our report to you 2007
“I knew we were in safe hands – one phone call, no paperwork, no fuss. All we had to do was concentrate on Claire.”

**Creating service value**

> We paid a record 4 million claims, worth almost £248m – and faster than ever before. Our customer satisfaction levels remained consistently high across our insurance businesses.

> Just under 50,000 customers joined Simplyhealth via our new Dental Healthplan in 2007, demonstrating our ability to provide products that people really want and which help them manage their healthcare better.

> Treatments for our Private Medical Insurance customers were made simpler with a personal nurse advisor, to guide and reassure them through their treatment plans.

> Thousands of our customers were health screened at work. Many also benefited from lifestyle advice, such as how to stop smoking and improving their fitness for work.

> Totally Active, our Mobility and Daily Living Aids retailing division, sold online for the first time (www.totallyactive.co.uk), bringing practical help to many of our customers.

**Serving our community**

> We donated over £3m (£1m carried forward from 2006) to health-related national and local charities.

> A huge effort was made by Simplyhealth employees in all our communities with initiatives ranging from helping hospices and carer centres, to a London to Paris bike ride raising money for charity. BCWA’s employees were locally recognised by a Community Award for their dedication to causes in Bristol.

**What did Simplyhealth do for you in 2007?**

**What happened behind the scenes?**

**Re-organisation**

> We merged our Cashplan businesses together to form our new Healthplan division. Now under one management team, this will focus on becoming more efficient and providing better service for their 1.2 million customers.

> We merged Your Health Screening and Adastral to form our new health and wellbeing division, Vitality Healthcare, in order to help companies to better look after their people in the workplace.

**Building the future**

> In December we acquired Medisure, which will join with BCWA and Remedi to further strengthen our Private Medical Insurance and Medical Trust businesses. Our significant presence in this market is now bringing with it better hospital rates for our customers.

> We continued to invest in PULSE, our customer administration computer system, in preparation for its next major upgrade in 2008. More importantly PULSE successfully administered the vast majority of our Healthplan division throughout 2007, so our investment is already starting to pay off.

**Continued strong governance**

> We welcomed our regulator, the Financial Services Authority, twice in 2007 for visits to review our approach and controls, and were proud to demonstrate that our corporate governance remains strong, as do our reserves. Our customers can rely on us to be there when they need us, particularly during these more difficult economic times.

Gymnastics, hockey, athletics – just a few of the activities Claire enjoyed before discomfort in a knee resulted in two operations and a worrying time for her parents. Although her knee is fine now, she doesn’t go to the gym anymore – but that’s because she prefers to spend time out with her friends!
How it was then
Walking into one of HSA's two Andover-based offices in 1999, you would have found around 400 staff with only 40 PCs between them, supporting the 25,000 paper claim forms and receipts that were sent in daily by our 800,000 customers. Furthermore, all new business and customer amendments had to be sent to us on paper – our staff were essentially employed to process a paper mountain.

Whilst we had a website, it produced on average just one sale a day. All claims' payments were sent out by cheque around 10 days after a claim form was received, making us National Westminster's largest cheque producer.

Our computer systems, as well as the computers they ran on, were nearly 30 years old (pre-dating decimalisation). Our telephone lines were open 9am to 5pm Monday to Friday and charged at the national rate.

Also, whilst there were several variants available, we basically sold just one product – a family Cashplan.

How it is today
If you entered one of our nine UK-wide offices that make up the Simplyhealth Group today, and spoke to one of our 1,266 people, you would find a very different picture. For a start, virtually everyone has a PC linked to a state-of-the-art computer network. Together with a video-conferencing capability, all areas of our organisation are connected.

Depending on which office you visited and whether you were a corporate or personal customer, you would be able to discuss not only your Cashplan (which we now prefer to call a Healthplan), but also your Private Medical Insurance needs, request a health screening, talk about your company's occupational health issues, or ask for mobility aids such as stairlifts and powerchairs.

If you are a Private Medical Insurance customer, we have electronic links with virtually every hospital and consultant in the country. We also digitally scan and store any correspondence concerning your case.

If you have a Healthplan, you would discover that 80% of the 14,000 claim forms we receive daily from our 1.2 million customers, are bar-coded so they can be processed and stored automatically by PULSE, our new customer administration computer system. 75% of claims are paid straight into your bank account by direct credit, typically within two days.

We now have an increasingly sophisticated Internet capability and all of this technology supports a much broader range of products and services for you, our customer, and your needs.

In 2007:
900,000+ calls were answered by Healthplans
50
HSA claim forms on average, were requested via the Internet per day
Progress for you since 1999:

- Payments five times quicker
- Payments by direct debit
- Free-phone number
- Buy over the Internet
- Appointment booked with the right consultant
- Guaranteed to speak to a UK-based person

How it affects you
As a long-standing Healthplan customer, you will have seen many changes: You now receive your claim payment five times quicker. You don’t have to take a cheque to the bank. You have a wide range of products to choose from, depending on whether you are single or have a family to cover. If you need to speak to us, there is no need to write, you just call a free-phone number, from early in the morning until late in the evening, seven days a week.

If you are a Private Medical Insurance customer, we will take all of the worry away and not only arrange for the right consultant to see you as soon as possible, but will book your hospital appointment and arrange a taxi (we will even send you a complimentary wash-bag). As for the basics, naturally all bills are settled directly, rather than expecting you to pay and reclaim them, with the minimum of fuss.

You may prefer to use the Internet and, in fact, at peak times, we sell 300 new policies a day this way. However, not everyone has access and most of our customers still prefer to phone us to amend their policies. Therefore, whilst we have the telephone technology to do so, rather than making you “Press 1 for claims, press 2 for customer service…” and so on, you are guaranteed to speak to a UK-based person straight away.

What hasn’t changed?
Whilst all this technology has been used to drive improvements in our service to you, nothing has changed in terms of our business ethics and values. We remain fiercely mutual, meaning that what we do is driven by your needs, not by those of shareholders. We sell our customer lists to no-one. We invest in our people because we know they will repay that ten-fold in customer service to you.

Most of all, we strive to use advances in technology to improve the quality and increase the value for money that we can offer to anyone who buys one of our products or services. All resources – technological, financial and our people – are used to drive one single purpose: “to help more people feel better”.

This past year has been good for the development of our longer-term strategy. It has also been a year of consolidation rather than mergers and acquisition – except that we have, of course, acquired Medisure. We have much to be pleased about but also some issues that we are addressing. More of this will follow in the Chief Executive’s report.

Our Trading Divisions

BCWA offers Private Medical Insurance (PMI) policies to meet the health and wellbeing needs of individuals, families, small companies and large corporate organisations throughout the UK. It currently has 120,000 customers, with the majority of policies being sold through brokers. BCWA joined the Group in February 2005 and is based in Bristol, where it began in 1935.

www.bcwa.co.uk

BCWA Remedi was set-up in 1985 in Reading, to provide bespoke solutions for large companies wishing to self-fund their employees’ corporate medical plans.

www.remedi.co.uk

BCWA Medisure has been a leading provider of medical benefits and health risk management for over 20 years. It specialises in case management, claims administration and health promotion.

www.medisure.co.uk

HealthSure has a 130-year tradition of helping people and companies with their healthcare needs in the North West. Their core Healthplan has evolved with the changing needs of around 160,000 customers, as has distribution – we now work with brokers and companies, as well as directly with the public. HealthSure joined the Group in 2005 and is totally committed to customer excellence and its place in the Manchester community.

www.healthsure.co.uk

HSA is dedicated to further developing a range of low-cost, affordable Healthplans for individuals and companies across the UK. Originating in London, our home has been Andover in Hampshire for 26 years. HSA believes in delivering outstanding service to its 870,000 customers in order to secure their trust for many years to come.

www.hsa.co.uk

LHF is proof of the need for local companies to strive to understand and meet the demands of their community. With over 200,000 customers, it has helped a high proportion of the Yorkshire population, especially in Leeds, for more than a century. LHF joined forces with HSA in 2002 to begin the creation of the Group.

www.lhfhealthplan.co.uk

Totally Active is a national retailer of high quality mobility and daily living aids with a comprehensive range of products. Service values of trust and reliability are critical, especially when selling products to people in their own homes. Totally Active joined Simplyhealth in 2006 and is based in Andover, Hampshire.

www.totallyactive.co.uk

Vitality Healthcare provides “wellness at work” programmes through occupational health, health promotion, screening and employee support services. We work in close partnership with our clients to help enhance their productivity and staff wellbeing.

www.vitalityhealthcare.co.uk
As a School Governor, Alie attends regular meetings and contributes towards day-to-day decision-making. As a Simplyhealth employee she is supported in this by being able to claim up to six hours' paid leave for working in the community, as well as being able to use her flex time.

The school put so much effort into my kids. This is my way of giving something back.

Alie – Simplyhealth employee
where we are going

Des Benjamin, our Chief Executive, is committed to helping our customers with their healthcare needs. Here he explains why 2007 was the second year of critical preparation for this.

Last year I talked about the need for Simplyhealth to make a number of investments in its future which, over time will provide our customers with a broader range of products and services that help them look after their health better. It goes without saying that everything we offer will be delivered with the Simplyhealth quality, value and service ethos firmly attached.

PULSE is at the heart of these investments and has been successfully running in HSA and LHF for over a year. Progress towards expanding the system across the Group was slower than we had expected, but we were not prepared to compromise our customer service by launching it prematurely. We still intend to introduce PULSE to BCWA during 2008, but only when the team who have worked on it with such dedication, tell me that it is ready.

We are very aware that new markets, and therefore opportunities, are created out of changes to the health environment and government policy. The public perception of NHS dentistry, for example, has moved to the point where many now realise it will no longer be easily available to them. So they will need to take responsibility for managing their own dental health.

Consequently, in our new Healthplan division of HealthSure, HSA and LHF, we have invested in and successfully launched our new Dental Healthplan. It has been widely accepted by the profession and the public alike and I am delighted to welcome all our new dental customers to Simplyhealth. I am convinced that we will see this market grow over the next few years and am determined to see our Healthplan division at the forefront of its development.

In the field of Private Medical Insurance we added further strength to our BCWA portfolio last December with the acquisition of Medisure. This is another Bristol-based organisation which provides Private Medical Trust services to large organisations, much like Remedi, another of our divisions. Combining these two businesses means we have a significant market share for trust services. Through this increased spend on hospital care, we can negotiate lower unit treatment costs which will benefit all our Private Medical Insurance policyholders in due course.

On our Wellbeing side we merged Adastral, our occupational health division, and Your Health Screening. This new business is called Vitality Healthcare. Vitality will focus on promoting its exciting ‘wellness at work’ concept to companies in order to provide health programmes that keep employees in “tip-top” condition. Employers will benefit from having a more productive workforce and one that is better able to balance the demands of work and home. It will also help companies create an environment where they can compete for and retain the best employees.

HSA’s 2007 Annual Market Survey showed:

- 80% of companies believe the government will increase duty of care responsibilities in the next 5-10 years

- 67% of companies are likely to invest in one or more forms of healthcare for their employees

“Simplyhealth will be world champions”

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59% of respondents are concerned they will not be able to afford the costs of healthcare for their families in the future

46% of respondents are more likely to buy private healthcare if their National Insurance contributions were reduced
These are typical of the issues that organisations are facing these days and we are determined that Simplyhealth will be ‘world champions’ at looking after people in the workplace. With people needing to work longer, this is set to become even more important in the future.

At Totally Active, our retailer of high quality mobility and daily living aids, we launched a website to sell products. We are keen to share benefits across the Group and so will be making our Healthplan and Private Medical Insurance customers aware of our very best offers.

The cost of these investments adds up and this means profits will be flat for a couple of years yet. This is still the right thing for us to be doing to guarantee the future wellbeing of our customers, and we have not seen anything during 2007, in terms of the economy or NHS reform, that has dissuaded us from this strategy.

Part of managing Simplyhealth is about making sure that our reserves are securely invested and provide us with a satisfactory rate of return. This year we have seen more turmoil on the stock market than I can remember in my working life, with gains and drops in the FTSE value of 100 points a day happening regularly.

We have examined our position very carefully and believe that our mix of government bonds, shares and cash is about right for the long-term wellbeing of the organisation. It is obviously an ongoing issue for many companies, but I would remind you that our reserves remain very strong and even in these difficult times, we are confident that the extra funds we hold in reserves will see us through the worst stock market scenarios. The protection of our customers’ future is our number one priority.

We missed our profit target this year because we did not achieve the necessary income levels in our Wellbeing businesses, and underwriting in our Private Medical Insurance went against us. This is, of course, disappointing but I do believe it should be seen in the context of investment for the future. Backed up by our strong reserves this gives us the opportunity to make these choices for our customers, at no risk to the business. It is important for our strategy therefore, that we follow our investment plan through to maturity.

In 2008 our job is to get back on track again with our profit targets, develop successful businesses from these investments and make sure that with each one we really are serving our customers to the best of our ability.

Equally important is that we are well governed as an organisation and that we have strong systems of control across all our businesses. To that end, we were delighted to welcome our regulator, the Financial Services Authority (FSA), in July to formally appraise our governance structures and controls. We take such visits extremely seriously and were proud to demonstrate the high standards we set ourselves.

With no specific remedial action required, they have indicated that in ‘a normal course of events’, it may be up to four years before we are subject to a full review again.

This is enormously encouraging for Simplyhealth and for our customers, who can rest assured that our diligence will not slacken and we will continue to be as rigorous around our governance duties as we have ever been.

We do, however, expect to forge ahead in 2008 delivering more healthcare help to even more people than before. Critical to all of this is the ongoing dedication to our purpose: Our 1,266 employees bring our customer service ethos to life on a daily basis. As always, my thanks go to them because without them our strategy would not succeed.

Take care
helping our customers

Throughout our nine Trading Divisions, the prevailing ‘flavour’ was one of consolidation, with a little diversification. In fact, just what you’d expect for a recently expanded business organising itself for the years to come.

Here the leaders of our business areas: Chris Harrison, Healthplans; Jamie Wilson, Private Medical Insurance and Trust; Jeremy Gillard, Vitality Healthcare and Keith Blacker, Totally Active, review 2007.

Healthplans

It has always been our strategy to develop a range of low cost, affordable Healthplans that appeal to a broad range of customers. So in 2007 our Cashplan businesses of HealthSure, HSA and LHF joined together to become Simplyhealth’s Healthplan division. This restructure brought all three brands under the same management team and allowed us to focus on customer service and product innovation.

We decided to use our brands to distribute products to consumers in three different ways: HSA would advertise and sell nationally to companies and consumers, LHF would focus on the Yorkshire area and HealthSure would champion our efforts to companies in the North West and nationally through brokers.

The first example of our three brands working together was the rollout of our Dental Plan to all. This had been launched in 2006 by HSA and we made good use of the knowledge and experience gained to then launch it through LHF and HealthSure into different parts of the market.

2007 was a hard year financially in a generally static Healthplan market, which also experienced increased external competition. For example, a number of supermarkets launched health-related products and their ability to take substantial market share should not be underestimated.

Throughout Healthplans our dedicated team of 708 people are supported by the Simplyhealth ‘great place to work’ culture, one of individual learning, development and training. In 2007, a number of employees embarked on and completed courses such as MBAs and insurance qualifications. Everyone is encouraged to be the best they can be and to make the most of their skills, talent and ambition. This is to ensure that in the future our customers benefit from a Healthplans division that is professionally run, by people who are engaged in what we do and who care for our customers.

HSA

We had a strong year in terms of sales in 2007 and were delighted to welcome 132,000 new customers. Many of these were attracted by our new Dental Plan and so during 2007 we built relationships with 400 UK dentists to ensure we stay close to the front line of dentistry. We also set up a nationwide team of Practice Development Managers to offer our support to dentists, visit them regularly and explain our products better.

We researched the perceived benefit of occupational health and screening and found that, whilst over two-thirds of companies interviewed believe that these services would save them money, less than half provide them to their employees. So early in the year we worked with our sister-company, Vitality Healthcare, to include screening and occupational health benefits as part of our Workwell product re-launch. This was the first time that aspects of Simplyhealth had been able to join forces to create a broader, more flexible solution for customers and marked a distinctive moment in the Group’s history.
As a mutual, treating customers fairly is in our blood, but we really demonstrated this last year when we made sure, where possible, that all our customers have products that best serve their needs. For instance, we wrote to 80,000 customers who had bought a Family policy but had not registered their family’s details, to remind them how they could benefit more fully. For some, we then became aware of changes to their family circumstances and as an alternative we were able to offer them a Single person’s product which often entitled them to greater benefits.

We received over 3 million claims in 2007 and 86% of them were paid within 2 working days. We remain steadfast in our belief of answering calls ourselves and staying well away from push-button phone technology. As a result, 82% of customers were satisfied with all aspects of our product and service last year; 84% were happy with their overall claims experience and 86% would recommend us to their friends and family.

HealthSure

As with the rest of Simplyhealth, HealthSure’s focus has always been to deliver the best possible value to customers, whilst treating them all as individuals. In 2007 this approach resulted in a net growth of over 9,000 customers joining us, which, while relatively modest, bucked the trend in the otherwise static Healthplan market.

Most of this new business came from small and medium sized companies, because as we are one ourselves, we could demonstrate that we understood their issues and what is critical to them. Employers’ “duty of care” and attracting and keeping good staff are common sources of concern, but offering a Healthplan is known to help with this. Last year, these businesses became more receptive to us, especially when as an “added extra” we offered to meet their employees and point out the advantages of having a Healthplan, as a way of introducing this new benefit to their staff.

Rolling out the Dental Plan under HealthSure’s name was also well received, firstly by consumers, then companies and, particularly at the end of 2007, by brokers. However, it was a difficult year for HealthSure in general and we struggled to meet our numbers, particularly with broker-related sales. Building these relationships takes time and Healthplans is still relatively new in this field. But with the newly clarified distribution approach we have focused on serving our brokers better with a dedicated team to turn quotes around quickly and improve general support.

In addition, we have started to approach brokers in collaboration with BCWA, Simplyhealth’s Bristol-based Private Medical Insurance division, for the first time. As a result we ran two very successful seminars, each attracting 20 brokers, with the “kill two birds with one stone” approach: “You can now sell PMI and Healthplans through one company”.

Internally, we worked with all our employees on a customer excellence programme to help everyone really understand the part they play in caring for our customers. Operationally this manifested itself in some re-organisation of the customer areas to ensure that we are all really able to work together for the good of the customer.

HealthSure enjoys strong staff motivation, and our success last year was certainly due to this. However, we made a real effort to improve further with better communication. Making sure everyone knows how we are performing against our objectives through regular face-to-face updates has really helped to build on the energy and enthusiasm we already had.

LHF

Since 1887, LHF has built up an incredibly strong presence in the Leeds area – amazingly, one in four households in the Leeds postcode area are customers of LHF. This makes Simplyhealth’s Leeds business quite unique within the Group, as its focus is totally local. We cannot afford to be complacent however, we still need to evolve the business to retain that privileged position with our customers and community.

In 2007 we launched our Dental Plan under the LHF name. In addition, we also introduced a new version of the LHF Wellbeing company-paid policy to our 2,000 corporate customers, allowing them to purchase cover for employees as a benefit.

We also won the opportunity to promote LHF to 175,000 employees of another company with strong Yorkshire roots, ASDA. After months of development, we were delighted with this achievement, and are preparing thoroughly for the 2008 launch.

Our 200,000 customers made nearly half a million claims in 2007, each of which were paid within 48 hours. This is a 5% increase on our 2006 claims figure. The majority of which relates to dental, and complementary and alternative therapies. So as the NHS reforms and an increased awareness of personal wellbeing took effect, we really demonstrated how we could help people with their healthcare needs.

Our telephone calls from customers dropped slightly but some restructuring work, combined with better management information, training and coaching, meant that our staff dramatically reduced the numbers of unanswered calls by 80% in 2007, providing an even better service to our customers – and that is what we are here for.

41% dental claims,

17% optical claims,

20% complementary therapy claims

3.9m claims paid in 2007 across Healthplans, of these:

1 in 4 households in the Leeds area are customers of LHF

95% of HealthSure customers surveyed were delighted with their service

helping our customers

helping our customers
Private Medical Insurance and Trust

Samuel Johnson, writing in the 18th century, described the medical profession as “The greatest benefit to mankind”. If he could see healthcare at the beginning of the 21st century, he would see that this benefit has grown beyond all recognition.

Despite giant strides having been made within the sector, there are certain values in healthcare that remain constant such as valuing the dignity of individuals, and listening and responding to patients’ needs. A ‘good bedside manner’ is as valuable today as it has ever been.

Customers who have a complex diagnosis and require multiple treatments will often need reassurance. We provide customers with their own personal nurse advisor from the BCWA team who clearly explains treatment plans. More than this, the BCWA nurse advisor can often lend a sympathetic ear during difficult times.

The majority of claims are now assessed without the need for the customer to complete a claim form, which has been warmly received. As one customer told us in our August survey, “Since BCWA introduced a system where treatment is confirmed by telephone instead of a claim form, everything just seems much easier and much quicker.”

Plans for growth – helping more people feel better

Simplyhealth welcomed Remedi to the team in December 2006 and during the year, we successfully integrated it into the BCWA business. Remedi is not an insurance company but instead helps set up and manage medical trusts for large companies, from which it then pays and administers their employee medical claims. Remedi has nearly 50 client companies and provides services that cover 115,000 people. The Remedi and BCWA sales team now work together to deliver new opportunities and has a much stronger proposition for corporate customers.

In December 2007, the business was further strengthened with the acquisition of Medisure, a direct competitor to Remedi in the medical trust market. These acquisitions have a significant and positive impact on our overall spend with large hospital groups, such as Nuffield Hospitals. This means the cost of some treatments like hip replacements could be reduced by as much as 10%.

In spite of these cost reductions, the number of claims in 2007 grew and as a consequence BCWA missed its financial targets for the year. We believe this is a difficult part of the insurance underwriting cycle and that our position will strengthen over the next couple of years.

BCWA showed strong growth in 2007 with customer numbers increasing by 12%. Pleasingly we saw growth in the individual, small company (SME) and corporate markets, illustrating the strength of the BCWA product across many market sectors.

Many more of our customers used Service Plus, our ground-breaking claims handling and customer care service, which arranges treatment on behalf of patients – an advantage for those who do not want the pressure of organising treatment for themselves. Interestingly 62% of the public want health insurance to work in just this way. This is our way of helping – we believe that people should be able to focus on getting themselves better, rather than concerning themselves with administrative matters.

BCWA people – the reason why care comes first

During 2007, we reviewed our literature to ensure the benefits of our policies were explained as clearly as possible. It is imperative that customers understand exactly what is and isn’t covered, especially where complex areas such as cancer treatments are concerned.

We believe that healthcare funding should reflect these same values, so at BCWA we show customers a ‘good bedside manner’ everyday because here, ‘care comes first’.

Customers – care comes first

As part of Simplyhealth, BCWA never loses sight of the fact that our reason for being is to help people. The values that we hold dear are about providing our customers with healthcare funding which is comprehensive, clearly explained, offers value for money, and is delivered when customers need it. True customer care means taking the time to treat every person as an individual.

introduced a system where treatment is confirmed by telephone instead of a claim form, everything just seems much easier and much quicker.”

The conclusion of this was to summarise the essence of our business in one statement: ‘care comes first’ – an unequivocal rallying cry that clearly explains what we do and how we should do it. It is important that everyone at BCWA truly recognises the vital contribution they make to the business. Areas such as Finance, IT, Underwriting and HR all play a crucial role in creating an organisation where customer care really does come first. It is the BCWA way.
Wellbeing Services

Vitality Healthcare

Healthcare in the workplace is changing rapidly. Businesses increasingly recognise the importance and value of looking after the health needs of their staff. Simplyhealth has always placed its employees’ wellbeing at the heart of the business and so truly understands the benefits of this approach.

In the past, occupational health has had a confusing and complicated reputation, so is little understood by businesses or the public. A very different approach is needed and one, we believe, that genuinely supports the needs of employers and their employees in a simple, concise and easy way.

That is why during 2007 we brought our two businesses Adastral Health and Your Health Screening together under one roof – Vitality Healthcare.

The vision for our clients and customers is to deliver wellness at work programmes that identify, assess and support healthcare issues in the workplace.

We are confident that by placing the client and customer at the centre of our services, we can break the current mould and radically change the way businesses view the importance and application of wellness at work programmes.

This can be shown very clearly in the diagram below.

Our diversification into this market meant we spent considerable time and effort recruiting and retaining the right experts last year. They have the right approach and share our desire to put clients and customers first. Our doctors, nurses, technicians and screeners are all professionally qualified to the highest standard and led by Dr Jacques Tamin, MScMB MA(H&S Law) LLM FFOM, who is also chief examiner at the Faculty of Occupational Health. Jacques has worked in occupational health for 15 years and knows all too well the change of direction that the market is crying out for. He is determined that Vitality will deliver high quality clinical services and work alongside clients to truly show the value that this brings them.

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Clients care less about how much you know until they know how much you care

During the year we were involved in a number of wellbeing campaigns with clients, including an appearance on “This Morning” in April as part of a cholesterol testing promotion. We also helped General Electric devise their ‘Health by Numbers’ global employee campaign. This introduced the idea of regularly recording and monitoring blood pressure, smoking cessation, exercise and body mass index to staff – a simple test that can support an employee’s health.

We see this as a growing market and a significant part of our “wellness at work” programmes that help people feel better. It is this growing focus within the public health agenda that gives us confidence in the appeal of our programme.

Totally Active

Totally Active’s first full year of operation within Simplyhealth Group brought with it a number of challenges, as the market for mobility equipment was difficult in 2007. Nevertheless we were able to launch our new website which provides a wide range of free information about the most common health conditions affecting all ages. This is supported by a range of daily living aids to make life easier for people.

Our customers like the choice of visiting a showroom or viewing our products during a no obligation home visit. We therefore opened a second showroom in Hemsworth, Yorkshire.

Our business results were down on what we had expected, driven by lower than anticipated web sales and fewer customer visits, during the normally busy summer months. Our plans to rectify this in 2008 will begin with the promotion of our daily living aids to 800,000 Simplyhealth customers who are aged over 50.

Like all the other companies in the Simplyhealth Group, Totally Active is about making a difference to people’s lives. It is about providing a bespoke service and professional advice that result in a peace of mind solution for customers. It is about going that little bit further to show that we care.
As a diabetic with multiple health problems, Paul had a leg amputated and faced the prospect of life confined to his flat. His Totally Active wheelchair means that he and his wife Margaret (and their two dogs) can now enjoy days out together as they used to.

"These four walls used to close in on me. Now I take the dogs out twice a day – actually, I’m not sure who takes who!"
Naturally, growth brings its own challenges and for us, the difficulty is around maintaining a sense of ‘togetherness’ throughout this change. All our staff need to buy into our collective purpose, vision and ethos, irrespective of where they work in the Group. Concentrating on uniting staff under Simplyhealth, and integrating new businesses in ways that guarantee our culture can permeate and thrive, is therefore critical to our success.

Our key focus was on attracting and retaining the right, high performing people to help us fulfil our aims and really deliver for our customers. So we continued to support our people and their issues locally, whilst initiating strategic change from the centre of Simplyhealth. Internally we tried to improve employee engagement and externally we described our purpose, vision and ethos better – elements that all help to create an attractive reputation as an enlightened and unique employer.

This is our Employer Brand Strategy, a common ‘Simplyhealth’ approach to employees that encourages that much-needed feeling of ‘togetherness’.

It is amazing to realise just how much Simplyhealth has grown through the acquisition of companies and our expansion into new areas of healthcare. In December 2004 we had 803 employees; at the end of 2007 we had just over 1,200.

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We want to be known for treating people fairly and our employees are no exception to this. Mark Day, Executive Director HR and PMI, outlines the ‘Simplyhealth People’ approach.

Mind – we need determined and driven people who want to perform and succeed. In return we will develop them as individuals.

We introduced the ‘Developing and Aspiring Team Leader Programme’ for existing Team Leaders wishing to develop their experience and knowledge further. The course takes delegates through practical modules on subjects like recruitment and managing staff absence, but also aims to make them more aware of the part they play in a larger Group. So we involve them in sessions on strategic planning, risk and finance, which are led by our own in-house specialists.

Our enthusiasm for the Certificate in Management Studies qualification continued with 26 people taking part. As a natural extension to this, we also offered the Diploma in Management Studies and were delighted to be able to help fellow businesses in our community by sponsoring four employees from Winchester City Council and Winchester Hospital on the course as well.
In addition, we tailored personal development programmes around the needs of our specific business areas. For example, across our Healthplans business, we took 30 Senior Managers through various objectives and challenges which were designed to forge a bond between the three businesses. Also having introduced a Dental Plan to customers, we needed a dental team that really understood this new environment, so we encouraged them to try for the British Dental Trade Association’s Certificate in Dentistry. This industry-recognised qualification gave our staff a good grounding in dental terminology, equipment and practice structure and firm credibility in the market, especially as most of them passed with distinction.

Body – we need people who are determined to help customers with their healthcare. In return, we will help them to maintain their own health and wellbeing.

Like many businesses, Simplyhealth employs a diverse range of people, who naturally have varying approaches towards their personal wellbeing. Consequently, it is critical for us to ensure our wellbeing programme is as diverse as they are. Here are a few examples:

We provide “free fruit” for all staff on the first Thursday of every month. In 2007, we increased the amount spent on this by 50%.

350 employees opted for a free flu jab – that was 20% more than in 2006.

EmployeeCare was the new helpline and website service that we promoted to staff to help with any counselling, legal, health and wellbeing issues they may have.

At the Sales Conference, 250 employees benefited from a juice and smoothie bar, healthy food platters and Indian Head Massages – benefits that our office-based employees are familiar with but which are harder to take to our remote workers. This was the ideal opportunity.

Gym membership at discounted rates is offered through ‘Fitness First’.

Ensuring our employees enjoy a healthy work-life balance is critical to us and so we readily review any approaches for flexible working and reduced hours that we receive. As a result we support over 280 working shift patterns across the Group.

Soul – we need people who want to make a difference to others. In return, our mutuality means we care for our customers, our employees, our communities, and health-related charities to the best of our ability.

In October we were very proud to launch the ‘Being the Difference’ Awards to all employees. These will run for nine months and are designed to search out, share and celebrate the exceptional difference our employees make to other colleagues or their communities. In Phase one our 10 winners were recognised for many wonderful things, from running a scout group for 20 years in Andover and a majorette group for children and teenagers in Leeds, to fundraising for a neighbourhood care charity in Manchester. We look forward to uncovering more “unsung heroes” through 2008.

This creative concept, built on the foundation of our Be Yourself ethos, embodies the spirit of Simplyhealth and celebrates individuality in order to encourage people to exemplify the things that are important.

Blue Sky Thinking
A key strategic objective for Simplyhealth in 2007 was to implement a new HR system to manage the data demands of our growing organisation. I am pleased to say project ‘Blue Sky’ was implemented on time and on budget and integrated with our Payroll system in November. Next year we will begin to really exploit the capabilities of this new system, particularly for the benefit of our employees.

Growth brings its own challenges
We entered the ‘Sunday Times 100 Best Companies to Work For’ competition again. We were awarded 88th place compared to 44th in 2006. Despite the drop we were pleased to still be ‘one of the 100’, especially as we were one of only 11 other UK companies to have been included over five consecutive years. Sadly our run came to an end in 2008 and, although we remain a ‘Best Company’, we will not be listed in the Top 100. Put simply, we must regain our lost ground in the years ahead – it matters to our people and our pride.

Some of our ‘Being the Difference’ winners:
Paul Thatcher raised funds towards a headstone and the charity ‘Headway’, after losing a close friend.

Lorene Holloway has a mini recycling centre at her home and organised for more recycling at BCWA.

Meesha Birch volunteers at Assist in Manchester. She started by helping with home visits and has since helped to raise £14,500.

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In 2007 we started to develop a framework of working with our stakeholders and communities that builds upon our mutual values, history, performance, quality products and services, and which also cultivates long term relationships with customers and voting members. The framework also delivers a successful group of ethical businesses which contribute to economic development, whilst improving the quality of life for our people and their families, as well as the local community and society at large.

This year we particularly want to highlight the differences we’ve made through our charitable giving and community work. As Chairman of the Simplyhealth Charitable Committee, I can assure you that it is an absolute joy to be able to make donations that contribute so much towards the health and welfare of many people throughout the UK.

Making a difference to healthcare
In 2007 we donated nearly £3m to health and wellbeing-related causes (£1m of which had been carried over from 2006). Several national charities benefited including Princess Royal Trust for Carers, Prostate UK, Alzheimer’s Society and Help the Hospices.

Two of these charities tell us about the difference we’ve made:

Prostate UK – John Anderson, Chief Executive
“Since early 2006, we’ve run seven free seminars for GPs and Practice Nurses across the UK to train them on all prostate diseases. That was what we could afford. But now, with the £250k donation from Simplyhealth, we will run more free seminars next year and that means we can train an additional 1,000 professionals.

Further more, these funds have enabled us to organise an international conference in January 2008 on Prostatitis, the most neglected of prostate diseases, and begin to train urologists on the difficult task of ‘breaking bad news’.

Simplyhealth’s award has had, and will have, a huge impact: IT WILL SAVE LIVES.”

Alzheimer’s Society – Neil Hunt, Chief Executive
“This year has been the busiest on record for our Dementia Helpline. Our advisors received a massive 24,600 enquiries – a 17% increase on 2006. Fortunately, Simplyhealth’s donation of £100k meant that we were able to manage the cost of this rise in demand, and employ additional resources. This kind of help enables us to continue supporting our many callers including carers, family members, people with dementia and care-home assistants.”

Traditionally, Simplyhealth’s businesses have generated a real sense of trust in all that they do. This is a great foundation to build on when formalising our approach to the way we do business. We call it ‘Supporting our Communities’.

Ken Piggott, Chairman of Simplyhealth’s Charitable Committee, talks about the difference our donations make nationally, locally and to us as employees.

Simplyhealth Charitable Committee donations:

£2.85m of which,
£500k divided between HealthSure Charitable Trust and Trading Division Community Funds
£1.35m to National Charities
£1m to ‘A Million Reasons to Feel Better’

Supporting our communities

BCWA staff fundraiser for Help the Hospices

HealthSure helped the Ellen MacArthur Trust take young people sailing to recover their confidence, following serious illnesses.
Making a difference in our communities

We know how vital it is to be socially responsible and where better to start than in our communities. Last year we gave £500k locally via our Trading Division Community Funds and the HealthSure Charitable Trust.

In addition the LHF Convalescent Home Charitable Trust also donated funds. Here are some examples:

Our BCWA Charitable Committee visited Bristol Children’s Hospital to see how a previous donation had been used. Following this and a tour of the Neonatal Intensive Care Unit, we decided to pledge £23k to refurbish the breast-feeding expressing room and pay for a new incubator and monitoring machine.

That meant that 50 more desperately ill babies from all over the South West and South Wales can now be cared for.

In Reading we helped Thrive, a charity for adults and young people with dementia and learning difficulties. We donated £2k to provide a pergola for their Secret Garden and some of our people volunteered to help maintain the garden. Now whatever the weather, Thrive’s visitors can always get out to enjoy their Secret Garden.

‘City in the Community’ (CITC) is a registered charity and HealthSure gave £22k to help fund a new CITC minibus. So now, thousands of people each year – in particular those with disabilities and young people – will use our bus to get to events and activities that they otherwise would have missed.

HSA was the proud sponsor of the Andover Football Club initiative ‘Lions in the Community’ for 2007/2008 season. This was an extensive football coaching programme for primary, secondary and special schools throughout the Andover area, where children could develop and practice their skills in a fun environment.

Our donation of £13k was matched by Sportsmatch, a government funded scheme to encourage community sports nationally. So, in all, £30k was paid for school football fun days, after school club coaching, holiday soccer schools, and celebration football festivals.


The other gift we made was one of love getting involved in causes close to their hearts and homes, and wherever possible we did our best to ensure they could do so by giving away 200 volunteer days last year. This included our ‘Help the Hospice’ initiative where 100 Simplyhealth employees teamed up with five hospices for a day to work on a number of construction and fundraising activities.

Making our employees feel different

Our mutual values and ethos are well known to staff. ‘It matters more how good we are than how much we make’ resonates throughout the organisation, particularly when we give them first hand involvement in allocating our charitable donations.

In 2007, we did this in three ways. Firstly by establishing panels of employees to help manage our community funds – so they can see the results of their efforts in their town or city.

Secondly, Give As You Earn (GAYE). Although this system has been part of the Group for six years, with the acquisition of new companies, we thought it necessary to re-introduce it. So we devoted a day in June to give everyone a personalised piggy bank and the chance to speak with GAYE representatives. Consequently the numbers of staff giving to charity via their payroll doubled overnight, and in total Simplyhealth matched staff donations with £14k in 2007.

Thirdly, ‘A Million Reasons to Feel Better’. In November, £1m was divided up between our employees. Each of them was given the opportunity to ‘spend’ £774 (their portion of £1m) with a selection of carefully chosen national and smaller charities, all in need of significant funding. All 15 charities were delighted to receive an unexpected Christmas present – donated once again by members of staff.
Peggy lives alone with her two boys (cats Bluey and Max), so when she had a problem, she had no one to help her. She rang HSA distraught and was put in touch with the helpline she receives as part of her Healthplan. With their help, her troubles were solved – and Peggy was delighted!

“I was so pleased, I went out and had a spend-up! Of course I treated my two boys”
how our board helps

Strong internal governance is critical to us as a mutual. As Romana Abdin, Company Secretary shows, it provides a firm foundation on which to build a responsive business.

The Simplyhealth Group believes that governance is not only about the application of rules and defensive sign-offs – it is about ensuring that we have put the right structures and controls in place to pursue our key strategic aims with confidence.

Organisation & Structure

Our framework
The Simplyhealth Group Board has established an effective governance framework built on three pillars:

> Organisation & Structure
> Internal Control
> Independent Assurance

This is underpinned by our values which inform the way we run the business. Our values guide our actions, behaviours and the decisions we take. Our framework complements those values and behaviours.

The governance processes work through audits, checks, committees and information, but the only reason they work is because of a shared passion for what the Group is trying to achieve. There is a common vision that drives our strategy and is embedded in our business plan, and the management is incentivised to deliver this. We empower our people to take appropriate business risks, within a common Group framework that encourages them to do the right thing.

We have developed a set of values and standards of behaviour, as well as an approach to ensure compliance with them. We have a clearly defined strategy against which the success of the business and the contribution of individuals can be measured. We have established an approach for interaction and co-operation between the Board of Directors, Senior Management and the Assurance Functions.

Our control systems are proven, and we welcomed our regulator, the FSA, for two visits in 2007. One routine visit, known as an ARROW visit, focused on whether our governance and cultural arrangements treat our customers fairly, and a further more specific visit examining our approach to telephone sales. In both of these visits, we emphasised how our values and governance standards are embedded in Simplyhealth’s culture.

Organisation & structure
The Group’s organisation and structure allows for effective and efficient communication and decision-making. It encourages the fostering of good relationships and facilitates effective oversight.

The Board and its committees focus (see diagram right) on ensuring that the business is meeting its objectives in providing value to its customers and meeting their needs, both now, and in the future.

Internal control framework
Internal control defines the way we do business. As the Group has grown, it has become important for us to share a common understanding of our values and of how we apply consistent levels of fairness to all the people we touch, wherever they may be in Simplyhealth.

* Abhai Rajguru, Chairman of the Audit Committee has not been able to attend Audit Committee Meetings since October 2007 as a result of illness. Therefore we have not complied with the Combined Code in having a financially qualified member of the Audit Committee. All Audit Committee Members are however financially literate.
Our AGM 2007:

To help us, we have developed a “highway code” of operating principles, which sets out a framework of governance, conduct and best practice, and helps us to work together to take full advantage of the different businesses and expertise that make up Simplyhealth. This framework forms the backbone of our “Do the Right Thing” programme, and a specially established Steering Committee is charged with overseeing its implementation.

One of the over-arching principles of “Do the Right Thing” is treating people fairly. Fairness is a topic that is also high on the agenda of the FSA and seeks to encourage firms to ensure their customers get a fair deal. The FSA’s aims reflect Simplyhealth’s ethos, and “Do the Right Thing” helps us achieve both our goals and a compliance objective.

Risk management is at the heart of our internal control framework. Like all businesses, we face many risks and uncertainties that could impact the performance of the Group, and our ability to serve you, our customers. Therefore, we have a risk management process to identify, evaluate and mitigate the risks faced by the Group. The process provides the Risk Committee with assurance that the major risks have been identified and are regularly monitored and managed.

Assurance
Independent assurance is provided internally by our internal auditors and externally by Deloitte.

Our internal auditors look at key areas of each business and check for evidence that for example, we are paying claims in line with policy and best practices; are keeping client records secure in accordance with data protection requirements. The internal auditors have direct access to the Board’s Audit Committee to keep an extra independent oversight pathway into the Board.

The final cornerstone in our assurance framework is provided by the compliance function which monitors training and competence within our regulated businesses. Both the Audit Committee and Group Executive Committee receive quarterly compliance reports covering these areas.

Board effectiveness – How do we shape up?
During 2007 all Board members completed a questionnaire and had one-to-one interviews with an independent third party. The review focused on Simplyhealth’s accountability to its members and revealed a Board which is working well with a shared sense of purpose, values and behaviours. Meetings encourage challenge and debate, and the directors listen and show respect for each other’s contributions. The Executive Directors welcome and value the skills and experience of the Non-Executive Directors and use them effectively. The Non-Executive Directors are willing to commit and contribute, and to ‘get around the organisation’.

As a result of the review, the Board will continue to maintain and develop a sound and sensible corporate governance framework and will focus on the following:

> Understanding better our members’ and customers’ needs
> Continuing the work started in 2007 of communicating with members
> Debating strategic issues and refining the information needs of the Board
> Building on current financial and non-financial performance monitoring

The Board plays an important role in leading the business and ensures that it sets the right tone ‘at the top’. In June the Board invited a number of external speakers to share thoughts on leadership and the challenges facing leaders. One of the guest speakers was Pinky Lilani (co-founder and Chairman of the Asian Women of Achievement Awards), who talked about being a leader in today’s multi-cultural society. Other speakers included Eve Turner from the BBC and Tom Rail from Sero. By inviting this input the Board is able to keep abreast of many contemporary issues to help inform our strategy.

Members having their say
Our members are important to us not only because they are customers, but because they act on behalf of all our customers. Good governance also means that we must do all we can to involve members by providing them with the information they need.

We started the process in 2006 by providing our members with a newsletter, sharing information about products and services as well as Group activities. In 2007, we held our first Regional Members’ event in our Leeds office. Members had an opportunity to meet staff and to discuss our “Treating Customers Fairly” process. We will continue to develop the newsletter, and will hold further events in 2008.

Our AGM is an important event in our calendar, affording the Board an opportunity to report to our members on the performance and development of the group. As well as checking we are “doing the right thing”, it is a way of ensuring that the Board keeps in direct contact with members.

We will continue to develop our relationship with our members, seek their feedback and provide them with more information.
How our Board Members help in their communities

James Barnard
Non-Executive Director
“I am a Trustee and volunteer for the Manchester Lesbian and Gay Foundation Helpline which helps men, women, and their partners, family and friends deal with sexuality issues. It’s a rewarding role that I really enjoy.”

Chris Harrison
Executive Director, Healthplans
“I try to extend my commercial perspective and experience to my Non-Executive role on the south-eastern Board of Sport England. I am passionate about promoting and developing sport as it is such a great way for people to live a healthy lifestyle.”

Terry Hardy
Non-Executive Director
“After 25 years as Trustee of both LHF Charitable Trusts, it was exhilarating to lead the team donating £1650k from the sale of the convalescent home, to worthy causes in the Leeds area.”

Kerry Richardson
Non-Executive Director
“The ARK Medical Research Centre in Basingstoke, Hampshire has an international reputation for leading-edge liver cancer research, and for the past 6 years, I have helped them with fundraising.”

Mark Day
Executive Director, HR & PMI
“My role generates many opportunities to support others outside of Simplyhealth, including my current mentoring of a Human Resources Director within an NHS Trust.”

Major General
Brian Pencroft
Chairman
“I have been a Trustee of The Countess of Beckenham Hospice in Andover, Hampshire for the last nine years. I am delighted to be involved with them because they ease the suffering of not only the patients but their families and friends as well.”

Ian Maude
Executive Director, Group Business Services
“I encourage my department to support others outside of Simplyhealth, including my current mentoring of a Human Resources Director within an NHS Trust.”

Romana Abdin
Company Secretary and Group Corporate Affairs Director
“I encouraged my department to ‘make a difference’ last year to worthy causes. By forging relationships, fundraising and sharing skills with Andover-based charities, we all discovered that the way we succeeded was far more important than the money raised.”

Keith Blacker
Executive Director, Group Finance
“As a trustee of Valley Leisure, a charity providing sport and recreational facilities for the Test Valley in Hampshire, I find it immensely rewarding to be able to influence the area’s health and wellbeing.”

Des Benjamin
Chief Executive
“As Project Leader of the Andover Vision Team, I help to create an environment where initiatives that will make Andover a more successful town and one that we are all justifiably proud of, can flourish.”

Ian Much
Non-Executive Director
“Every student should be able to attend the University or College of their choice, regardless of their finances. As chair of the Fundraising Committee at my old Oxford College, I help make this happen.”

Elisabeth Buggins
Non-Executive Director
“The Ministerial Taskforce, which I chair, aims to save 1,000+ lives annually by increasing the amount of organs available for transplant. The Government has fully funded our recommendations and I hope many families will soon benefit.”

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Abhai Rajguru
Non-Executive Director
“As a Non-Executive Director of Kettering General Hospital NHS Trust, I was proud to be part of its significant financial turnaround: It now looks after 300,000 people as a stable part of the health community.”

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2007 was a particularly difficult trading year for Simplyhealth Group. Whilst we had anticipated an operating loss, the final result was worse than we had expected, driven in the main by a much higher volume of claims from our customers. In addition, the ‘yo-yo’ like movements of the stock market during the year impacted upon our investment performance with the net result being a £1.2m retained profit.

Keith Blacker, our Finance Director, gives a summary of our finances for the year.

As in previous years, the above is a simplified version of our profit and loss account which provides you with the details of the figures.

As you can see in 2007, our operating loss was higher and retained profit lower. We should however, be careful not to draw too many conclusions from this as it is actually the long term financial trends that provide a much better measure of Simplyhealth’s financial performance. This is especially so in a group like Simplyhealth which has expanded so rapidly, as the graphs on the next two pages illustrate.

I will explain further the more important figures and the causes behind the variances in 2006 and 2007.

### Income

#### 2007 2006

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>319.7</td>
<td>302.5</td>
</tr>
<tr>
<td>Claims</td>
<td>(248.8)</td>
<td>(231.1)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(80.1)</td>
<td>(74.1)</td>
</tr>
<tr>
<td>Operating profit/(loss) before non-recurring items</td>
<td>(9.2)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Investment income</td>
<td>17.4</td>
<td>19.2</td>
</tr>
<tr>
<td>Donations</td>
<td>(2.6)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Profit before tax &amp; non-recurring items</td>
<td>5.6</td>
<td>15.8</td>
</tr>
<tr>
<td>Tax</td>
<td>(0.1)</td>
<td>0.3</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>0.1</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>(4.4)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Retained profit</td>
<td>1.2</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Note: This information is extracted from the Group’s audited financial statements, which set out a full account of the consolidated profit and loss account.
The graphs illustrate how the business has performed in five key areas since 2000. They show a group that has grown and expanded whilst maintaining a good solid financial performance*.

Claims – the increase in claims was higher than we anticipated, particularly in respect of our dental and our BCWA PMI products. Whilst we are pleased with our success in selling the dental product, we have taken steps to ensure that going forward it continues to reflect good value for the customer as well as achieving a satisfactory return for our business. The PMI business is cyclical in nature and we, together with the rest of the market, saw an increase in the volume of customer claims during 2007. I am pleased to report, however, that we are seeing savings in our claims’ costs as a result of the Remedi acquisition.

Expenses – our expenses increased by £3m although over £3m of this was due to the acquisition of Remedi and Totally Active, whose expenses were included for the first time in 2007.

Investment returns – our investment performance was closely linked with the stock market and most of you will have seen the media reports highlighting the large swings, both upward and downward, resulting from uncertain economic conditions. Our overall investment return, which is driven by our risk appetite, was marginally down in 2007.

Donations – as has been previously reported we increased our charitable donations in line with the £1m that had been carried forward from the previous year. Our commitment to support health-related charities will continue into 2008 and beyond.

Goodwill – the large increase in goodwill resulted from the acquisition of Remedi in late 2006 and this year saw the first charge in our Accounts. Our policy is to charge goodwill over a five year period so we can expect to see a further £4m flowing through for the next four years.

Financial highlights

- Our financial services businesses performed very much in line with expectations, with the exception of claims’ costs. Conditions in the Healthplan market remain difficult and are likely to remain so for the foreseeable future. We do, however, believe we are well placed to further develop our customer propositions and grow the businesses, thanks to our new administration system PULSE.
- The loss of just over £4m in the non-financial services businesses was worse than we had expected, driven in the main by the more fundamental changes that we have had to make to the Vitality business model. We do not expect an instant turnaround and the fruits of all this year’s hard work will feed through positively to the financial results over the next few years.
- Our launch of the Totally Active website saw modest sales, but we are confident that we can build upon this year’s results as well as the solid reputation that we have in the daily living aids’ market.
- The acquisition of Medisure in December 2007 further increased our medical care spend across the Group. The total now stands at £170m. We now have a level of scale in the healthcare market which is enabling us to better manage our costs and I am confident that the acquisition of Medisure will further improve this position.
- Our balance sheet position remains strong with reserves standing at £259.4m and you will note that we have transferred nearly £150m from Simplyhealth Access (the holding company for our financial services businesses) into Simplyhealth Group. Simplyhealth Access remains well capitalised despite this transfer which demonstrates the financial strength of this part of the group. The transfer was effected to facilitate the funding of future business opportunities in the healthcare market. It is also worth noting that we generated a positive cash flow from our operating activities reflecting, amongst other things, the large non-cash items which are now being charged to the profit and loss account, ie depreciation and goodwill.

A review of our investments

I would like to finish by providing you with a reminder of the main investments that we have made over the last three years, which show our commitment to being a broadly based healthcare company.

- BCWA – this acquisition demonstrated the Group’s commitment to the PMI market, as well as introducing a new distribution channel: the broker.
- Healthplan – this merger brought with it nearly £26m of net assets.
- Vitality – the coming together of Adastral and Your Health Screening was the Group’s first venture outside of financial services. We are committed to invest in the Occupational Health market where our research tells us we have a real opportunity to make a difference.
- Remedi – one of only a handful of medical trust administration businesses in the UK, it brought with it several corporate household names into the Simplyhealth Group and performed well in 2007.
- Totally Active – this acquisition was our first move into retailing healthcare products.
- Medisure – like Remedi, Medisure brings a number of well-known company names into the Group and offers the opportunity to build upon our developing reputation in the medical trust administration market. Medisure was loss making when we acquired the business and plans are underway to reverse this position.

And finally, we must not forget PULSE, our customer administration computer system, which is shown in our balance sheet under fixed assets. At the end of 2007 the investment made stood at nearly £15m.

Of course, our strategy is not without risk but we fundamentally believe that if we want to truly make a real and tangible difference to people’s lives then it is our duty to continue to make these types of investments, as ultimately, they will benefit not just our customers but all the communities in which we operate.