to meet regulatory objectives. The management and governance culture of the Group continues to be enhanced specifically to address this challenge.

The external environment in which the Group does business presents both opportunities and threats, including the impact of:

- A slowdown in economic growth and consumer confidence on the Group's sales and retention performance.
- The digital revolution, with its increasing expectations of a '24/7' customer service culture and importance of operating resilient systems and processes that minimise risk, in particular cyber threat.
- Regulatory reforms, including Solvency II and the preparations for the January 2016 deadline.

Insurance risk

The Group manages its insurance risk through regular underwriting reviews. These reviews ensure that benefits and prices are matched in a way that delivers competitive products, providing tangible benefits to our customers, while delivering a sustainable financial return for the Group.

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. Further details relating to the management of these risks are set out in note 18 of the financial statements.

Market risk

The Group's market risk is primarily attributable to its investment portfolio and its investment properties. The investment strategy is set by the Board and management makes investment decisions in line with this. The investment portfolio is managed by an external investment manager, who receives instructions from management on the types of investments and levels of exposure the Group considers appropriate. The Risk and Capital Committee reviews the investment portfolio and ensures that investments are maintained in line with the investment strategy.

Going concern

In the course of preparing Simplyhealth's annual financial statements, the Directors have assessed whether the Group is a going concern. As part of this review, the Directors have carefully considered the extent to which both the risks associated with the wider economic environment, and the operational risks which Simplyhealth has identified, might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the Directors consider that the Group is maintaining an appropriate level of capital and liquidity, sufficient to meet both the normal demands of the business and the requirements which might arise in stressed circumstances. In addition, the Group's assets are assessed for recoverability on a regular basis. If these assets are not already carried at fair value, an additional provision is made.

On this basis, the Directors have a reasonable expectation that the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. The Directors' assessment of future solvency capital sufficiency is based on both a Solvency I and Solvency II basis. Accordingly, the Directors are satisfied that it is appropriate for the Group to prepare the 2014 financial statements on a going concern basis.

Strategic report

Customers

This year we have reviewed how we operate as a business, challenging ourselves to improve all aspects of our internal process, putting in place both short and long term plans to deliver improvements in operational effectiveness and customer experience. In doing this we aim to better connect Simplyhealth's people with its customers to ensure the business meets customers' current and future needs.

For our cash plan customers, we have trialled online claiming processes to give them more options in the way we serve them. This facilitates a more streamlined claims process allowing faster payment as well as reduced processing costs.

As part of our commitment to deliver an enhanced but efficient customer experience, we have developed new internet applications for sales and service delivery across the business that will transform the way that we sell and serve our customers. These applications give Simplyhealth additional capability to exploit opportunities for improved sales performance.

In Bristol we have completed the integration of our private medical insurance operations, creating a centre of excellence. Our Clinical Care Managers continue to provide a valuable service to our private medical insurance customers, supporting them throughout their medical treatment.

Our Denplan business provides capitation plans to dental professionals, veterinary practices and their customers; development of products and services to meet the needs of these groups remains a key focus for the organisation. In 2014 we continued our programme of investment in a new core operating system that will enable this business to develop new products and bring them to market more quickly.

All of this has been achieved while continuing to offer good value and excellent personal service. The high standard of customer service we have achieved through our programme of investment is reflected in our customer satisfaction and fairness scores. These remained high at 90% in line with 2013. Through 2015 and beyond, we will continue to listen to our customers, aiming for further improvements to our service and their experience.

During 2014 we continued to review how fairly we treat our customers in the Group's monthly governance meeting which is attended by both members of the Leadership and Senior Management team. This forum monitors and reviews the results with an aim to identify issues in order to ensure effective operation of the business and fair outcomes for customers. Simplyhealth also looks externally to identify innovations in customer services, to see how we can learn and develop our offering further. The fair treatment of customers is of paramount importance to us and our fairness 500 scores increased to 93% in 2014 (2013: 87%).

People

In 2014 we have continued to harness the skills and talents of our people and involved them in identifying how we can better serve our customers and be more efficient and effective in everything we do. Together our people have continued to develop ideas and improved processes, systems and ways of working, which have made a difference to our customers. Supporting our people to work with new tools and technology or to do things differently is important to us, and so we continue to invest in development, training and change support.

Simplyhealth continues to provide a healthy, productive and successful work environment for all employees, through the culture we create and the support we provide, and through our employment benefits and wellbeing offerings. Our policies and practices promote equality, fair treatment and a supportive working environment. In 2014 we have helped our people to keep fit and healthy by attending personal awareness workshops like 'know your numbers' to understand weight/BMI, blood pressure, blood glucose and cholesterol levels. We also provided help with relaxation and managing pressures at home and work effectively through 'relax and go' sessions and face to face counselling via our employee assistance plan.

Specifically, Simplyhealth is committed to being a fair employer and considers fully and equally applications for employment by disabled persons, bearing in mind the abilities of the applicant concerned. Disabled employees are consulted to ensure all reasonable workplace adjustments are considered and implemented to enable employees to perform their work safely and effectively. In the event of members of staff becoming disabled, Simplyhealth will make every effort to provide appropriate support, retraining, equipment and facilities to assist the employee in their work.

It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as practicable, be identical to that of other employees.

Our employee engagement survey provides us with feedback on how our employees feel about working for Simplyhealth. For many years, our scores have consistently been benchmarked among the highest performing employers. We were delighted that our 2014 results confirmed this high level of engagement has been maintained and in some areas further improved. The survey also helps us identify what could be improved about working for Simplyhealth and each business area has developed an action plan to act on feedback received and to further enhance working life for our people. We know from this survey that our people are highly motivated by the difference we make to our customers, by our charitable donations and also work in our local communities. Our people are actively involved in this through our local community funds, where employee representatives consider how we can best support charities and community groups.

Frequent meetings with employee representatives take place and this year, working together with our people, we have developed an improved approach to ongoing discussion, input and consultation with elected representatives of our people. In addition, regular communications are cascaded to employees across all locations to keep them informed of performance, changes throughout the Group and its plans for the future.

Social and community matters

Charitable giving is at the core of what we do and for this reason we have given £1.4 million (2013: £1.4 million) to charities and community projects that were selected by our Charitable Committee in 2014.

From the total, £0.9 million (2013: £0.8 million) was given to charities that primarily support healthcare, either directly or indirectly. Larger donations went to Revitalise, Fixers, Back Care, Music in Hospitals, Royal National Institute for the Blind, Over the Wall, Macular Disease, Stroke Association, Action for Sick Children, Muscular Dystrophy, Together for Short Lives, Jo's Cervical Cancer, together with a number of other smaller donations. A further £0.5 million (2013: £0.6 million) was donated towards community initiatives that do good works in our six principal locations: Andover, Bristol, Leeds, Letchworth, Manchester and Winchester.

The Group will continue to support charitable causes and community initiatives in 2015, with an increasing focus on healthcare charities that align with our strategy and purpose.

Outlook for 2015

Having successfully delivered our objectives for 2014, Simplyhealth is well placed to achieve an ambitious 2015 plan. We remain committed to running a different kind of business, which is strong, and sustainable, continually developing and improving our products and services to ensure these remain relevant to our customers, and to maximise potential future opportunities.

The main external factor influencing Simplyhealth in 2015 will be the general election. The private healthcare market will be strongly influenced by the outcome of the election and the economic, health and public spending policies adopted. The NHS and economic recovery appear to be the key election issues with NHS performance and low inflation featuring prominently.

The UK healthcare market looks set for change as the NHS has set out a five year vision that challenges traditional delivery models and a funding requirement that has not been realistically matched by the political parties. During the year, the private healthcare market will also see some change as the Competition and Market Authority will be implementing the Statutory Order published to effect its planned positive changes for patients and funders.

In 2015 UK consumers look set to benefit from lower inflation and higher employment levels than in recent times. High consumer confidence and strong spending may persist through the year with a rise in the bank rate now looking less likely. On balance the economic forecasts are reflective of a negative risk weighting for the year, but the private medical market growth trend is expected to continue positively. This is reinforced with a positive trend in business investment and increased brand and product activity being undertaken by healthcare and insurance providers. Interest in private healthcare and a willingness to increase personal healthcare funding has been noted as confidence in the future ability of the NHS to provide comprehensive services for all is brought into question.

In the medium term we anticipate that UK healthcare costs will continue to rise due to the demands of an ageing population and the introduction of new treatments and technologies. Despite pledges of increased funding for the NHS, public funding is forecast to be contracting beyond 2018 under the current Budget. The NHS five year strategy also points to the increasing reliance on companies to actively participate in the health and wellbeing of their employees. Given these factors we expect continued demand for private sector healthcare solutions, both funding and delivery, and we will continue to develop our portfolio of offerings to meet these health needs.

The dental market remains stable with no major changes to NHS contracts due until after the general election. Growth in the sector continues to be slow but dentists are successfully retaining and growing their private client base with the right support. Denplan is well placed to help them establish and maintain successful businesses.

The UK mobility market has benefited the most from recent economic growth, changes in population demographics and the Care Act 2014 being implemented during 2015 and 2016. With forecasts pointing to strong growth in the ageing population and resultant needs, the growth trajectory of the market is expected to remain robust despite macroeconomic and potential political influences.

Approved by the Board of Directors and signed on behalf of the Board.

Romana Abdin
Chief Executive
24 March 2015

Directors' report

Directors

The Directors who all served throughout the year were:

Mr K Piggott	Non Executive Chairman
Mr T Brooke	Non Executive
Mr M Hall	Non Executive
Mr R Harris	Non Executive
Mrs R Abdin	Chief Executive
Mr B Kent	Executive
Mr J Wilson	Executive (resigned 10 March 2015)

The Secretaries who served Simplyhealth Group Limited in the year were:

Mrs H Swift (resigned 1 August 2014)
Mr J Glover (appointed 1 September 2014)

The Company has arranged indemnity insurance on behalf of the Directors and Officers.

Registered office

Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

Directors' report disclosures

The Strategic Report contains disclosures otherwise required to be contained in the Directors' Report in respect of disabled employees and employee involvement.

The Group's financial instruments comprise its financial investments, cash, and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks arising from these financial instruments are credit risk, market risk, and insurance risk. The Group's approach to management of these risks is disclosed in the Strategic Report.

Disclosure of information to the auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

- Each of the Directors has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Grant Thornton UK LLP was appointed for all companies in the Simplyhealth Group during the year and has expressed its willingness to continue in office as the Group and Company's auditor.

Approved by the Directors and signed on behalf of the Board.

By order of the Board:

James Glover
Secretary
24 March 2015

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company and Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Simplyhealth Group Limited

We have audited the financial statements of Simplyhealth Group Limited for the year ended 31 December 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Independent
auditor's 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Grant Thornton UK LLP

Simon Jones (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 March 2015

Consolidated profit and loss account

Year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
TECHNICAL ACCOUNT – General business			
Earned premiums, net of reinsurance:			
Gross premiums written		384.1	392.7
Premiums earned as a reinsurer		(0.1)	0.2
Change in the provision for unearned premiums	18	0.8	0.4
Total technical income		**384.8**	**393.3**
Claims incurred, net of reinsurance:			
Claims paid – gross amount		(274.8)	(277.1)
Claims and claims management expenses incurred as a reinsurer		0.3	(0.2)
Change in the provision for outstanding claims	18	0.7	2.0
Change in other technical provisions	18	-	0.4
Total claims incurred		**(273.8)**	**(274.9)**
Change in deferred acquisition costs		1.3	(0.2)
Net operating expenses before goodwill amortisation	1	(77.1)	(77.2)
Amortisation of goodwill	7	(1.1)	(1.1)
Total operating expenses		**(76.9)**	**(78.5)**
Total technical charge		**(350.7)**	**(353.4)**
Balance on the general business technical account		**34.1**	**39.9**

Consolidated profit and loss account

Year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
NON TECHNICAL ACCOUNT			
Investment returns:			
Income from other investments	3	3.4	3.2
Gains on realisation of investments		0.5	1.5
Unrealised (loss) / gain on investments		(0.9)	5.0
Other investment charges and expenses		(0.6)	(0.5)
Other income and charges:			
Other income		19.2	17.1
Other charges	1	(38.0)	(33.5)
Impairment of tangible fixed assets and buildings		-	(2.0)
Reversal of impairment of tangible fixed assets and buildings		5.6	-
Donations		(1.4)	(1.4)
Amortisation of goodwill	7	(12.2)	(12.1)
Profit on ordinary activities before tax and exceptional items		**9.7**	**17.2**
Exceptional items	4	-	(1.1)
Profit on ordinary activities before tax		**9.7**	**16.1**
Tax charge on profit on ordinary activities	6	(3.3)	(7.4)
Profit for the financial year	**15**	**6.4**	**8.7**

The accounting policies on pages 26 to 31 and the notes on pages 32 to 52 form an integral part of these financial statements. All of the above figures relate to continuing operations.

There are no recognised gains or losses in either year other than the profit for that year.

Consolidated balance sheet

As at 31 December 2014

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m
ASSETS			
Intangible assets			
Goodwill	7	88.7	99.8
Negative goodwill	7	(1.7)	(1.7)
		87.0	98.1
Investments			
Land and buildings	8	29.1	11.5
Other financial investments	9	145.9	123.7
Debtors			
Debtors arising out of direct insurance operations		58.5	61.2
Deferred taxation	14	2.5	3.3
Other assets			
Tangible fixed assets	13	6.6	19.2
Stock		0.7	0.7
Cash at bank and in hand	10	83.8	103.4
Prepayments and accrued income			
Accrued interest		0.6	0.6
Other debtors	11	6.8	11.4
Deferred acquisition costs		5.6	4.3
TOTAL ASSETS		**427.1**	**437.4**

Consolidated balance sheet

As at 31 December 2014

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m
LIABILITIES			
Capital and reserves			
Reserves	15	264.9	258.5
Technical provisions			
Provision for unearned premiums	18	75.8	76.6
Provision for claims outstanding	18	37.7	38.4
Creditors			
Other creditors including tax and social security	17	30.4	37.9
Accruals and deferred income		18.3	26.0
TOTAL LIABILITIES		**427.1**	**437.4**

These financial statements of Simplyhealth Group Limited were approved by the Board of Directors and authorised for issue on 24 March 2015.

Signed on behalf of the Board of Directors

Romana Abdin, Chief Executive

Ben Kent, Finance Director

The accounting policies on pages 26 to 31 and the notes on pages 32 to 52 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2014

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m
ASSETS			
Investments			
Investments in subsidiary undertakings	12	120.8	120.8
Debtors			
Amounts due from other group undertakings		0.7	2.0
Other assets			
Cash at bank and in hand		2.0	5.8
TOTAL ASSETS		**123.5**	**128.6**
LIABILITIES			
Capital and reserves			
Reserves	15	122.6	128.6
Creditors			
Accruals		0.9	-
TOTAL LIABILITIES		**123.5**	**128.6**

These financial statements of Simplyhealth Group Limited were approved by the Board of Directors and authorised for issue on 24 March 2015.

Signed on behalf of the Board of Directors

Romana Abdin, Chief Executive

Ben Kent, Finance Director

The accounting policies on pages 26 to 31 and the notes on pages 32 to 52 form an integral part of these financial statements.

Consolidated cash flow statement

Year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Net cash inflow from operating activities	19a	**14.6**	**15.0**
Taxation paid		**(4.7)**	**(6.4)**
Acquisitions and disposals			
Acquisition of trade and assets	5	(0.2)	(0.1)
Acquisition of subsidiary	5	(2.0)	-
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(4.7)	(10.7)
Net cash inflow/(outflow)		**3.0**	**(2.2)**
Cash flows were invested as follows:			
Decrease in cash in the year	19b	**(19.6)**	**(8.6)**
Net investments			
Purchase of shares and other variable yield securities		2.2	20.1
Purchase of debt securities and other fixed income securities		150.8	90.0
Sale of shares and other variable yield securities		(8.3)	(23.7)
Sale of debt securities and other fixed income securities		(122.1)	(80.0)
Net investment cash outflow	19b	**22.6**	**6.4**
Net cash inflow/(outflow)		**3.0**	**(2.2)**

Statement of accounting policies

Year ended 31 December 2014

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The accounting policies adopted have been applied consistently in both the current and the preceding year.

Basis of accounting

The financial statements conform to applicable standards and have been prepared under the historical cost convention, modified by the revaluation of certain assets as described below.

The Group's financial statements have been prepared in compliance with the provisions of Schedule 3 to The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements conform with the Association of British Insurers' ("ABI") Statement of Recommended Practice on Accounting for Insurance Business ("SORP") issued in December 2005 (as amended in December 2006).

The balance sheet of the Company has been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies generally. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements.

Going concern

The Directors have considered in detail the Group's forecast performance, as well as its capital and liquidity resources. On this basis the Directors have a reasonable expectation that, despite uncertain market conditions, the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the Directors of the Company have adopted the going concern basis in preparing these financial statements.

Basis of consolidation

The Group's financial statements include the results and balance sheets of the Company and its subsidiary undertakings. The results of subsidiary undertakings acquired or sold during the year are only included in the consolidated results from the date of acquisition or up to the date of disposal. On acquisition of a subsidiary undertaking, all of the assets and liabilities at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill and intangible fixed assets

Goodwill arising on consolidation or acquisition is capitalised in the balance sheet at cost and amortised through the profit and loss account on a straight line basis over its expected useful economic life, which the Directors consider to be between five and ten years. Provision is made for any impairment. The gain or loss on subsequent disposal of a subsidiary will take account of any attributable unamortised goodwill. Negative goodwill is transferred to the profit and loss account to the extent that it is represented by monetary assets, in the period expected to benefit. To the extent that negative goodwill is represented by non monetary assets it is transferred to the profit and loss account as and when they are recovered through depreciation or sale.

Investments

Investments are shown in the balance sheet as follows:

Freehold land and buildings owned by the Group are valued on an existing use basis and with vacant possession. Full valuations are made annually by independent, professionally qualified valuers. Buildings owned by the Group are depreciated on a straight line basis at 2% per annum.

Revaluations of land and buildings are recognised in the consolidated profit and loss within the non technical account.

The fair values of quoted investments in active markets are based on quoted bid prices at the balance sheet date. If there is no active market then fair value is determined using appropriate valuation techniques. Unlisted investments are valued by the Directors, having regard to their likely realisable value.

Investments in subsidiary undertakings are stated at cost less provision for any impairment.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and that represent the lowest level within the Group at which management monitors goodwill.

Cash generating units, to which goodwill has been allocated, and individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash generating unit and reflect management's assessment of respective risk profiles, such as market and asset specific risk factors.

Impairment losses for cash generating units reduce first the carrying amount of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed

Statement of accounting policies

if the cash generating unit's recoverable amount exceeds its carrying amount.

Cash

Cash is defined as cash at bank and in hand. These include funds held on behalf of third parties that are not available for use by the Group or Company. The offsetting liability is included in 'Other creditors including tax and social security' in note 17.

Third party funds

Third party funds comprise cash held on behalf of customers to administer claims under service contracts and are maintained in separate bank accounts. Following generally accepted industry practice, these amounts are disclosed separately within cash, with a corresponding creditor disclosed. The inclusion of these funds on the balance sheet therefore has no impact on the net assets of the Group or Company.

Foreign currencies

Assets and liabilities held in foreign currencies at the balance sheet date are expressed in sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling at the date on which the transaction occurs. All resulting exchange gains and losses are included within that part of the profit and loss account in which the underlying transaction is reported.

Premiums

The Group accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract. Claims are only payable where customers continue to pay premiums. Premiums are recognised as written on a receivable basis with an adjustment for any unearned element. Gross premiums are stated net of Insurance Premium Tax as applicable.

Reinsurance – Premiums and claims assumed as a reinsurer

Premiums on reinsurance assumed are recognised in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums assumed and claims reimbursed are presented on a gross basis.

Unearned premiums

Earned premiums represent gross premiums written after adjusting for changes in unearned premiums. The provision for unearned premium is calculated separately for each insurance contract.

Pension costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Investment income

Investment income includes dividends, interest, gains and losses on the realisation of investments and unrealised gains and losses. Income from fixed interest securities together with interest, rents and associated expenses are accounted for in the year in which they accrue. Dividends are included in the profit and loss account when the securities are listed as ex dividend. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost.

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost or, if they have been previously valued, that valuation at the previous balance sheet date The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

Other income

Other income is recognised on an accruals basis, net of any value added taxation.

Unexpired risk provision

An unexpired risk provision is made where necessary to cover any amount by which future claims and related acquisition costs on business in force at the balance sheet date is expected to exceed the provision for unearned premiums at that same date. Any provision for unexpired risks is included within the 'Technical provisions' in the balance sheet.

Claims

Claims incurred comprises claims reported and settled during the year or awaiting settlement at the year end, an estimate for claims incurred but not yet reported and an allowance to cover expenses in connection with the settlement of the claims incurred. The provision for outstanding claims at the year end is based on previous claims history and current expectations. Any over or under provision is adjusted as part of claims incurred in the following year.

Claims incurred and the provision for outstanding claims include direct, and an allocation of indirect, expenses connected with the settlement of claims. The allocation of indirect expenses is performed in a manner that fairly reflects the costs of running of the business. Claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement costs) which have occurred up to the balance sheet date, including the provision for claims incurred but not yet reported.

Segmental analysis

Gross premiums written by destination are not materially different to those by origin.

In the opinion of the Directors, the Group has only one material class of business, the provision of healthcare insurance and related healthcare operations, which is materially within the United Kingdom.

Acquisition costs relating to insurance contracts

All costs of acquiring new business together with the associated initial processing costs are accounted for as acquisition costs in the profit and loss account in the year in which they were incurred. Similarly, the costs of monitoring existing business and the general running of the Group are treated as administrative expenses. The commission paid in respect of insurance contracts incurred during a financial year is deferred to the extent that it relates to unearned premiums at the balance sheet date.

Taxation

The Group is liable to taxation on its profit or loss on ordinary activities. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives as follows:

Motor vehicles	4 years
Computer software and hardware	2 to 4 years
Bespoke software and related development costs	7 years
Fixtures, fittings and office equipment	4 to 10 years
Leased assets	over the term of the lease

Assets in the course of construction are depreciated over their estimated useful life when ready for use and are reviewed annually for indicators of impairment.

Leases

Payments in respect of building and motor vehicle operating leases are charged to the profit and loss account on a straight line basis, over the term of the lease.

Stock

Stock is stated at the lower of cost and net realisable value.

Cost represents all expenses incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and delivery. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to the accounts

Year ended 31 December 2014

1. NET OPERATING EXPENSES BEFORE GOODWILL AND OTHER CHARGES		Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Insurance companies			
Acquisition costs		29.7	32.9
Administrative expenses		47.4	44.3
		77.1	77.2
Non Insurance companies			
Administrative expenses		36.7	32.4
Cost of sales		1.3	1.1
		38.0	33.5
Profit on ordinary activities before tax is stated after charging/(crediting):			
Depreciation of tangible fixed assets		3.2	2.8
Impairment of	– tangible fixed assets	-	1.8
	– land and buildings	-	0.2
Reversal of impairment of			
	– tangible fixed assets	(0.3)	-
	– land and buildings	(5.3)	-
Operating leases	– motor vehicles	1.1	1.0
	– buildings	0.8	1.2
Amortisation of goodwill		13.3	13.2

1. NET OPERATING EXPENSES BEFORE GOODWILL AND OTHER CHARGES (continued)	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	-	-
The audit of the Company's subsidiaries	0.3	0.2
Total audit fees	**0.3**	**0.2**
Fees payable to Company's auditor for other services		
– Taxation – general advisory	-	0.1
– Other services	-	0.1
Total non audit fees	**-**	**0.2**

Audit fees allocated as £50,400 (2013: £14,800) were borne by another group company on behalf of the Company in 2014.

2. STAFF COSTS	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Staff costs comprise the following:		
Wages and salaries	53.7	53.4
Social security costs	5.5	5.6
Other pension costs	4.7	4.0
Training, recruitment and other staff costs	3.9	3.8
Total staff costs	**67.8**	**66.8**

The average number of employees during the year was as follows:	No.	No.
Operations	1,054	998
Finance and other administrative services	705	717
	1,759	**1,715**

2. STAFF COSTS (continued)

Directors' remuneration

Policy

The Company recognises the importance of the Board of Directors in setting the values and direction of the Company. In order to attract and retain Directors with the required skills and experience, the Company must be competitive in the rewards offered to its Directors while ensuring that their remuneration promotes the long term success of the Company and Group. All rewards are set by the Remuneration Committee of Non Executive Directors of the Board, after comparison with market data received from external consultants.

Non Executive Directors

The role of the Non Executive Directors is to provide challenge and advice, and to oversee the performance of the Company and Group. As such, Simplyhealth regards it as inappropriate that they should be financially incentivised on the results of the Company and Group. Each Non Executive Director is paid a fee, with further allowances paid to those who take on extra roles, such as chairing one of the Board sub committees.

The Non Executive Directors are not employees of the Company and Group, and are appointed to three year terms, renewable by re-election for up to a further two periods of three years each. It is normal Company and Group policy to rotate the Non Executive Directors in order that they retain their independence and objectivity.

Executive Directors

The role of the Executive Directors is to run the Company and Group on a day to day basis and, as such, Simplyhealth regards it as essential that they are incentivised to meet the business goals of the Company and Group. It is the Company and Group's belief that the Executive Directors can only succeed as a team, and that therefore they should be rewarded as a team. Other than the Chief Executive, each Director shares the same level of rewards which are split into:

- Salary and benefits in kind – which are contractual as an employee of the Company and Group, and are set competitively against market norms.
- Annual bonus – the level of which is decided based on the overall business objectives for the year.
- Long Term Incentive Plan – based on the achievement of business goals each year over a rolling three year period, details of which are provided on page 36. This element of the reward is designed to incentivise the Executive team to take decisions in the long term interest of the business, as well as retaining their skills in the absence of a share option scheme.

In addition, the Executive Directors are all members of a Money Purchase Group Pension Scheme.

2. STAFF COSTS (continued)

The Executive Directors have rolling service contracts. Other than by termination under the terms of the contract, they continue until the date of retirement. The notice period of these contracts is 12 months.

Pay and benefits in the year

The following amounts are paid or payable to the Directors for their service during the year:

Executive Directors

	Salary £	Bonus £	Benefit in Kind £	Total* 2014 £	Total 2013 £
Mrs R Abdin (appointed 1 July 2013)	326,172	223,000	42,862	592,034	255,159
Mr D Benjamin (resigned 30 June 2013)	-	-	-	-	662,932
Mr M P B Day (resigned 22 October 2013)	-	-	-	-	379,232
Mr B D J Kent) (appointed 12 December 2013}	248,847	157,000	16,967	422,814	22,863
Mr I M Maude (resigned 22 October 2013)	-	-	-	-	353,206
Mr J Wilson (resigned 10 March 2015)	247,411	120,000	15,000	382,411	420,956
Total	**822,430**	**500,000**	**74,829**	**1,397,259**	**2,094,348**

Non Executive Directors

	Salary £	Bonus £	Benefit in Kind £	Total* 2014 £	Total 2013 £
Mr K Piggott	114,000	-	-	114,000	101,500
Mr T Brooke	46,817	-	-	46,817	43,540
Mrs E Buggins (resigned 11 June 2013)	-	-	-	-	18,420
Mr M Hall	46,318	-	-	46,318	39,310
Mr R Harris	48,818	-	-	48,818	45,540
Total	**255,953**	**-**	**-**	**255,953**	**248,310**

*Total remuneration excludes pension contributions which are shown on page 39.

2. STAFF COSTS (continued)

Long Term Incentive Plan (LTIP)

All of the Executive Directors participate in an LTIP, which effectively provides an incentive payment based on the business performance over a three year period. The payment value is calculated as follows:

- The initial allocation is based on 15% of the Director's salary at 1 January each year.
- At the beginning of each year, the Board agrees its key objectives, both financial and non financial.
- At the end of each year, the Remuneration Committee agrees the extent to which these objectives have been met, and assigns the appropriate rating based on this level of success.
- The rating dictates an uplift in value to the original notional sum, which is carried forward, and is adjusted in a similar manner over the following two years.

All amounts are payable in cash, since the Company has no shares.

At the end of the year, the following benefits had accrued in respect of the schemes:

	Notional value at 31 December 2014 £	Notional value at 31 December 2013 £
Mrs R Abdin (appointed 1 July 2013)	117,566	29,934
Mr D Benjamin (resigned 30 June 2013)	-	497,398
Mr M P B Day (resigned 22 October 2013)	-	317,075
Mr B D J Kent (appointed 12 December 2013)	64,865	3,205
Mr I M Maude (resigned 22 October 2013)	-	317,075
Mr J Wilson (resigned 10 March 2015)	315,453	234,665
Total	**497,884**	**1,399,352**

The amounts in the table above are not included in Directors' remuneration.

2. STAFF COSTS (continued)

During the year, the following amounts were granted to Directors in respect of the schemes:

	Notional value at 31 December 2014 £	Notional value at 31 December 2013 £
Mrs R Abdin (appointed 1 July 2013)	87,632	29,934
Mr D Benjamin (resigned 30 June 2013)	-	278,075
Mr M P B Day resigned 22 October 2013)	-	161,665
Mr B D J Kent (appointed 12 December 2013)	61,660	3,205
Mr I M Maude (resigned 22 October 2013)	-	161,665
Mr J Wilson (resigned 10 March 2015)	157,325	129,579
Total	**306,617**	**764,123**

Under the scheme which matured in 2014 the following amounts, which are included in the notional value above, became payable to the Directors:

	Payable at 31 December 2014 £	Payable at 31 December 2013 £
Mrs R Abdin (appointed 1 July 2013)	-	-
Mr D Benjamin (resigned 30 June 2013)	-	224,315
Mr M P B Day (resigned 22 October 2013)	-	158,947
Mr B D J Kent (appointed 12 December 2013)	-	-
Mr I M Maude (resigned 22 October 2013)	-	158,947
Mr J Wilson (resigned 10 March 2015)	158,935	76,537
Total	**158,935**	**618,746**

2. STAFF COSTS (continued)

Subsequent to their resignation in 2013, and in line with the scheme rules, the following amounts were paid during the year to former directors under the LTIP scheme in respect of scheme years that were not fully matured:

	Year ended 31 December 2014 £
Mr D Benjamin	273,083
Mr M P B Day	158,128
Mr I M Maude	158,128
Total	**589,339**

LTIP payments were granted and paid during the year as follows:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
At 1 January	1,399,352	1,138,758
Granted during the period	306,617	764,123
Paid in respect of the 2010 scheme	-	(503,529)
Paid in respect of the 2011 scheme	(618,746)	-
Paid in respect of the 2012 scheme	(335,188)	-
Paid in respect of the 2013 scheme	(203,524)	-
Paid in respect of the 2014 scheme	(50,627)	-
Total	**497,884**	**1,399,352**

Notes to the accounts

2. STAFF COSTS (continued)

Pension contributions

During the year, the following pension contributions were paid by the Company on behalf of the Directors:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Mrs R Abdin (appointed 1 July 2013)	76,540	32,094
Mr D Benjamin (resigned 30 June 2013)	-	47,047
Mr M P B Day (resigned 22 October 2013)	-	29,263
Mr B D J Kent (appointed 12 December 2013)	77,654	3,967
Mr I M Maude (resigned 22 October 2013)	-	46,375
Mr J Wilson (resigned 10 March 2015)	59,379	66,052
Total	**213,573**	**224,798**

3. INCOME FROM OTHER INVESTMENTS

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Income from listed investments	1.1	1.0
Bank and other interest	2.3	2.2
	3.4	3.2

4. EXCEPTIONAL CHARGES

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Restructure of insurance operations	-	1.1

Restructuring costs in 2013 relate to the reorganisation of private medical insurance operations, following the acquisition of the trade and assets of Groupama Healthcare in 2012.

5. ACQUISITION

On 1 April 2014, Simplyhealth Access acquired 100% of the share capital of Practice Plan for Vets Limited. The cost of acquisition was £2.4 million. The fair value of the net assets acquired was £0.3 million, resulting in goodwill of £2.1 million. Net assets acquired included cash of £0.4 million.

On 25 April 2014, Totally Active Limited acquired the retail trade and assets of Collins Care Limited. The cost of acquisition was £0.2 million. The fair value of the assets acquired was £0.1 million, resulting in goodwill of £0.1 million.

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
United Kingdom Corporation Tax at 21.49% (2013: 23.25%)	2.6	6.1
Adjustment in respect of prior year	(0.1)	-
Total current taxation	2.5	6.1
Current year deferred taxation	0.9	0.9
Prior year deferred taxation	(0.1)	(0.1)
Effect of change of tax rates	-	0.5
Tax charge on profit on ordinary activities	**3.3**	**7.4**

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

The corporation tax charge for the year is higher than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%) on the accounting profit.

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit on ordinary activities before taxation	**9.7**	**16.1**
Tax charge on profit at UK rate of 21.49% (2013: 23.25%)	2.1	3.7
Expenses not deductible for tax purposes	2.9	3.6
Non taxable income	(1.5)	(0.2)
Capital allowances in excess of depreciation	(0.4)	0.1
Other timing differences	(0.4)	(0.6)
Current tax adjustments in respect of prior periods	(0.1)	-
Utilisation of losses	(0.1)	(0.5)
Total current taxation charge	**2.5**	**6.1**

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

7. INTANGIBLE ASSETS

	Goodwill	Negative goodwill	Intangible assets
Cost:	£m	£m	£m
At 1 January 2014	126.3	(2.2)	124.1
Additions (note 5)	2.2	-	2.2
At 31 December 2014	**128.5**	**(2.2)**	**126.3**
Accumulated amortisation and impairment:			
At 1 January 2014	(26.5)	0.5	(26.0)
Amortisation for year	(13.3)	-	(13.3)
At 31 December 2014	**(39.8)**	**0.5**	**(39.3)**
Net book value at 31 December 2014	**88.7**	**(1.7)**	**87.0**
Net book value at 31 December 2013	**99.8**	**(1.7)**	**98.1**

Negative goodwill is being written back on a straight line basis over a period of 50 years which is equal to the period over which the related non monetary assets of the acquired business are being depreciated.

8. LAND AND BUILDINGS

	2014	2013
Group	£m	£m
Valuation		
At 1 January	11.5	11.9
Transfer from assets in the course of construction	12.7	-
Reversal of impairment	4.9	(0.4)
At 31 December	29.1	11.5
Accumulated depreciation		
At 1 January	-	-
Charge for year	(0.4)	(0.2)
Reversal of impairment	0.4	0.2
At 31 December	-	-
Net book value at 31 December	**29.1**	**11.5**
Historical cost		
At 1 January	25.8	25.8
Transfer from assets in the course of construction	18.2	-
Accumulated depreciation and impairment	(14.9)	(14.3)
At 31 December	**29.1**	**11.5**

All land and buildings held are occupied by the Group for its own use. Land with a market value of **£5.2 million** (2013: £1.7 million) and a cost of **£5.8 million** (2013: £2.1 million) included in land and buildings is not depreciated. The freehold properties of the Group were valued by Colliers International UK plc, as at 31 December 2014. In accordance with the RICS Appraisal and Valuation Manual these freehold properties have been valued based on current market value at figures totalling **£29.1 million** (2013: £11.5 million).

On 9 February 2012 Simplyhealth Group Limited, the ultimate parent undertaking of Simplyhealth Access, entered into a standby letter of credit with AXA PPP Healthcare Limited for £3,000,000 as security over amounts owed by Denplan Limited to AXA PPP Healthcare Limited. The letter of credit is secured over two properties of the Group's land and buildings with a combined value of **£4.4 million** at 31 December 2014 (2013: £4.4 million). This letter of credit was extended on 5 March 2014 and expired on 24 February 2015.

9. OTHER FINANCIAL INVESTMENTS

Group	Market value at 31 December 2014 £m	Cost at 31 December 2014 £m	Market value at 31 December 2013 £m	Cost at 31 December 2013 £m
Listed investments				
Debt and other fixed income securities	100.0	97.6	71.1	68.0
Shares and other variable yield securities and units in unit trusts	45.9	38.0	52.6	44.4
	145.9	135.6	123.7	112.4

10. CASH AT BANK AND IN HAND

Group	As at 31 December 2014 £m	As at 31 December 2013 £m
Cash at bank and in hand	67.7	87.2
Third party funds held under trust and scheme arrangements	16.1	16.2
	83.8	**103.4**

11. OTHER DEBTORS

Group	As at 31 December 2014 £m	As at 31 December 2013 £m
Non insurance trade debtors	2.5	1.9
Payments on account	0.7	3.0
Other debtors and prepayments	3.6	6.5
	6.8	**11.4**

12. FIXED ASSET INVESTMENTS

The details of investments in the subsidiary undertakings during the year are as follows:

Name of Company	Principal Activity	Class and percentage of shares held
Simplyhealth Holdings Limited	Non trading	Ordinary shares 100%*
Simplyhealth People Limited	Provision of staff for Group activities	Ordinary shares 100%*
Simplyhealth Wellbeing Limited	Non trading	Ordinary shares 100%*
Simplyhealth Nominees Limited	Non trading	Ordinary shares 100%*
Denplan Limited	Provision of dental scheme administration	Ordinary shares 100%*
Simplyhealth Access	Provision of insurance services	Ordinary shares 100%
Leeds Hospital Fund	Non trading	Ordinary shares 100%
Simplyhealth Limited	Non trading	Ordinary shares 100%
Totally Active Limited	Provision of mobility and health related products	Ordinary shares 100%
Simplyhealth Administration Services Limited	Provision of health scheme administration	Ordinary shares 100%
Practice Plan for Vets Limited	Provision of administration for veterinary pet health plans	Ordinary shares 100%

All companies listed above are registered in England and Wales.

* Directly held subsidiaries. All other investments are held through 100% controlled subsidiaries.

13. TANGIBLE FIXED ASSETS

Group	Assets in the course of construction £m	Computers and office equipment £m	Leasehold improvements, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost:					
At 1 January 2014	18.8	34.0	10.4	0.1	63.3
Additions	2.4	0.2	0.1	-	2.7
Assets acquired through business combinations	-	0.1	-	-	0.1
Transfers	(0.8)	0.8	-	-	-
Transfers to land and buildings	(18.2)	-	-	-	(18.2)
Disposals	-	(0.1)	-	-	(0.1)
At 31 December 2014	2.2	35.0	10.5	0.1	47.8
Accumulated depreciation and impairment:					
At 1 January 2014	(5.8)	(28.5)	(9.7)	(0.1)	(44.1)
Assets acquired through business combinations	-	(0.1)	-	-	(0.1)
Depreciation charge for year	-	(2.6)	(0.2)	-	(2.8)
Impairment reversal	0.3	-	-	-	0.3
Transfers to land and buildings	5.5	-	-	-	5.5
At 31 December 2014	-	(31.2)	(9.9)	(0.1)	(41.2)
Net book value at 31 December 2014	**2.2**	**3.8**	**0.6**	**-**	**6.6**
Net book value at 31 December 2013	13.0	5.5	0.7	-	19.2

14. DEFERRED TAXATION

Group	2014 £m	2013 £m
At 1 January	3.3	4.6
Deferred tax in respect of prior periods	0.1	0.1
Effect of change in tax rate	-	(0.5)
Current year deferred tax	(0.9)	(0.9)
At 31 December	**2.5**	**3.3**

Deferred tax assets of £2.5 million (2013: £3.3 million) have been recognised within debtors in relation to tax losses, accelerated capital allowances and short term timing differences. These are recoverable over a period between one and three years.

The Company has recognised £nil (2013: £nil) of deferred tax liabilities relating to unrealised gains on investments.

Deferred tax has been calculated at the applicable rate of 20%.

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

The Finance Act, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. As this legislation was substantively enacted by 31 December 2013, the impact of the anticipated rate change is reflected in the tax provisions reported in these accounts.

There is no impact on the Company of these future proposed changes because the Company does not have any deferred tax assets or liabilities.

15. CAPITAL AND RESERVES

Group	Profit and loss account £m
Reserves at 1 January	258.5
Profit for the year	6.4
Reserves at 31 December	**264.9**

Under the Financial Services and Markets Act 2000, the Group may be called upon to pay an amount not exceeding 0.8% of premium income towards the unpaid liabilities of other bodies, through the Financial Services Compensation Scheme. In 2014 the charge was £595,085 (2013: £1,020,263).

Company	£m
Reserves at 1 January	128.6
Loss for the year	(6.0)
Reserves at 31 December	**122.6**

On 23 June 2014 Simplyhealth Group Limited subscribed to 5,700,000 ordinary shares of £1 each in its subsidiary Simplyhealth Wellbeing Limited as part of its continued support of its subsidiary. The investment was subsequently impaired to £nil as Totally Active Limited, the only trading subsidiary of Simplyhealth Wellbeing Limited, has traded at a loss.

16. RETAINED PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently a profit and loss account for the Parent Company alone is not presented. The loss on ordinary activities after taxation for the financial year dealt within the accounts of the Parent Company is £6.0 million (2013: £nil).

17. OTHER CREDITORS INCLUDING TAXES AND SOCIAL SECURITY

Group	As at 31 December 2014 £m	As at 31 December 2013 £m
Amounts falling due within one year:		
Third party funds	16.1	16.2
Non insurance trade creditors	2.0	3.1
Insurance Premium Tax	5.4	4.4
Corporation tax	1.3	3.5
Other creditors	5.6	10.7
	30.4	**37.9**

18. TECHNICAL PROVISIONS

Group	Provision for Unearned Premiums £m	Provision for Outstanding Claims £m	Total £m
At 1 January 2014	76.6	38.4	115.0
Movement in provision	(0.8)	(0.7)	(1.5)
At 31 December 2014	**75.8**	**37.7**	**113.5**

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts.

The lines of risk underwritten by the Group are restricted to healthcare insurance where the Group either has substantial experience or where the Group wishes to enter such a line of business in a risk controlled manner. The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of the accounting period, plus an amount in respect of claims incurred but not yet reported. Trends in claim rates and other market data are reviewed on a regular basis and premiums for new contracts adjusted accordingly. Each class of contract has a large population of homogeneous policyholders, and no insurance contracts are subject to concentration risk. While the claims experience of the cash plan products remains very stable, there is more variability in the claims experience of private medical insurance products, and as a result, a review of the loss ratios by class is carried out to a detailed level, generating unexpired risk provisions where required.

18. TECHNICAL PROVISIONS (continued)

A 10% deterioration in the loss ratio of the private medical insurance book during the year would have resulted in a £12.8 million reduction in profit before tax and a £10.1 million reduction in equity which represents 3.8% of the Group's capital, 10% representing the Directors' assessment of a reasonably possible change in the loss ratio.

19. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit on ordinary activities before tax to net cash inflow from operating activities

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit on ordinary activities before tax	9.7	16.1
Realised and unrealised loss/(gain) on investments	0.4	(6.5)
Decrease in insurance technical provisions	(1.5)	(2.8)
Depreciation	3.2	2.8
Impairment of fixed assets	-	1.8
Impairment of land and buildings	-	0.2
Reversal of impairment of fixed assets	(0.3)	-
Reversal of impairment of land and buildings	(5.3)	-
Decrease/(increase) in debtors	6.1	(6.1)
Decrease in creditors	(11.0)	(3.4)
Increase in stock	-	(0.2)
Amortisation of goodwill	13.3	13.2
Release of negative goodwill	-	(0.1)
Net cash inflow from operating activities	**14.6**	**15.0**

19. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Movement in opening and closing investments net of financing

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Net cash outflow for the year	(19.6)	(8.6)
Net purchase of investments	22.6	6.4
Movement arising from cash flows	3.0	(2.2)
Changes in market values	(0.4)	6.5
Total movement in investments and financing	2.6	4.3
Cash, investments net of financing at start of year	227.1	222.8
Cash, investments net of financing at end of year	**229.7**	**227.1**

(c) Movements in cash, investments and financing

	At 1 January 2014 £m	Cashflows £m	Changes to market value £m	At 31 December 2014 £m
Cash in hand and at bank	103.4	(19.6)	-	83.8
Shares and other variable yield securities	52.6	(6.1)	(0.6)	45.9
Debt securities and other fixed income securities	71.1	28.7	0.2	100.0
Total	**227.1**	**3.0**	**(0.4)**	**229.7**

20. FINANCIAL COMMITMENTS

Group

(a) Capital expenditure:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Authorised by the Board of Directors and contracted for up to 31 December	3.9	2.7

In 2014 commitments to capital expenditure relate mainly to development costs for new administration and IT systems that will further enhance the customers' experience.

20. FINANCIAL COMMITMENTS (continued)

Group

(b) Leasing

At 31 December the Group had annual commitments under non cancellable operating leases in respect of motor vehicles and building rental for which no provision has been made in the financial statements as follows:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Operating leases which expire:		
Within one year	-	0.8
Within two to five years	1.5	1.8
Within more than five years	-	0.1
	1.5	2.7

21. RELATED PARTY TRANSACTIONS

No member of the Board of Directors had any interest in any contracts with the Group at the end of the year or at any time during the year, except that they are all contributors of Simplyhealth Group Limited as required by the Articles of Association. The Company has taken advantage of the exemption in Financial Reporting Standard 8, "Related Party Transactions" not to disclose details of transactions between Simplyhealth Group Limited and its subsidiary undertakings, 100% of whose voting rights are controlled within the group that are included in the consolidated financial statements of Simplyhealth Group Limited.

There were no other related party transactions in the period.

22. POST BALANCE SHEET EVENTS

Acquisition

On 7 January 2015, the Group acquired The Animal Healthcare Company Limited for the consideration of £5.0 million.

On 2 March 2015, the Group acquired Care and Mobility UK Limited and Care and Mobility (Midlands) Limited for the consideration of £0.8 million to expand its operations in the wellbeing market.

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