Simplyhealth

Simplyhealth Group Limited
Company Registration No. 05445654

Report and Financial Statements

31 December 2016

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Officers and professional advisers

Directors
Mrs R Abdin
Mr M A Hall
Mr R J Harris
Mr B D J Kent
Mr K S Piggott
Mrs A L Pike

Secretary
Mr J N Glover

Registered office
Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

Bankers
National Westminster Bank
9 Bridge Street
Andover
Hampshire
SP10 1BD

Solicitors
Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Independent auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Strategic report

Year ended 31 December 2016

Strategic report

Year ended 31 December 2016

Introduction

Simplyhealth exists to help people make the most of life through better everyday health. Our ambition is to be the first people to turn to for extra help with everyday health. Simplyhealth's strategic objective is to generate a long-term sustainable profit from our businesses delivering on our purpose, whilst moving away from a sole focus on healthcare funding towards a diversified everyday health business offering 'delivery, funding, advice and guidance'.

Simplyhealth has a history dating back to 1872 - long before the existence of the NHS - contributing towards better health. Today, we ensure that over 3 million people across the UK have access to the everyday health products, services and support that they need, when they need them, at a price they can afford and with the healthcare professionals they choose. We offer a wide range of products and services with one thing in common: a resolute commitment to cater for people's everyday health needs – now and into the future.

Our regulatory capital and reserves underpin our commitment to support the needs of our customers. We maintain sufficient reserves to honour our commitments to our customers but our strong capital base means that we can invest in developing our business for the benefit of current and future customers while maintaining a secure balance sheet and solvency position.

As well as changing the business we are also changing the way we operate, becoming a business with a single brand identity, getting closer to our customers and improving how we make decisions.

In May 2016, we made the decision to close our Leeds and Manchester offices to concentrate our customer service activities in Andover and Winchester and thereby improve our service by being able to remove unnecessary handoffs and by streamlining. Any decision that has an impact on people must be approached with care, which is why we ensured that we worked closely with our teams in Leeds and Manchester to understand their individual wishes and preferences as we move towards the closures. This decision was not about cost cutting although it does result in efficiency savings.

As it has been throughout our history, corporate giving is an important part of how we fulfil our purpose and working with charitable partners is one of the ways we can do that.

In 2016, we were able to donate £1.6m to our charitable partners in line with our ongoing pledge to donate 10% of our business operating profits[1] and investment income each year; supporting health-related charities that share our dedication to helping people with everyday health conditions continue to make the most of life.

1 Business operating profit is defined as balance on the general business technical account of £33.8m plus other income of £19.0m less other charges of £41.1m.

Business performance in 2016

The Group made a profit before tax on continuing activities for the year of £0.8m *(2015: £0.2m)*. There was no further contribution to profit from the PMI business which was sold in 2015 and is shown under discontinued operations *(2015: £15.6m)*.

Our loss for the year after taxation was £1.5m *(2015: profit of £12.6m)*, reducing reserves to £276.0m *(2015: £277.5m)* a decrease of 0.5% *(2015: an increase of 4.8%)*.

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

		2016			2015			
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total	Change Continuing operations
Total Policies	'000	**3,256**	**8**	**3,264**	3,119	100	3,219	137
Total technical income	£m	**247.8**	**-**	**247.8**	256.2	74.3	330.5	(8.4)
Loss ratio	%	**64.7%**	**-**	**64.7%**	66.8%	77.0%	69.1%	2.1%
Business operating profit[1]	£m	**11.7**	**-**	**11.7**	13.2	2.9	16.1	(1.5)
Retained (loss)/profit	£m	**(1.5)**	**-**	**(1.5)**	0.2	12.4	12.6	(1.7)

The performance of our continuing operations was broadly similar to the previous year with technical income less claims incurred of £87.5m compared to £85.0m in 2015. Operating expenses rose from £49.7m to £53.7m due to operational changes and initiatives implemented during the year that will support business growth and future cost savings. Net income on the general business technical account for continuing operations consequently fell by £1.5m from £35.3m in 2015 to £33.8m this year.

Investment returns (net of investment management fees) of £5.3m *(2015: £0.6m)* were higher due to improvement in the equity and bond markets in the second half of 2016. This change in the markets is reflected in the current year return which includes £4.7m of unrealised gains compared to unrealised losses of £6.7m at the end of 2015. Conversely the Group realised losses of £1.7m in 2016 compared to realised gains of £4.8m in 2015.

In May 2016, we made the decision to close both our offices in Leeds and Manchester at a cost of £2.0m *(2015: £nil)*.

Total number of policies includes both lives insured and other policies. The total numbers rose by 45,000, as the number of pet health plans rose strongly through organic growth. Lives insured under our policies fell by 0.2m during the year to 3.0m at 31 December 2016 *(2015: 3.2m)*. The run off of the remaining policies in the PMI business accounted for 0.1m of this reduction.

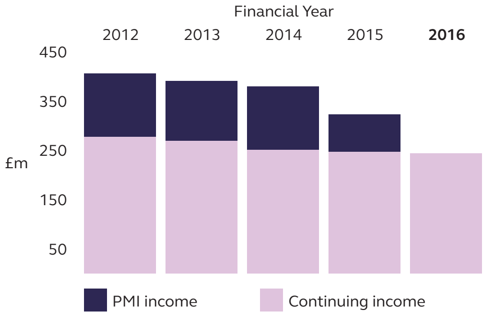
The following graphs summarise our five year performance in respect of financial and performance metrics that are used to monitor business trends and affect our profitability.

Business performance in 2016 (continued)

Total Technical Income

Technical income is the total amount of earned premiums net of reinsurance premiums ceded.

Total technical income on continuing operations fell from £256.2m to £247.8m during the year.

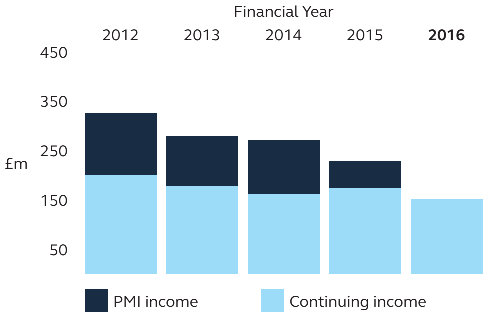


Total Claims Incurred

Total claims incurred are the total amount of paid claims net of reinsurance recovered.

Claims paid on continuing operations in 2016 were £161.9m, a reduction of £9.0m from the £170.9m paid in 2015.

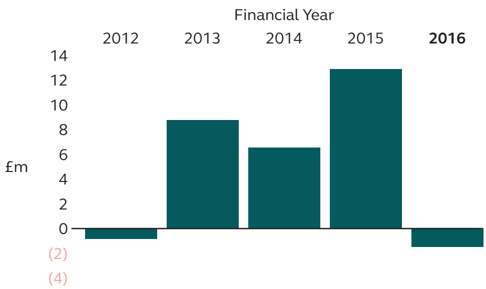
The claim/loss ratio fell from 66.8% to 64.7%.



Retained Profit

Retained profit represents the total comprehensive income for the financial year which is added to reserves.

The total comprehensive loss for the financial year was £1.5m compared to a profit of £12.6m in 2015.



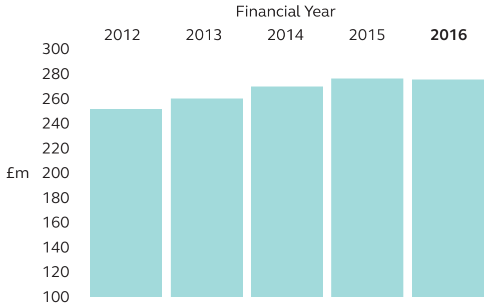
Business performance in 2016 (continued)

Reserves

Reserves consist of profits accumulated by the Group.

The reserves at 31 December 2016 are £276.0m compared to £277.5m at the previous year end.

The movement is solely due to the retained profit or loss in each financial year.

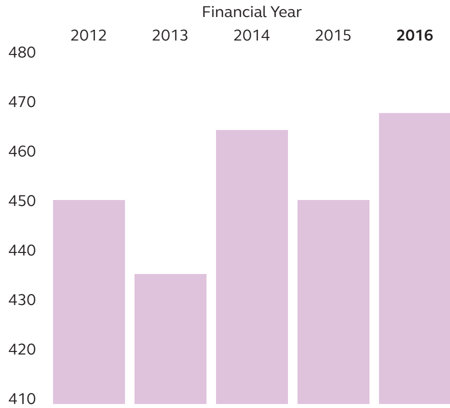


Fairness 500 Index

The Group values its customers and their experience in dealing with us is an important metric for assessing our performance.

The Fairness 500 index is an internal monitoring and reporting mechanism that measures fair treatment of our customers based on a series of criteria.

The Group's score in 2016 was 468 out of a maximum of 500, an increase of 18 points from last year.



Risk management

The role of risk management

We consider risk management to be a fundamental part of good management practice and a significant aspect of corporate governance; therefore we take this responsibility very seriously. We take measures to embed risk management principles throughout our organisation, business and brands. The effective management of risk is central to our culture and our decision-making and provides an essential contribution towards the achievement of our strategy and objectives.

The Simplyhealth Group ("the Group") has developed an Enterprise Risk Management Policy that stipulates the minimum standard for risk management and internal control for all parts of the Group and for all categories of risk.

In turn, this enables reasonable assurance to be provided to the Board and external stakeholders that Simplyhealth is achieving the following risk management and internal control objectives:

- Effective risk and capital management that secures an appropriate level of solvency and protection for policyholders;
- Strong alignment between risk management, accountability, decision-making and reward;
- Effective and efficient operations that are aligned to the Group's strategic objectives and risk appetites;
- Reliable non-financial and financial information, that meets internal and external reporting requirements including prudential reporting; and
- Compliance with applicable and emerging laws, regulations and administrative provisions.

Risk philosophy and appetite

The Group acknowledges that it needs to take risks to successfully deliver the strategy. Delivering on business objectives and seizing commercial opportunities requires putting capital at risk in a responsible and structured manner.

The Group Risk Appetite Statement articulates the limits within which risk-taking can occur. The Group sets and keeps under regular review its approach to risk-taking/management so that it remains relevant to the running of the business, delivery of the strategy and compliance with all relevant laws and regulations or rules of professional bodies or trade associations. This will include:

- Measures, limits and triggers (Key Risk Indicators or KRIs) and risk owners for each material risk that the Group faces as set out in the Group Risk Appetite Statement.
- The Group will keep under review the Group Board KRIs to ensure that risk-taking is consistent with risk limits and that the Executive is taking adequate actions to respond to breaches of triggers and limits.
- The Group will be alert to the interrelationship between Group level strategic risks and other material risks, including individual material risk exposures at a business unit level, which may put the success of the Group's overall business plan at risk. Strategic risk will be managed, monitored and reported at an aggregated level in line with the risk framework.

Risk management (continued)

Risk management framework

The Group maintains a risk management framework which establishes how risk management operates across the business. This framework links together our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites, so that there is an appropriate forward-looking view of the risks facing our business. This includes the adoption of the “Three Lines of Defence” operating model for defining risk management accountability within roles and responsibilities. This operating model supports strong alignment between risk management, accountability, decision-making and reward.

The framework is used to provide a comprehensive and consistent approach for identifying, 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, required to meet the Group’s commercial, strategic and regulatory objectives, including the requirements of the UK financial services regulators and the Solvency II Directive.

Risk governance

The Simplyhealth Group Board owns and agrees the definition of the Group’s risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board. 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, including recommendation of the risk appetite of the business and changes to this;
- Ensure that capital held is sufficient to support the risk profile of the business and meets current and future solvency requirements;
- Oversee the effectiveness of the risk management culture and framework across the business;

Day to day oversight and challenge of our risk management and reporting processes rests with the Risk Management Function. The consolidated risk report produced by this function is firmly embedded in our reporting. This report enables the monitoring of risk-taking versus agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

The effectiveness of the risk management and internal control framework is independently assessed as part of the programme of activity carried out by the Internal Audit Function in the third line of defence, the results of which are reported to the Audit Committee.

Risk management (continued)

Principal risks and uncertainties

Our overall risk profile is determined by:

- The environment in which we do business, in particular competitor activity in the healthcare market, the changing health needs of our customers and employers, regulatory changes and an improving but still fragile economic environment; and
- The business strategy, which focuses on developing existing businesses, building new ones and delivering sustainable returns, with a focus on outstanding customer relationships and effective governance in a changing healthcare market.

Exposure to risk is monitored throughout the Simplyhealth Group through regular reviews by management and the Risk and Capital Committee. The range of risks that influence the Group's operations and performance is regularly reviewed as part of the Group's risk management process and on an ongoing basis under the Own Risk and Solvency Assessment.

The overall contribution that different categories of risk make to the overall risk profile has changed during 2016. Financial risk, which includes insurance risk and market risk, remains the most significant category but operational risk has naturally increased as we progressed through our organisational change programme.

The Group's principal risks have been defined by the Directors as follows:

Credit risk

Our credit risk is primarily attributable to the risk of loss from unexpected default or deterioration in the credit standing of our counterparties and debtors. However this risk is limited because our largest exposure is to banks and insurance companies who have strong credit ratings.

The Agreement under which the Group's investment portfolio is managed by a third party sets out clearly the parameters under which the Investment Manager can operate, including: the definition of eligible instruments; asset allocation between the range of eligible instruments; and the acceptable credit rating of counterparties. Adherence to this policy is monitored by the Risk and Capital Committee.

Premium and other trade debtors are relatively low in value and subject to strict credit control and oversight.

Further details of the Group's exposure to credit risk are detailed in note 3(c) to the financial statements.

Risk management (continued)

Operational, conduct & reputational risk

As may be expected in a business transitioning through a time of change, our strategic intentions have created an increased risk of operational failures. Challenging demands on resources and skills within the business could negatively affect the operational capacity and capability of our business and the resilience of our operational systems and processes. These demands include risks relating to information security particularly as it relates to the safety of our customers data. In accordance with the Enterprise Risk Management Policy, the management and governance culture of our business continues to be enhanced specifically to address this challenge.

During the year there have been no material operational risk losses or incidents that require disclosure.

Insurance risk

Our continuing insurance risk is managed 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 our business and organisation.

We apply a prudent approach to our management of potential exposure to risks arising from our insurance contracts. Further details relating to the management of these risks are set out in note 21 to the financial statements.

Market risk

Our market risk is primarily attributable to our investment portfolio and investment properties. The investment portfolio is managed by Schroders Investment Management Limited ('Schroders') in accordance with an Investment Management Agreement ('IMA'). The IMA is classified as a material outsourcing arrangement. Performance under the IMA is monitored regularly and reported to the Risk and Capital Committee. Further details of the Group's exposure to market risk are detailed in note 3(e) to the financial statements.

Liquidity risk

Liquidity risk is the risk that the business will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts and to settle its financial liabilities. We have robust processes in place to manage liquidity risk and have available cash balances and other readily marketable assets in case of exceptional need. Our risk policies are designed to manage the risks associated with asset and liability matching.

Further details of the Group's exposure to liquidity risk are detailed in note 3(d) to the financial statements.

Risk management (continued)

Capital risk

The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

The Capital Management Policy seeks to optimise the balance between risk and return while maintaining economic and regulatory capital within the Group's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital.

Further details of the Group's Capital Management Policy are detailed in note 3(f) to the financial statements.

"Brexit" uncertainty

On 23 June 2016, the United Kingdom ('UK') voted to leave the European Union ('EU'). The exact nature, process and timing of the UK's exit from the EU are not clear. Although the Group has limited exposure to markets outside the UK, the wider economic uncertainty resulting from this vote may impact adversely on the Group's strategy.

The risks and uncertainties associated with exiting from the EU have been considered by the Directors and, while they continue to monitor the impact of the referendum result, they do not currently believe there will be a material adverse impact on the Group's results or financial position in the current or following financial year.

Going concern

In the course of preparing the annual financial statements, the Directors have assessed whether the Group is a going concern. The Solvency II regime for measuring and monitoring regulatory capital came into effect on 1 January 2016. Consequently the Directors' assessment of future regulatory capital sufficiency is based on Solvency II requirements.

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 that 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, our assets are assessed for recoverability on a regular basis. If these assets are not already carried at fair market 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 and are satisfied that it is appropriate to prepare our 2016 financial statements on a going concern basis.

Our members and customers

Our purpose is to help people make the most of life through everyday health, and we only do this by meeting the needs of our customers. We continue to monitor how customers feel about our service, as well as whether they would recommend Simplyhealth to their friends and family, and score consistently highly on these measures. A recent area of focus has been to make it easier for customers to deal with us, for example by extending popular new service channels such as online claims and servicing and a Livechat facility, and this will remain a core theme over 2017.

Looking ahead, we will continue to improve our digital service channels on cashplans to add to our traditional telephone enquiry systems and give customers a wide choice of how they can interact with us. We are also looking at what customers most appreciate about their plans today, and what extra services they would really value in future.

Our people

We want Simplyhealth to be an attractive and fair employer which supports our employees to make the most of life. Supporting our employees' physical and mental health means they can get more from their working and personal lives. When people are happier, they are often more resilient and productive.

We believe that a happy work-life balance is good for the people who work for us, as well as for the business. We strive to create a supportive, motivating culture, where we help people succeed and learn no matter what role they play. Our success in meeting these aims is shown by the fact we have some very long-standing employees who have been with us for more than 40 years.

We provide our employees with a cash plan, so they can keep on top of everyday health needs easily and conveniently. As they receive the same benefits as those we give our customers, our employees have a more thorough understanding of the product when talking to our customers.

Employees are offered a pension scheme and life insurance, a bike to work scheme, the option to give as you earn, purchase childcare vouchers, bonus exchange into pension, buy and sell annual leave, community days, learning and development to aid career progression, and the new Care for Life benefit - online advice and support on ageing and caring for loved ones.

We believe that happier, motivated employees have a positive influence on our customers. We are committed to paying all our people at or above the National Living Wage.

Simplyhealth is committed to a policy of equal opportunity in recruitment, training, career development and promotion of employees, irrespective of gender, marital status, race or ethnic origin. Full and fair consideration is also given to disabled persons including the rehabilitation and retention of people who become disabled, having regard to their particular aptitudes and abilities.

Looking forward to 2017

Simplyhealth's purpose of helping people make the most of life through everyday health has never been more relevant. Healthcare needs are rising, driven by factors such as an ageing population, people's lifestyles and health choices. The NHS and the wider health and social care system are already struggling to meet demand, and continuing funding challenges are widely reported.

Access to some areas of treatment may become restricted in terms of being able to choose a professional to perform the treatment or the period of waiting for an appointment. It is documented that waiting times for services from surgery to GP appointments are currently increasing.

These circumstances may influence consumers to choose alternative service providers where they cannot access NHS services, or at least cannot access them as quickly or at the level of quality they would like.

One area that we see has the potential for significant growth is digital health services, including wearables such as pedometers and watches, and mobile phone apps. Health monitoring is likely to use remote digital devices in the future rather than depending solely on visiting a surgery or hospital. Artificial intelligence is already being tested to diagnose patient conditions. Much of this change may be driven by technology companies rather than by traditional health organisations. Where relevant to our strategy, Simplyhealth will look to work with expert partners to offer high quality innovative propositions to our customers.

Social care is also an area where the current national funding model is experiencing significant challenge, and this seems certain to continue with more and more people living for longer, often having significant care needs. This means that demand will inevitably outstrip supply within the state-funded system. Simplyhealth is already providing solutions that help people continue to live independently in their homes and we will look to extend the ways we can help by partnering with experts where appropriate to support patients and carers.

There remains significant economic uncertainty, not least as Brexit approaches. Pre-referendum predictions of a major economic slowdown have not materialised so far, with consumer spending remaining consistent with pre-referendum levels. However, 2017 may see inflation increasing as a result of the weak pound which could reduce consumer confidence and limit growth. This may test customer loyalty, and places even more emphasis on Simplyhealth offering services which our customers really value.

Looking forward to 2017 (continued)

An inspiring partnership with the Great Run Series

We are delighted that we have launched our biggest everyday health partnership with the Great Run Series, the world's largest mass participation running series, which now means over 250,000 people will be taking part in the Simplyhealth Great North Run and Simplyhealth Great South Run, plus other events across the UK.

This partnership is a great fit for our brand as we promote everyday health and work together to help people lead healthier, happier lives. Together we recognise the benefits that being active can have on people's everyday health and through this partnership, we can do even more.

Our partnership also means that we have the opportunity to generate additional funds for our nominated headline charitable partner, Revitalise. The funds raised will help them provide many more subsidised respite breaks for disabled adults and their families.

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

Romana Abdin, Chief Executive
21 March 2017

Directors' and auditor's

reports & statements

Directors' report

Directors

The directors who served during the year and up to the date of approval of these financial statements were:

Mr K S Piggott Non-executive Chairman

Mr T T Brooke Non-executive (resigned 1 October 2016)

Mr M A Hall Non-executive

Mr R J Harris Non-executive

Mrs A L Pike Non-executive

Mrs R Abdin Chief Executive

Mr B D J Kent Executive

Mr J N Glover served as Company Secretary throughout the year and up to the date of approval of these financial statements.

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 to which the Group is exposed are insurance risk, liquidity risk, credit risk and market risk. The Group's approach to management of these risks is disclosed in the Strategic Report.

Directors' indemnities

During the year and at the time the Directors' Report was approved, the Company's Directors were the beneficiaries of qualifying indemnity provisions in respect of proceedings brought by third parties (subject to the conditions set out in section 234 of the Companies Act 2006) provided by Simplyhealth Group Limited.

Disclosure of information to the auditor

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

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

- The Director 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 has expressed its willingness to continue in office as the Company's auditor.

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

Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

James Glover, Secretary
21 March 2017

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts". 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 2016 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 "Insurance Contracts".

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 20, 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 2016 and of the group's 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.

Independent auditor's report to the members of Simplyhealth Group Limited (continued)

Matter on which we are required to report under the Companies Act 2006

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

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, 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.

Grant Thornton UK LLP

Sam Porritt
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
21 March 2017

Financial statements

Consolidated statement of comprehensive income

Year ended 31 December 2016

TECHNICAL ACCOUNT – General business		**2016**			2015		
	Note	**Continuing operations £m**	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Earned premiums, net of reinsurance							
Gross premiums written		**247.4**	**9.0**	**256.4**	255.8	122.9	378.7
Outward reinsurance premiums		**-**	**(9.0)**	**(9.0)**	-	(42.2)	(42.2)
Gross change in the provision for unearned premiums	21	**0.4**	**52.9**	**53.3**	0.4	3.4	3.8
Reinsurer's share of the change in the provision for unearned premiums	21	**-**	**(52.9)**	**(52.9)**	-	(9.8)	(9.8)
Total technical income		**247.8**	**-**	**247.8**	256.2	74.3	330.5
Claims paid							
Gross claims paid		**(161.9)**	**(56.7)**	**(218.6)**	(170.9)	(103.4)	(274.3)
Reinsurer's share of claims paid		**-**	**56.7**	**56.7**	-	44.9	44.9
Change in the provision for outstanding claims							
Gross	21	**1.6**	**11.8**	**13.4**	(0.3)	5.8	5.5
Reinsurer's share	21	**-**	**(11.8)**	**(11.8)**	-	(4.5)	(4.5)
Total claims incurred		**(160.3)**	**-**	**(160.3)**	(171.2)	(57.2)	(228.4)
Net operating expenses before goodwill amortisation	4	**(53.7)**	**-**	**(53.7)**	(49.7)	(14.8)	(64.5)
Amortisation of goodwill	8	**-**	**-**	**-**	-	(0.7)	(0.7)
Total operating expenses		**(53.7)**	**-**	**(53.7)**	(49.7)	(15.5)	(65.2)
Total technical charge		**(214.0)**	**-**	**(214.0)**	(220.9)	(72.7)	(293.6)
Balance on the general business technical account		**33.8**	**-**	**33.8**	35.3	1.6	36.9

	Note	2016 Continuing operations £m	2016 Discontinued operations £m	2016 Total £m	2015 Continuing operations £m	2015 Discontinued operations £m	2015 Total £m
Balance on the general business technical account		**33.8**	**-**	**33.8**	35.3	1.6	36.9
NON TECHNICAL ACCOUNT Investment returns:							
Income from investments	6	**2.8**	**-**	**2.8**	3.0	-	3.0
(Losses)/ gains on realisation of investments		**(1.7)**	**-**	**(1.7)**	4.8	-	4.8
Unrealised gains/(losses) on investments		**4.7**	**-**	**4.7**	(6.7)	-	(6.7)
Other investment charges and expenses		**(0.5)**	**-**	**(0.5)**	(0.5)	-	(0.5)
Other income and charges:							
Other income		**19.0**	**-**	**19.0**	19.2	2.6	21.8
Other charges	4	**(41.1)**	**-**	**(41.1)**	(41.3)	(1.3)	(42.6)
Reversal of impairment of land and buildings	10	**0.4**	**-**	**0.4**	0.7	-	0.7
Donations		**(1.6)**	**-**	**(1.6)**	(1.6)	-	(1.6)
Amortisation of goodwill and other intangibles	8 & 9	**(13.0)**	**-**	**(13.0)**	(12.7)	-	(12.7)
Profit on ordinary activities before exceptional items and tax		**2.8**	**-**	**2.8**	0.2	2.9	3.1
Restructuring of insurance operations	4	**(2.0)**	**-**	**(2.0)**	-	-	-
Profit on disposal of operations	4	**-**	**-**	**-**	-	12.7	12.7
Profit on ordinary activities before tax		**0.8**	**-**	**0.8**	0.2	15.6	15.8
Tax charge on profit on ordinary activities	7	**(2.3)**	**-**	**(2.3)**	-	(3.2)	(3.2)
(Loss)/ profit and total comprehensive income for the financial year		**(1.5)**	**-**	**(1.5)**	0.2	12.4	12.6

The discontinued operations of the Group are discussed in note 4.
The Group has no recognised items of other comprehensive income other than those included above, and therefore no separate statement of other comprehensive income has been presented.
The accounting policies and notes on pages 31 to 69 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2016

ASSETS	Note	2016 £m	2015 £m
Intangible assets			
Goodwill	8	**64.6**	77.4
Negative goodwill	8	**(1.7)**	(1.7)
Other intangible assets	9	**11.8**	8.2
		74.7	83.9
Investments			
Investment property	10	**2.0**	-
Other financial investments	12	**175.0**	172.8
Investment in joint ventures	13	**0.9**	-
Reinsurers' share of technical provisions			
Reinsurers' share of provision for unearned premiums	21	**0.4**	53.3
Reinsurers' share of provision for claims outstanding	21	**2.6**	14.4
Debtors			
Debtors arising out of direct insurance operations		**21.7**	43.9
Other debtors	15	**5.2**	11.2
Deferred acquisition costs	18	**0.3**	4.6
Deferred taxation	17	**1.9**	2.1
Other assets			
Land and buildings	10	**6.3**	12.3
Tangible assets	16	**1.8**	1.3
Stock		**0.4**	0.3
Cash and cash equivalents	14	**59.1**	57.7
TOTAL ASSETS		**352.3**	457.8

EQUITY AND LIABILITIES	Note	2016 £m	2015 £m
EQUITY			
Profit and loss account	19	**276.0**	277.5
LIABILITIES			
Technical provisions			
Provision for unearned premiums	21	**18.7**	72.0
Provision for claims outstanding	21	**18.8**	32.2
Creditors			
Derivative liabilities	12	**0.4**	-
Other creditors including tax and social security	20	**22.5**	58.9
Accruals and deferred income		**15.8**	13.0
Reinsurers' share of deferred acquisition costs	18	**0.1**	4.2
TOTAL EQUITY AND LIABILITIES		**352.3**	457.8

The accounting policies and notes on pages 31 to 69 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2017.

Signed on behalf of the Board of Directors

Romana Abdin, Chief Executive **Ben Kent, Chief Financial Officer**

Company statement of financial position

As at 31 December 2016

	Note	**2016** £m	2015 £m
Fixed assets			
Investments in group undertakings	11	**145.6**	144.3
Debtors			
Amounts due from group undertakings		**-**	-
Other assets			
Cash at bank and in hand		**3.0**	1.1
Total assets		**148.6**	145.4
Equity			
Profit and loss account at start of the year		**144.8**	122.6
Total comprehensive income for the year		**2.3**	22.2
Profit and loss account	19	**147.1**	144.8
Liabilities **Creditors: Amounts falling due within one year**			
Amounts due to other group undertakings		**1.4**	0.5
Accruals		**0.1**	0.1
Total Equity and liabilities		**148.6**	145.4

The accounting policies and notes on pages 31 to 69 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2017.

Signed on behalf of the Board of Directors

Romana Abdin, Chief Executive

Ben Kent, Chief Financial Officer

Consolidated statement of changes in equity

As at 31 December 2016

	Profit and loss account £m
At 1 January 2015	264.9
Total comprehensive income for the year	12.6
At 31 December 2015	277.5
At 1 January 2016	277.5
Total comprehensive loss for the year	(1.5)
At 31 December 2016	276.0

Company statement of changes in equity

As at 31 December 2016

	Profit and loss account £m
At 1 January 2015	122.6
Total comprehensive income for the year	22.2
At 31 December 2015	144.8
At 1 January 2016	144.8
Total comprehensive loss for the year	2.3
At 31 December 2016	147.1

The accounting policies and notes on pages 31 to 69 form an integral part of these financial statements.

The balance on the profit and loss account for both the Company and the Group comprises total comprehensive income accumulated in prior years.

Consolidated cash flow statement

Year ended 31 December 2016

	Note	2016 £m	2015 £m
Net cash flows from operating activities	22	**2.7**	28.7
Cash flows from investing activities			
Acquisition of subsidiary		**-**	(3.1)
Investment in joint ventures		**(0.9)**	-
Disposal of business and subsidiary undertakings, net of cash transferred		**-**	(18.6)
Purchase of tangible fixed assets		**(1.2)**	(0.5)
Purchase of intangible assets		**(4.6)**	(3.7)
Purchase of shares and other variable yield securities		**(79.2)**	(0.1)
Purchase of debt securities and other fixed income securities		**(634.2)**	(414.9)
Proceeds on disposal of shares and other variable yield securities		**45.5**	20.8
Proceeds on disposal of debt securities and other fixed income securities		**671.5**	365.3
Payment to settle derivative contracts		**(2.8)**	-
Proceeds of sale of land and building		**4.6**	-
Net cash flows from investing activities		**(1.3)**	(54.8)
Net increase/(decrease) in cash and cash equivalents		**1.4**	(26.1)
Cash and cash equivalents at beginning of year		**57.7**	83.8
Cash and cash equivalents at end of year		**59.1**	57.7
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		**39.1**	57.7
Cash equivalents		**20.0**	-
Cash and cash equivalents		**59.1**	57.7

The accounting policies and notes on pages 31 to 69 form an integral part of these financial statements.

Notes to the financial statements

Year ended 31 December 2016

1. Accounting policies

The Company is limited by guarantee and is incorporated in the United Kingdom under the Companies Act, registration number 05445654. The address of the registered office is detailed on page 4. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

The principal accounting policies are summarised below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 and FRS 103.

The functional currency of the Group and the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a company cash flow statement and remuneration of key management personnel of the Company.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 have adopted the going concern basis in preparing these financial statements.

1. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised through the statement of comprehensive income on a straight-line basis over its expected useful economic life, which the Directors consider to be between five and ten years. The gain or loss on subsequent disposal of a subsidiary will take account of any attributable, unamortised goodwill, which is derecognised on the disposal of the associated business.

Negative goodwill is similarly included in the statement of financial position and is credited to the statement of comprehensive income in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the statement of comprehensive income in the periods expected to benefit.

The carrying value of goodwill is assessed at each annual reporting date for any impairment.

Other intangible assets

Brands, customer relationships and licences

Intangible assets are recognised on acquisition of subsidiary undertakings and businesses where the Directors believe that it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost or value of the asset can be measured reliably.

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles through the statement of comprehensive income on a straight-line basis over their expected useful economic life, which the Directors consider to be between five years for intangibles recognised in relation to retail services and ten years for those recognised for capitation plans and insurance products.

The carrying values of intangible assets are assessed at each annual reporting date for any impairment.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised in stages over the period during which the Group is expected to benefit, from the date that the asset is available for use.

1. Accounting policies (continued)

Computer software

Purchased computer software is carried at historical cost less accumulated amortisation and amortised over a useful life of between two and four years, on a straight-line basis. Provision is made for any impairment.

The Directors review internal development expenditure annually. If the Directors are satisfied as to the technical, commercial and financial viability of individual projects, internally developed computer software is capitalised as an intangible asset and amortised over a period of seven years.

In cases of staged live implementations, costs relating to the expected benefits of the relevant modules are reclassified from development expenditure to software and depreciated over a period of seven years. The carrying value of the asset and its expected future cash flows are assessed annually for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings — 50 years

Leasehold property — over the term of the lease

Motor vehicles — 4 years

Computer hardware — 2 to 4 years

Fixtures, fittings and
office equipment — 4 to 10 years

Assets in the course of construction are not depreciated and are reviewed annually for indicators of impairment.

Investment properties

Investments in freehold properties not for occupation by the Group are carried at fair value, with changes in fair value included in the statement of comprehensive income.

Investment properties are valued annually by professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

Revaluation of properties

Individual freehold properties are revalued to fair value every year. Where the fair value of an individual property exceeds historical cost, the surplus is credited to a revaluation reserve and recognised as other comprehensive income. If a deficit is identified which exceeds a previously recognised surplus relating to the same property, this deficit is charged to the statement of comprehensive income within the non-technical account. A reversal of such a deficit is credited to the statement of comprehensive income within the non-technical account.

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities
All financial assets and liabilities, including debtors and creditors receivable or payable within one year with no stated interest rate, are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Derivative financial instruments are measured at fair value through profit or loss.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments due in more than one year, other than those designated at fair value through profit or loss as part of the Group's trading portfolio, are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments
Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or where their fair value is reliably measurable) are measured at fair value through profit or loss.

Investments in debt securities and collective investment schemes held by the Group as part of the trading portfolio have been designated by the Group as fair value through profit or loss. This group of instruments is managed and its performance evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's key management personnel.

Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries are measured at cost less impairment.

(iii) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a discounted cash flow valuation technique.

1. Accounting policies (continued)

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy of the Group or counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below.

Non-financial assets
If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Financial assets
For financial assets carried at amortised cost, the recoverable amount is determined as the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the recoverable amount is the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Reversal of impairment losses
If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and deposits held at call with banks with less than 90 days maturity from date of deposit. This includes 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 20.

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 statement of financial position therefore has no impact on the net assets of the Company or Group.

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities held in foreign currencies at the statement of financial position 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 the non-technical account in the statement of comprehensive income.

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 any Insurance Premium Tax as applicable.

Reinsurance

The Group assumes and cedes reinsurance in the normal course of business and as part of the management of business acquisitions and divestments.

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. Outward reinsurance premiums represent the reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related accepted insurance. Premiums assumed and claims reimbursed are presented on a gross basis.

Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Unearned premiums

Earned premiums represent gross premiums written after adjusting for changes in unearned premiums. The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years. It is calculated separately for each insurance contract and on a pro rata basis. The change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

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 statement of comprehensive income 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 statement of financial position date and their original cost or, if they have been previously valued the valuation at the previous statement of financial position 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.

1. Accounting policies (continued)

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 statement of financial position date are expected to exceed the provision for unearned premiums at that same date. The amount provided is determined after considering the individual pattern and profile of specific homogeneous risk groups. Any provision for unexpired risks is included within the 'Technical provisions' in the statement of financial position.

The Group assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

Pension costs and other employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Differences between amounts due in the year and amounts actually paid are shown as either accruals or prepayments in the statement of financial position.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

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 paid 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 claims experience 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 running of the business.

The provision for outstanding claims represents an estimate of the ultimate cost of settling all claims (including direct and indirect claims settlement costs) which have occurred up to the statement of financial position date. This includes a provision for claims incurred but not yet paid, the value of which is based on a best estimate plus a provision for adverse development within a range of possible outcomes. These figures are based on the overall claims risk profile as measured by the cost, frequency, deviation from historic trends and sensitivity of claims to market factors and include a fixed level of prudence based on the Group's risk appetite. The basis and calculation of both the estimates and the provision for adverse development are reviewed annually against claims experience.

1. Accounting policies (continued)

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 statement of comprehensive income 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 statement of financial position date and is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

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 statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) or liability that is recognised in a business combination is different from the value at which it is recognised, a deferred tax asset or liability is recognised for the additional tax that will arise in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are not discounted.

1. Accounting policies (continued)

Investment in joint ventures

Joint ventures are accounted for using the equity method under which the Group's share of the net result of joint ventures for the year is recognised in the statement of comprehensive income.

The accounting policies of joint ventures in which the Group participates are changed where necessary to ensure consistency with the policies adopted by the Group. If the reporting date of the joint venture is different from the Group, the Group's share of the results of the joint venture is calculated using the most recent financial statements adjusted for significant transactions between that date and the Group's reporting date.

The Group's interest in a joint venture is carried in the statement of financial position at fair value represented by its share in the net assets of the joint venture less any provision for impairment.

Leases

Payments in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Stock

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the 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.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Claims incurred arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. There is uncertainty as to the loss ratio the Group will experience as claims are settled. Key assumptions are based upon anticipated loss ratios, which are based upon historical experience, and updated for future expectations in changes in claims inflation and incidence rates.

There are a number of uncertainties that determine how much the Group will ultimately pay with respect to such contracts. This includes whether a claim event has occurred or not, how much it will ultimately settle for and changes in the business portfolio which affect factors such as the number of claims and their typical settlement costs.

The insurance liabilities recorded on the statement of financial position include a margin for risk and uncertainty in addition to the best estimates for future claims. The margin over and above the best estimate is a fixed amount, based upon technical provision net of reinsurance and is subject to annual review. Further discussion, including analysis of the sensitivity of profit or loss to changes in the claims loss ratio is presented in note 21.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Further disclosures and a reconciliation of the movement in carrying value of goodwill and other intangible assets between the current and previous statement of financial position are included within notes 8 and 9.

Intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Further disclosures and a reconciliation of the movement in carrying value of goodwill and other intangible assets between the current and previous statement of financial position dates are included within notes 8 and 9.

Land and buildings

Properties are valued annually by professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

The valuation process requires judgement to be exercised in determining a number of similar properties for which active market prices can be obtained. Further adjustments are then made, if necessary, for any difference in the nature, location or condition of the specific property.

Further disclosures and a reconciliation of the movement in carrying value of land and buildings between the current and previous statement of financial position dates, including revaluations during the year, are included within note 10.

3. Financial risk and capital management

The Group is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. The most important components of financial risk are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk.

There have been no significant changes from the prior period in the nature of the financial risks to which the Group is exposed, however following the change in external investment managers during the year the Group has modified its investment strategy to include the use of collective investment schemes and derivatives. The Group's objectives and policies for managing these risks and the methods used to measure risk exposure are consistent with those adopted during the prior period.

The Group uses derivatives for the purpose of efficient portfolio management and to reduce risk in aspects of the Group's investment activities. The Group uses forward foreign exchange contracts and index-linked futures for these purposes.

The Group monitors its exposure to risks through regular reviews of its portfolio of assets and liabilities and their underlying characteristics. The Directors have chosen not to apply hedge accounting to the Group's derivatives.

The Group has designated debt instruments, derivative assets and liabilities, collective investment schemes and equity shares in its investment portfolio as fair value through profit and loss. All other financial assets and liabilities are held at amortised cost.

a) Categories of financial assets and liabilities

Group **At 31 December 2016**	**Held at fair value** **£m**	**Held at amortised cost** **£m**	**Total** **£m**
Cash at bank and in hand	-	39.1	39.1
Cash equivalents	-	20.0	20.0
Other financial investments	175.0	0.9	175.9
Other financial assets	2.0	29.5	31.5
Derivative liabilities	(0.4)	-	(0.4)
Other financial liabilities	-	(49.6)	(49.6)
	176.6	**39.9**	**216.5**

Group **At 31 December 2015**	**Held at fair value** **£m**	**Held at amortised cost** **£m**	**Total** **£m**
Cash at bank and in hand	-	57.7	57.7
Other financial investments	172.8	-	172.8
Other financial assets	-	69.5	69.5
Other financial liabilities	-	(95.0)	(95.0)
	172.8	**32.2**	**205.0**

3. Financial risk and capital management (continued)

b) Measurement of fair value

The Group has chosen to adopt the Amendment to FRS 102 in respect of Fair Value Hierarchy Disclosures issued in March 2016. The Amendment sets out the measurement bases that can be used to value financial assets and liabilities held at fair value. The different methods of valuation are categorised into a hierarchy as follows:

Level 1: assets and liabilities for which fair values have been measured using the unadjusted quoted price in an active market for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table analyses the Group's financial assets and liabilities that are held at fair value according to the above hierarchy:

At 31 December 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Debt securities	-	108.0	0.5	108.5
Investment property	-	2.0	-	2.0
Collective investment schemes	-	66.5	-	66.5
Financial assets held at fair value	**-**	**176.5**	**0.5**	**177.0**
Derivative liabilities	-	(0.4)	-	(0.4)

Financial assets held at 31 December 2015 with a value of £172.8m were measured in accordance with Level 1 of the fair value hierarchy.

The valuation technique used for the debt security included in level 3 is based on a discounted cash flow model with inputs that are derived from the yield and duration of the bond rather than observable market data.

c) Credit risk

The Group has exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Group by failing to discharge an obligation, from the following areas:

- cash deposits held with banks;
- counterparty defaults on debt securities;
- reinsurers' share of insurance liabilities (excluding unearned premiums) and amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance premium debtors; and
- amounts due from other group undertakings and guarantees offered to other group entities.

The carrying value of its financial assets and liabilities best represents the Group's maximum exposure to credit risk. The Group's risk policies limit the maximum exposure to credit risk with any single counterparty to £45m.

Premium debtors

The most significant exposure to credit risk is attributable to insurance premium debtors. An allowance for doubtful debts is maintained and regularly monitored as part of the Group's internal financial reporting process. The maturity of premium debtors, net of allowances for doubtful debts, is as follows:

Days past due	Premium debtors not yet due £m	Current but not overdue £m	0-30 days overdue £m	30-60 days overdue £m	60-90 days overdue £m	Total £m
Amount outstanding						
As at 31 December 2016	**18.3**	**2.7**	**0.4**	**0.2**	**0.1**	**21.7**
As at 31 December 2015	39.4	3.1	1.2	0.3	(0.1)	43.9

Financial investments

The credit risk exposure from financial investments and cash deposits is managed and maintained at a low level by monitoring credit ratings assigned to counterparties by international credit rating agencies.

The Group manages its direct investment holdings by placing the following limits on the credit ratings of its investment counterparties with the appointed investment managers through the Investment Management Agreement:

Maximum limit of BBB-rated securities	30%
Maximum limit of A-rated securities	65%

No investment in unrated bonds

If a bond is downgraded to below investment grade, it would normally be sold within 6 months.

The collective investment schemes do not have a credit rating.

3. Financial risk and capital management (continued)

c) Credit risk (continued)

Reinsurance

Reinsurance is used to manage the transfer of insurance risk in business restructuring transactions. It does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength.

The Group's sole reinsurance counterparty is AXA PPP healthcare Limited ('AXA PPP') following the reinsurance agreement entered into as part of the sale of the PMI business. The credit risk is mitigated through a claims float provided by AXA PPP which covers the Group's liability to pay claims on behalf of the reinsured business. The reinsured claims are settled on a monthly basis in arrears by AXA PPP and the Group can use the claims float to cover timing differences which adversely affect its cash flow.

The carrying amount of policyholder debtors, financial assets and reinsurance assets represents the Group's maximum exposure to credit risk. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.

Cash balances are regularly reviewed to identify the quality of the counterparty banks and to monitor and limit concentrations of risk. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors. The debt investments portfolio consists of a range of fixed interest instruments including government securities and corporate bonds, preference shares and other interest-bearing securities.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts and to settle its financial liabilities. The Group has robust processes in place to manage liquidity risk and has available cash balances and other readily marketable assets in case of exceptional need. The Group's risk policies are designed to manage the risks associated with asset and liability matching.

The following table shows the maturity profile of the Group's primary financial liabilities at the undiscounted amounts of their contracted future cash flows:

	31 December 2016 £m	31 December 2015 £m
Provision for outstanding claims		
Within one year	**17.6**	30.7
Between one and five years	**1.2**	1.5
	18.8	32.2

At 31 December 2016 the Group held cash and cash equivalent balances totalling £59.1m (2015: £57.7m).

The Group's derivative liabilities of £0.4m (2015: £nil) are due for settlement within one year.

All of the Group's other financial liabilities that are comprised of accruals, other creditors and amounts to be settled with AXA PPP and which total £30.8m (2015: £62.8m) are payable within one year.

Information about the expected timing of the net cash outflows resulting from recognised insurance liabilities is given in note 21.

3. Financial risk and capital management (continued)

e) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group has potential material exposure to four types of market risk: interest rate risk, equity price risk, currency risk and credit risk.

The exposure to interest rate risk arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates. The investment strategy is set by the Board and management follows this strategy in making investment decisions. The investment portfolio is reviewed by the Risk and Capital Committee to ensure that investments are maintained in line with the investment strategy.

The Risk and Capital Committee oversees all investments, including cash balances, of the Group. The Committee meets quarterly to discuss and provide challenge to the decisions of the investment manager appointed by the Committee. External investment advisors are consulted to provide investment advice and actuarial knowledge to support the Committee in setting the investment policy and strategy and to supplement the internal resource in challenging the investment manager's advice.

The Group is exposed to equity price risk because of both direct financial investments in equity securities and through other investment products with values linked to equity price movements. This risk is managed by holding a portfolio diversified across geographical regions and market sectors.

The Group's exposure to currency risk arises from the investment portfolio, with some purchased investments denominated in currencies other than sterling. This risk is managed through the use of foreign exchange forward contracts and diversification of currency exposures.

The Group's exposure to credit risk arises from potential changes in the risk profile of investment counterparties leading to increased risk of defaults. This risk is managed through diversification of debt exposure across a number of counterparties with strong credit ratings in accordance with the investment management agreement.

The Group's only exposure to market risk is through its financial investment portfolio. Of the total other financial investments of £175m, £35.6m is exposed to currency risk. In relation to interest and equity risk, £149.8m of assets are subject to interest rate risk, £18.6m are exposed to equity risk.

The sensitivity of reserves to movements in market risk variables, each considered in isolation, is shown in the following table:

Variable	Change in variable	Potential increase/(decrease) in profit after tax and equity	
		2016 £m	2015 £m
Interest rate risk	-50 basis points (2015: -200 bps)	0.4	0.8
	+200 basis points (2015: +200 bps)	(1.7)	(0.7)
Equity price risk	+10%	2.2	1.9
	-10%	(2.2)	(1.9)
Currency risk	+15% (2015: +5%)	(2.1)	(0.1)
	-15% (2015: -5%)	2.1	0.1
Credit risk	-50 basis points	(1.0)	
	+50 basis points	1.0	

As a result of the current economic and political uncertainty, the Group has increased the currency stresses applied to the portfolio from 5% to 15% and considered the effect of an increase in credit risk as measured by the movement in credit default spreads. Given the current level of interest rates the potential for further rate reductions has been limited to 50 basis points in the current year assessment.

The analysis of market risk sensitivity has been derived by the Group's independent external investment manager, using standard valuation techniques. It has been assumed that:

- the value of fixed income investments will vary inversely with changes in interest rates;
- equity prices will move by the same percentage across all territories;
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel; and
- credit spreads will move by the same percentage across all instruments and counterparties.

The change in profit is stated before tax at the standard rate applicable to the Group.

3. Financial risk and capital management (continued)

f) Capital risk management

The Group's capital comprises profits accumulated in prior years. The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders, and regulatory requirements.

Capital Management Policy

The Capital Management Policy seeks to optimise the balance between risk and return whilst maintaining economic and regulatory capital within the Group's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital addressing:

- The assessment of the optimal overall capital balance required to support appropriate financial strength and flexibility, with reference to the Group's risk appetite, regulatory requirements and the reasonable expectations of stakeholders including customers and suppliers.
- The allocation of capital within the organisation to ensure that legal entities, and the Group, hold adequate capital for the effective operation of their businesses.
- The rationing of capital to investment opportunities with the aim of adding value, growing the capital base and diversifying the risk profile of the Group's invested capital.

Capital Management Principles

The Capital Management Policy exists to provide guidance and governance over the holding and investment of the Group's overall capital.

The Group is required to maintain a solvency capital position in accordance with the Solvency II rules.

Capital headroom corresponds to capital reserves above our regulatory capital requirements, and is calculated on the basis of the Group's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the higher of the SCR and the ORSA estimate of capital requirement.

Capital above this buffer comprises resources which may be allocated to continued investment in the development of the Group's operations, subject to its risk appetite and our targeted rates of return on capital. The Group sets a target rate of return for investment proposals to qualify for funding.

The Group's capital position is monitored on a regular basis as part of the standard performance reporting and review process.

Governance arrangements

The Chief Financial Officer owns the Capital Management Policy on behalf of the Board of Directors. The Board owns and agrees the definition of the Group's risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board.

Revision of key elements of the Capital Management Policy, such as an alteration of the Group's approach to meeting regulatory capital requirements or the composition of its own funds, is subject to approval within this Governance structure.

A report on the operation of the Capital Management Policy is presented to the Risk and Capital Committee bi-annually.

4. Net operating expenses before goodwill and other charges

Particulars of business

The Group has a single operating segment with one line of business that operates solely within the United Kingdom. Therefore no segmental analysis has been presented.

Insurance companies – net operating expenses before goodwill amortisation	**Year ended 31 December 2016**		Year ended 31 December 2015	
	Continuing operations £m	**Discontinued operations £m**	Continuing operations £m	Discontinued operations £m
Acquisition costs	**15.7**	**5.0**	17.1	8.4
Administrative expenses	**37.6**	**-**	32.4	10.1
Movement on deferred acquisition costs	**0.4**	**-**	0.2	0.8
Reinsurance commissions and acquisition costs	**-**	**(5.0)**	-	(4.5)
	53.7	**-**	49.7	14.8

The commission for direct insurance business for 2016 is £2.7m (2015: £7.3m)

Following internal changes within the group additional analysis has been performed on the allocation of costs between acquisition and administrative expenses. The prior year allocations have been adjusted to reflect this change.

Non Insurance companies	**Year ended 31 December 2016**		Year ended 31 December 2015	
	Continuing operations £m	**Discontinued operations £m**	Continuing operations £m	Discontinued operations £m
Administrative expenses	**39.5**	**-**	39.0	1.3
Cost of sales	**1.6**	**-**	2.3	-
	41.1	**-**	41.3	1.3

4. Net operating expenses before goodwill and other charges (continued)

Profit on ordinary activities before tax is stated after charging/(crediting):	Note	**Year ended 31 December 2016** £m	Year ended 31 December 2015 £m
Depreciation of buildings and tangible assets	10 & 16	**0.8**	1.0
Profit on disposal of land and buildings		**(0.3)**	-
Reversal of impairment of land and buildings	10	**(0.4)**	(0.7)
Amortisation of intangible assets			
- computer software	9	**0.7**	1.6
- brands and other intangibles	9	**0.2**	0.1
Operating lease rentals			
- motor vehicles		**1.1**	1.2
- buildings		**0.9**	2.0
- office		**0.2**	0.2
Amortisation of goodwill	8	**12.8**	13.4
Negative goodwill credited to profit or loss	8	**-**	-

Under the Financial Services and Markets Act 2000, the Group may be called on 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 2016 the charge was £0.6m (2015: £0.4m).

Restructuring of insurance operations

Restructuring of insurance operations amounting to £2.0m (2015: £nil) includes expenses incurred in the closure of the Group's offices in Manchester and Leeds.

Discontinued operations

On 1 August 2015 the Group sold the fixed assets, goodwill and other trading assets and reinsured 100% of the insurance liabilities and net premiums of its PMI business under two separate agreements with AXA PPP.

During 2016 the Group has continued to operate the PMI business under the reinsurance agreements. Their effect is that all premiums earned and claims incurred by the Group in the current year are matched by amounts due to/from AXA PPP and there is no net profit or loss for the year.

The statement of comprehensive income has been presented with the results of this part of the business shown separately as profit on disposal of operations under 'Discontinued Operations'.

The sale of the Group's PMI business resulted in the following one-off items of income and expenditure:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Amount arising in the non-technical account		
Profit on disposal of subsidiary undertaking	-	7.7
Amount arising in the technical account		
Profit on sale of business operations	-	5.9
Profit on sale of land and buildings	-	0.5
Legal and professional fees incurred on the disposal of subsidiary undertaking and business operations	-	(1.4)
	-	12.7

The analysis of auditor's remuneration is as follows:	**Year ended 31 December 2016 £m**	Year ended 31 December 2015 £m
Fees payable to the Company's auditor for the audit of the Company's financial statements	-	-
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**0.3**	0.4
Total audit fees	**0.3**	0.4

The audit-related assurance service fees for 2016 are £28,000.

Audit fees to the value of £44,040 (2015: £55,000) were borne by another group company on behalf of the Company.

5. Staff costs

Staff costs comprise the following:	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Wages and salaries	**47.9**	51.3
Social security costs	**4.6**	5.2
Other pension costs	**4.0**	4.5
Total staff costs	**56.5**	61.0

The average number of employees during the year was as follows:	Year ended 31 December 2016 No.	Year ended 31 December 2015 No.
Operations	**737**	941
Finance and other administrative services	**607**	676
	1,344	1,617

The total remuneration for key management personnel for the period, excluding directors' remuneration which is disclosed separately, totalled £1.3m (2015: £1.8m) and is included within the total staff costs given above.

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. Simplyhealth therefore regards it as inappropriate that they should be financially incentivised on the Group's profitability or other financial performance measures. 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, or acting in the capacity of Senior Independent Director.

The Non-Executive Directors are not employees of any company in the Simplyhealth 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 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 Simplyhealth therefore regards it as essential that they are incentivised to meet the its business goals. It is the Company's belief that each Executive Director must deliver and contribute to the overall success of the business and work effectively within the Executive Team, as they cannot deliver alone. Therefore they are rewarded on both personal and collective performance. Executive Director remuneration is made up of the following elements:

- **Salary and benefits –** which are contractual as an employee of the Company and Group, and are set competitively against market norms. Salary will not be increased in line with market norms where individual performance and leadership behaviours are not at the level required for successful stewardship of the business.

- **Annual bonus –** the level of which is decided based on the achievement of the overall business objectives for the year and the individual performance and leadership behaviours of the Executive.

- **Long Term Incentive Plan –** based on the achievement of business goals over a three year period, details of which are provided below. 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.

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 £	Benefits £	Total 2016 £	Total 2015 £
Mrs R Abdin	374,487	196,162	100,438	671,087	649,524
Mr B D J Kent	262,300	137,068	56,697	456,065	445,259
Mr J A Wilson (resigned 10 March 2015)	-	-	-	-	51,124
Total	**636,787**	**333,230**	**157,135**	**1,127,152**	**1,145,907**
Non-Executive Directors					
Mr K S Piggott	131,635	-	-	131,635	120,655
Mr R J Harris	56,417	-	-	56,417	50,463
Mr M A Hall	56,442	-	-	56,442	53,363
Mr T T Brooke (resigned 1 October 2016)	39,167	-	-	39,167	48,463
Mrs A L Pike	44,542	-	-	44,542	32,129
Total	**328,203**	**-**	**-**	**328,203**	**305,073**

Total remuneration excludes pension contributions and long-term incentive plans which are shown on page 55.

5. 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:

- An allocation based on 26% of the Director's total remuneration is made at 1 January each year.
- At the beginning of the three year LTIP performance period, the Board agrees the key long term objectives and measures, both financial and non-financial.
- At the end of each year, the Remuneration Committee reviews progress towards the three year objectives and metrics and ensures that these remain appropriate and relevant for the remainder of the LTIP performance period.
- At the end of the three year LTIP performance period the Remuneration Committee reviews performance against the objectives and measures to determine the amount of LTIP payment. None of the initial allocation is guaranteed meaning that if performance is below the required level less than or none of the allocation may be paid. Where performance is better than required an uplift may be made to the initial allocation to a maximum of 50%.

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 2016	Notional value at 31 December 2015
	£	£
Mrs R Abdin	**415,540**	282,843
Mr B D J Kent	**321,318**	169,634
Total	**736,858**	452,477

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

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

	Notional value at 31 December 2016	Notional value at 31 December 2015
	£	£
Mrs R Abdin	**212,827**	165,277
Mr B D J Kent	**160,262**	104,769
Mr J Wilson (resigned 10 March 2015)	**-**	(4)
Total	**373,089**	270,042

Under the scheme which matured in 2016 the following amounts, which are included in the notional value above, became payable to the Directors:

	Payable at 31 December 2016 £	Payable at 31 December 2015 £
Mrs R Abdin	**178,527**	80,130
Mr B D J Kent	**154,082**	8,578
Mr J Wilson (resigned 10 March 2015)	**-**	-
Total	**332,609**	88,708

Long-Term Incentive Plan ('LTIP')

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

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Accrued at 1 January	**452,477**	497,884
Granted during the period	**373,089**	270,042
Paid in respect of the 2012 scheme	**-**	(158,935)
Paid in respect of the 2013 scheme	**(88,708)**	(96,834)
Paid in respect of the 2014 scheme	**-**	(59,680)
Accrued at 31 December	**736,858**	452,477

Pension contributions

During the year the following payments were made on behalf of the Directors in respect of pension contributions:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Mrs R Abdin	**22,140**	87,762
Mr B D J Kent	**19,382**	76,963
Mr J A Wilson (resigned 10 March 2015)	**-**	11,540
Total	**41,522**	176,265

The Executive Directors were members of a Money Purchase Group Pension Scheme. During the year they each opted to receive a cash payment in lieu of further pension contributions.

The Executive Directors are permanent employees and employment continues until terminated by either party under the terms of the contract of employment. The notice period of these contracts is twelve months.

6. Income from investments

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Income from listed investments	**0.9**	1.4
Bank and other interest	**1.9**	1.6
	2.8	3.0

All income from investments relates to continuing operations.

7. Tax on profit on ordinary activities

The Group's tax charge for the year is as follows:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
United Kingdom corporation tax at 20% (2015: 20.25%)	**2.3**	3.6
Adjustment in respect of prior year	**(0.2)**	(0.7)
Total current taxation	**2.1**	2.9
Current year deferred taxation	**0.3**	0.1
Prior year deferred taxation	**(0.1)**	-
Effect of change in tax rates	**-**	0.2
Total deferred taxation	**0.2**	0.3
Tax on profit on ordinary activities	**2.3**	3.2

The corporation tax charge for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%) on the accounting profit. The differences are explained as follows:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit on ordinary activities before taxation	**0.8**	15.8
Tax charge on profit at UK rate of 20% (2015: 20.25%)	**0.2**	3.2
Expenses not deductible for tax purposes	**3.2**	6.5
Non-taxable income	**(0.6)**	(6.0)
Adjustments in respect of prior years	**(0.6)**	(0.7)
Effect of change in tax rates	**0.1**	0.2
Tax on profit on ordinary activities	**2.3**	3.2

8. Goodwill

Group	Goodwill £m	Negative Goodwill £m
Cost		
At 1 January 2016	126.6	(2.1)
At 31 December 2016	**126.6**	**(2.1)**
Accumulated amortisation and impairment:		
At 1 January 2016	49.2	(0.4)
Amortisation for year	12.8	-
At 31 December 2016	**62.0**	**(0.4)**
Net book value		
At 31 December 2016	**64.6**	**(1.7)**
At 31 December 2015	77.4	(1.7)

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.

The Company has no goodwill.

9. Other intangible assets

Group	Development costs £m	Computer software £m	Brands and other intangibles £m	Total £m
Cost:				
At 1 January 2016	5.2	24.1	1.8	31.1
Additions	4.6	-	-	4.6
Transfer	(0.2)	0.2	-	-
Disposals	-	(0.2)	-	(0.2)
At 31 December 2016	**9.6**	**24.1**	**1.8**	**35.5**
Accumulated amortisation and impairment:				
At 1 January 2016	-	22.7	0.2	22.9
Amortisation for year	-	0.7	0.2	0.9
Eliminated on disposal	-	(0.1)	-	(0.1)
At 31 December 2016	**-**	**23.3**	**0.4**	**23.7**
Net book value				
At 31 December 2016	**9.6**	**0.8**	**1.4**	**11.8**
At 31 December 2015	5.2	1.4	1.6	8.2

The Company has no intangible assets.

10. Land and buildings and investment property

Group	Freehold land	Freehold buildings	Total	Investment Property
	£m	£m	£m	£m
Valuation				
At 1 January 2016	2.6	9.7	12.3	-
Reversal of prior year impairment	(0.1)	0.4	0.3	-
Disposals	(0.9)	(3.4)	(4.3)	-
Transfer	(0.4)	(1.6)	(2.0)	2.0
At 31 December 2016	**1.2**	**5.1**	**6.3**	**2.0**
Accumulated depreciation				
At 1 January 2015	-	-	-	-
Charge for year	-	0.1	0.1	-
Reversal of prior year impairment	-	(0.1)	(0.1)	-
At 31 December 2016	**-**	**-**	**-**	**-**
Net book value **At 31 December 2016**	**1.2**	**5.1**	**6.3**	**2.0**
At 31 December 2015	2.6	9.7	12.3	-

The freehold and investment properties of the Group were professionally valued in accordance with the RICS Appraisal and Valuation Manual at 31 December 2016 by Colliers International UK plc.

During the year, the directors decided to market the Group's property in Leeds for sale. As a result of this decision, the property has been reclassified from land and buildings as an asset held for sale under investment property.

If freehold land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

	2016		2015	
	Freehold land	**Freehold buildings**	Freehold land	Freehold buildings
	£m	£m	£m	£m
Cost	**1.2**	**11.8**	2.6	23.4
Accumulated depreciation	**-**	**(4.1)**	-	(5.3)
Accumulated impairment	**-**	**(2.6)**	-	(8.4)
Historical cost value	**1.2**	**5.1**	2.6	9.7

11. Fixed asset investments

Company **Investment in subsidiary undertakings** **Cost**	**£m**
At 1 January 2016	144.3
Additions	1.3
At 31 December 2016	**145.6**
Net book value **At 31 December 2016**	**145.6**
At 31 December 2015	144.3

On 31 December 2016 the Company applied for and was issued with 1.3m shares in Simplyhealth Guidance Limited at a cost of £1.3m.

The details of investments in the subsidiary undertakings held by the Company as at 31 December 2016 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 people 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 Guidance Limited *	Provision of health related guidance services	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%
Simplyhealth Funding Services Limited	Arrangement of loans to dental practices and retail customers	Ordinary shares 100%
Simplyhealth Business Services Limited	Provision of health scheme administration	Ordinary shares 100%
Totally Active Limited	Provision of mobility and health related products	Ordinary shares 100%
Care and Mobility (Midlands) Limited	Provision of mobility and health related products	Ordinary shares 100%
Care and Mobility (UK) Limited	Provision of mobility and health related products	Ordinary shares 100%
Animal Health Care Company Limited	Provision of administration for veterinary pet health plans	Ordinary shares 100%
Denplan Partnerships Limited	Provision of investment in joint ventures in dental practices	Ordinary shares 100%

All companies listed above are registered in England & Wales.
* Directly held by Simplyhealth Group Limited.
All other investments are held through 100% controlled subsidiaries

12. Other financial investments and derivatives

Financial assets	Fair value at 31 December 2016 £m	Cost at 31 December 2016 £m	Fair value at 31 December 2015 £m	Cost at 31 December 2015 £m
Debt and other fixed income securities	**108.5**	**105.2**	148.9	147.6
Shares and other variable yield securities	**-**	**-**	23.9	22.8
Collective investment schemes	**66.5**	**64.6**	-	-
	175.0	**169.8**	172.8	170.4
Financial liabilities Derivative liabilities	**(0.4)**	**(0.4)**	-	-

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of foreign exchange forward contracts and index linked futures are based on market prices.

The index-linked futures are traded on an open market and have been classified as Level 1 assets within the fair value hierarchy. The currency forward contracts are traded over the counter and have been classified as Level 2.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the derivative financial instruments are recognised immediately in the statement of comprehensive income within the heading 'Investment Returns'.

	31 December 2016	
Derivatives	**Assets** £m	**Liabilities** £m
Index linked futures	-	-
Currency forwards	-	(0.4)
	-	**(0.4)**

The Group had no derivative assets or liabilities at 31 December 2015.

12. Other financial investments and derivatives (continued)

Offsetting

The Group does not offset financial assets and liabilities in the statement of financial position unless there is a legally enforceable right to offset and the Group has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

Except for foreign exchange forward agreements and index linked futures, the Group has no financial assets and financial liabilities that have been offset in the statement of financial position as at 31 December 2016 *(2015: £nil)*.

The table below contains disclosures related to financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements as required by FRS 102.

31 December 2016	**Gross amounts of recognised financial assets**	**Amounts offset in accordance with FRS 102**	**Net amounts recognised in the Statement of Financial Position**
	£m	**£m**	**£m**
Derivative assets	30.1	(30.1)	-
Derivative liabilities	(30.5)	30.1	(0.4)

13. Investment in joint ventures

Denplan Partnerships Limited has made two investments into joint ventures which hold and operate the activities, assets and liabilities of two dental practices. Each joint venture has been established as a Limited Liability Partnership in which each venturer holds a 50% interest and has joint control. The investment in joint ventures during the year is £0.9m (2015: £nil).

No provision for impairment has been made in relation to investments in joint ventures. *(2015: £nil).*

14. Cash and cash equivalents

Group	**31 December 2016**	31 December 2015
	£m	£m
Cash	**32.6**	42.7
Cash equivalents	**20.0**	-
Third party funds held under trust scheme and reinsurance arrangements	**6.5**	15.0
	59.1	57.7

Under the terms of the reinsurance agreement entered into with AXA PPP, a claims bank account is maintained into which the reinsurer has deposited and is required to maintain a float to cover potential claims.

The balance on this account at 31 December 2016 was £3.8m (2015: £10.4m) and is included in the cash and cash equivalents total on the Group's statement of financial position with an offsetting liability included in Other Creditors under "Amounts due to AXA PPP" (note 20). AXA PPP is entitled to all interest accruing on the account.

15. Other debtors

Group Amounts falling due within one year:	31 December 2016 £m	31 December 2015 £m
Non insurance trade debtors	**0.6**	2.8
Amounts due from AXA PPP	**1.1**	5.3
Other debtors	**0.4**	0.6
Prepayments and accrued income	**3.1**	2.5
	5.2	11.2

Amounts due from AXA PPP include amounts owed in respect of their share of the Group's liability for claims paid and taxes and other liabilities that will be paid by the Group and recovered from AXA PPP in accordance with the reinsurance agreement.

16. Tangible assets

Group	Computers & office equipment £m	Leasehold improvements, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost:				
At 1 January 2016	10.6	11.0	0.1	21.7
Additions	0.1	1.1	-	1.2
Disposals	-	(0.1)	(0.1)	(0.2)
At 31 December 2016	**10.7**	**12.0**	**-**	**22.7**
Accumulated depreciation and impairment:				
At 1 January 2016	9.7	10.6	0.1	20.4
Charge for year	0.4	0.3	-	0.7
Eliminated on disposal	-	(0.1)	(0.1)	(0.2)
At 31 December 2016	**10.1**	**10.8**	**-**	**20.9**
Net book value **At 31 December 2016**	**0.6**	**1.2**	**-**	**1.8**
At 31 December 2015	0.9	0.4	-	1.3

17. Deferred taxation

The Group's deferred tax assets calculated in accordance with FRS 102 were as follows:

	31 December 2016	31 December 2015
	£m	£m
Timing differences on fixed assets	**1.6**	1.8
Other short term timing differences	**0.3**	0.3
	1.9	2.1

The movement in the Group's deferred tax asset during the year was as follows:

	31 December 2016	31 December 2015
	£m	£m
At 1 January	**2.1**	2.5
Deferred tax adjustment in respect of prior periods	**0.1**	-
Current year deferred tax	**(0.3)**	(0.4)
Balance at 31 December	**1.9**	2.1

The Finance Act 2016, which was enacted on 19 September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was enacted by 31 December 2016, the impact of the anticipated rate change is reflected in the tax provisions reported in these accounts.

18. Deferred Acquisition Costs

	2016		2015	
	Gross provision	**Reinsurers' Share**	Gross provision	Reinsurers' Share
	£m	£m	£m	£m
At 1 January	**4.6**	**(4.2)**	5.6	-
Balance transferred to AXA PPP	**-**	**-**	-	(5.2)
Additional costs incurred	**16.4**	**(0.9)**	24.5	(3.5)
Amortisation through statement of comprehensive income	**(20.7)**	**5.0**	(25.5)	4.5
At 31 December	**0.3**	**(0.1)**	4.6	(4.2)

Following internal changes within the Group additional analysis has been performed on the allocation of costs. The prior year comparatives for additional costs and the amount amortised have been adjusted to reflect this change (see note 4).

19. Capital and reserves

Group

Group capital consists only of accumulated profits as the Group has no issued share capital. Accumulated retained profits at 31 December 2016 were £276.0m *(2015: £277.5m)*.

Company

The Company's capital consists only of accumulated profits as it has no issued share capital. Total reserves at 31 December 2016 were £147.1m *(2015: £144.8m)*.

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently a statement of comprehensive income for the parent company alone is not presented. The profit on ordinary activities after taxation for the financial year dealt within the accounts of the parent company is £2.3m *(2015: £22.2m)*.

20. Other creditors

Amounts falling due within one year:	**31 December 2016** **£m**	31 December 2015 £m
Third party funds	**6.5**	7.0
Non insurance trade creditors	**0.8**	1.4
Insurance premium tax	**5.7**	6.8
Corporation tax	**1.0**	1.6
Amounts due to AXA PPP	**3.5**	34.9
Other creditors	**5.0**	7.2
	22.5	58.9

Amounts due to AXA PPP include its share of future insurance premiums in respect of PMI business that will be collected by the Group and paid over to AXA PPP in accordance with the reinsurance agreement and the balance of the claims float.

21. Technical provisions

	Provision for Unearned Premiums		Provision for Outstanding Claims	
	Gross provision	Reinsurers' Share	Gross provision	Reinsurers' Share
	£m	£m	£m	£m
At 1 January 2016	72.0	(53.3)	32.2	(14.4)
Movement in provision	(53.3)	-	(13.4)	-
AXA PPP share of change in provision	-	52.9	-	11.8
At 31 December 2016	**18.7**	**(0.4)**	**18.8**	**(2.6)**

Balances reinsured by AXA PPP for unearned premiums and outstanding claims represent the amount of unearned premium and outstanding claims reinsured by AXA PPP as part of the disposal of the net assets related to the PMI business in 2015, as detailed in the business transfer agreement and the related reinsurance agreement (note 3c).

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. A formal policy for managing insurance risk is in place and is overseen by the Risk and Capital Committee.

The counterparty risk of the reinsurer is managed through a claims float, which covers the Group's liability to pay claims on behalf of the reinsured business. The reinsured claims are settled on a monthly basis in arrears by AXA PPP and the Group can use the claims float to cover timing differences which adversely affect its cash flow.

21. Technical provisions (continued)

Gross provisions

The lines of risk underwritten by the Group are restricted to healthcare insurance in which the Group has substantial experience. Where the Group wishes to enter new lines this is done using a controlled approach in order to manage the risk associated with new areas of business. 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 as policyholders are based throughout the UK. No one client represents more than 10% of total turnover. Therefore, no insurance contracts are deemed subject to concentration risk.

The Directors have assessed that a deterioration of 5% is the highest reasonably possible change in the loss ratio. Such a deterioration in the loss ratio of the cashplan book during the year would have resulted in a £9.0m *(2015: £9.5m)* reduction in profit before tax and a £7.2m *(2015: £7.6m)* reduction in equity. This represents 2.6% *(2015: 2.7%)* of the Group's capital. The Group loss ratio has been disclosed in the Strategic report on page 6.

Uncertainty about the amount and timing of claims payments is typically resolved within one year. Consequently, disclosure about claims development is not presented as this information is not considered relevant to the evaluation of the nature and extent of risks arising from insurance contracts.

Reinsurance agreements

On the sale of its PMI business the Group entered a reinsurance arrangement to cede the insurance risk arising from that book of business to AXA PPP. This arrangement does not discharge the Group's liability as primary insurer and the Group is exposed to the creditworthiness of the counterparty.

Cash flow maturities

The net cash outflows resulting from recognised insurance liabilities have the following estimated maturities:

- Unearned premium reserves, for both the gross and reinsurers' share of the provision, are estimated to result in cash flows arising within 12 months of the year end date; and
- For outstanding claims provisions, including the provision for claims incurred but not reported, approximately 93.6% (2015: 95.3%) of both the gross and reinsurers' share of the provision are expected to crystallise as cash outflows and inflows respectively within 12 months of the year end date. The remaining cash flows, representing an immaterial amount of these provisions, are expected to settle within the subsequent 12 months.

21. Technical provisions (continued)

Assumptions

The Group follows a process of reviewing its reserves for outstanding claims on a monthly basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review, further review by external actuarial specialists and a management sign-off process.

The most significant assumptions in determining the net insurance reserves are the forecast monthly claims loss ratios by homogeneous risk group, and the extent to which reinsurers will share in the cost. Only the PMI business is subject to reinsurance and therefore the reinsurance assets related to it have the same sensitivity to change in assumptions as do the underlying gross reinsurance liabilities.

Changes in assumptions

There have been no significant changes in assumptions during the year.

22. Notes to the cash flow statement

Reconciliation of profit on ordinary activities before tax to net cash flows from operating activities	**2016** **£m**	2015 £m
Profit on ordinary activities before tax and exceptional items	**2.8**	3.1
Adjustments for:		
Profit on sale of land & building	**(0.3)**	-
Realised and unrealised (profit)/ loss on investments	**(2.5)**	1.9
(Decrease)/ increase in insurance technical provisions	**(2.0)**	5.0
Depreciation	**0.8**	1.0
Amortisation of intangible assets	**0.9**	1.7
Amortisation of goodwill	**12.8**	13.4
Reversal of impairment of land and buildings	**(0.4)**	(0.7)
Operating cash flow before movement in working capital	**12.1**	25.4
Decrease/ (increase) in debtors	**32.5**	(6.9)
(Decrease)/ increase in creditors	**(39.1)**	12.3
(Increase)/ decrease in stock	**(0.1)**	0.6
Cash generated by operations	**5.4**	31.4
Taxation paid	**(2.7)**	(2.7)
Net cash flows from operating activities	**2.7**	28.7

23. Financial commitments

(a) Capital commitments

Group	**31 December 2016** £m	31 December 2015 £m
Authorised and contracted for by the Board of Directors	**3.0**	3.2

Financial commitments to capital expenditure at 31 December 2016 primarily relate to development costs for new administration and IT systems that will further enhance our customers' experience.

(b) Leasing

Total future minimum lease payments under non-cancellable operating leases are as follows:

Operating leases which expire:	**31 December 2016** £m	31 December 2015 £m
within one year	**1.3**	1.5
between one and five years	**2.1**	2.0
after five years	**-**	-
	3.4	3.5

24. 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 FRS 102 not to disclose details of transactions with:

- 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; and
- Key management personnel.

There were no other related party transactions during the year.