Company Registration No. 01981238

# Denplan Limited

## Report and Financial Statements

## 31 December 2017

Denplan Limited

REPORT AND FINANCIAL STATEMENTS 2017

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## Denplan Limited

### OFFICERS AND PROFESSIONAL ADVISERS

**DIRECTORS**

Ms R Abdin
Mr B D J Kent

**REGISTERED OFFICE**

Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

**BANKERS**

Barclays Bank PLC
UK Banking
1 Churchill Place
London
E14 5HP

**SOLICITORS**

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

**INDEPENDENT AUDITOR**

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

## STRATEGIC REPORT
## Year ended 31 December 2017

### Overview of Denplan Limited ('the Company')

The Company is a wholly owned subsidiary of Simplyhealth Group Limited, the ultimate parent company.

The Company's principal activity is to provide the administration of capitation plans within the dental and veterinary market. It also sells and administers dental insurance products to employers on behalf of their employees, the majority of which are underwritten by Simplyhealth Access, a fellow subsidiary company in the Simplyhealth Group. The administration of capitation plans for the dental profession and its patients remains Denplan's largest source of income while the sales of dental insurance products to employees of our corporate customers continues to grow.

The Company supports dentists and their patients, providing products and services which support the provision and funding of dental services. Our aim is to continue to develop our existing relationships and focus on the impact of any changes to the NHS dental provision.

The Company supports vets and their customers by providing products and services supporting the funding of veterinary services. The aim is to drive growth within the veterinary market by expanding the customer base for both the independent and corporate vet sectors. Following a strong year, we feel we have a solid foundation to move the business forward.

*Dental partnerships*
During the year the Company continued its investment in the dental partnership programme and secured investment in two more joint venture partnerships through its wholly owned subsidiary Simplyhealth Partnerships Limited. This strategic opportunity will see Denplan strengthen its support, investment and involvement for our member dentists and in the future of private, preventative dentistry.

*Systems*
In order to support our business and continue to provide a high quality customer experience to over 2 million customers, Denplan has continued to invest in the development of new systems that will improve the experience of practices and customers in their interaction with the Company, and improve access to patient and customer information we hold for the practices we support in both dental and veterinary markets.

### Review of activities and business performance

The Company enjoyed another profitable year in which it made a profit before taxation of £7,267,000 *(2016: £7,026,000)*. These results include the receipt of an interim dividend of £1,000,000 *(2016: £1,500,000)* from The Animal Healthcare Company Ltd.

The full results for the year ended 31 December 2017 are shown in the statement of comprehensive income on page 11.

The Company's capital and reserves increased by £6,096,000 to £24,830,000 *(2016: £18,734,000).*

The Company paid no interim dividend during the year *(2016: £nil)* and does not propose to pay a final dividend *(2016: £nil).*

### Key performance indicators

The Company manages its business performance based on a number of key financial and other performance indicators as follows:

| | **2017** | 2016 | **Change** | **Change** |
|---|---|---|---|---|
| | **£'000** | £'000 | **£'000** | **%** |
| Revenue | **39,484** | 38,100 | **+1,384** | **+3.63%** |
| Operating profit | **6,249** | 5,396 | **+853** | **+15.81%** |

Corporate business turnover represents insurance commission from insurance sales to companies and their employees. There was a growth in the corporate business due to an increase in customer base. Turnover relating to personal customers predominantly consists of administration fees from dentists and veterinary practices together with insurance commission from insurance sales to customers. Some veterinary customers migrated to The Animal Healthcare Ltd (a sister company of Denplan Limited), which enabled them to receive the Simplyhealth Group services that best meet their specific needs.

## Risk management

*The role of risk management*

We consider risk management to be fundamental to good management practice and a significant aspect of corporate governance; we therefore 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, goals 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:

- 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.

The Company's risk management procedures are embedded within the arrangements operated throughout the Group. References to procedures applied by the Group with regard to risk management apply equally to the Company.

*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 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.

## Risk management (continued)

*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.

## 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 Company's principal risks and uncertainties have been defined by the Directors as follows:

*Credit risk*

The Company's credit risk is primarily attributable to its premium debtors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with acceptable credit ratings that are assigned by international credit rating agencies.

*Operational/conduct risk*

Increasingly challenging demands on resources and skills within the business could negatively affect the operational capacity and capability of the Company and the resilience of its 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.

**STRATEGIC REPORT (continued)**
**Year ended 31 December 2017**

### Risk management (continued)

*"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 Company has limited exposure to markets outside the UK, the wider economic uncertainty resulting from this vote may impact adversely on the Company'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 Company'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 Company is a going concern. As part of this review, the Directors have carefully considered the extent to which both the risks associated with the wider economic environment, and the operational risks which the Company has identified, might affect the preparation of the financial statements on a going concern basis.

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

On this basis, the Directors have a reasonable expectation that the Company has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the 2017 financial statements on a going concern basis.

### Our customers

In 2017 we took the strategic decision to combine the strength of Denplan and Simplyhealth and unite under one brand and identity. The new Simplyhealth Professionals brand helps us to continue to provide the highest levels of service to dentists, and remain the leader in the healthcare marketplace. Denplan first became part of Simplyhealth in 2011 and by uniting under one brand we are able to build on our shared expertise and strength of our reputations.

Simplyhealth Professionals continues to provide support to dentists to help make their practices more profitable by providing a guaranteed monthly income and outstanding support services. This enables dentists to plan and forecast profits for their practices and means they can book holidays and staff training days without the practice income being affected. Practices have dedicated consultants and access to in-house teams who help with everything from registering patients quickly, retaining patients, training, practice marketing, and PR support.

Simplyhealth Professionals also supports veterinary healthcare professionals with animal health plans as another preventive healthcare product within its portfolio. Animal health plans are a payment plan for pet owners to be able to budget and pay monthly for the regular treatments and vaccinations for their pet. Simplyhealth Professionals supports vets and their practices in much the same way as its dentists and dental practices.

As with the wider Simplyhealth business we want to get closer to our customers and ensure that we are providing the right products, services and support.

For the dental side of our business we spend a great deal of time with our member dentists to understand their growing needs when running a modern dental practice. This means we can continually adapt our offering to meet their changing needs.

For the veterinary side we have streamlined the product brands we offer and continue to focus on providing more services to support veterinary professionals.

We want to make it easy for our Healthcare Professionals to work with us, so we have invested considerably in a new strategic IT platform. It gives us the right tools and technology to deliver for our customers now and in the future. The platform was launched to support our vets business in 2017 and will be expanded to include the dental business in 2018. It will also give us the capability to support new healthcare professions in the future.

### Our people

At Denplan, we work hard to ensure we provide an experience that helps our employees to make the most of life. We care about the wellbeing and careers of our people. We provide opportunities such as flexible working and health related benefits enabling our people to maintain a healthy balance in their lives so they are able to contribute to the success of the organisation but live their lives to the fullest.

### Our people (continued)

We are committed to equal opportunities for our people ensuring that our recruitment, development and careers are openly available for all employees irrespective of gender, marital status, ability, race, age, or ethnic origin.

We have bold ambitions at Denplan, and, in turn, operate a high performance culture where we focus on setting stretching objectives at all levels and coaching and developing our people to be the best they can be ensuring that they are able to continually develop personally as well as further their careers.

This year, significant progress has been made to further integrate the parts of our organisation with a view to aligning processes and benefits following the rebranding of Simplyhealth. A review of our performance and reward framework has been completed as well as launching a new exciting employee benefits proposition in 2018 which enables our employees to access a wide range of flexible benefits tailored to their personal needs. We expect these changes to give us an advantage when it comes to attracting new talent to Denplan as well as retaining the great people we have today. All of our employees are paid at or above the National Living Wage, although we regularly review the total reward packages of our people to ensure they remain competitive with the UK market.

Our employees remain highly committed to our business which is recognised through long service levels of many of our people. Employee engagement is in line with UK average and we have seen improvements throughout the year which demonstrates that the business has been focused on creating an inclusive and engaging culture with its employees and customers at the heart.

### Looking forward to 2018

Denplan intends to continue to build on the initial steps taken in 2016 to invest in partnerships with individual dental practices, with a further 2 practices added during 2017. This remains a core part of our strategy and will see Denplan strengthen its support for, investment in and involvement with our member dentists and in the future of private, preventative dentistry.

The NHS is piloting a new dental contract prototype based on the clinical pathway approach for funding the service. Depending on the results, the pilot scheme may be extended and if successful this could become the prevalent approach to funding NHS dental care. However given the uncertainty at this early stage over the test results, we are not expecting any major changes in our dental markets within the next three years.

The opportunity for pet health plans continues to grow as more vets and corporate groups consider the beneficial effect of a health plan on their practices and the health of pets. The Company remains well positioned to benefit from this growth and will continue to explore new opportunities with our customers.

We will continue to invest in our core markets, with plans to reinforce our new product offerings, investing in our operating systems, and developing our online support.

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

Romana Abdin, Chief Executive
28 March 2018

## DIRECTORS' REPORT

### DIRECTORS

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

Ms R Abdin
Mr B D J Kent

### SECRETARY

The company secretary who served during the year was:

Mr J N Glover (resigned 31 December 2017)

### DIRECTORS' REPORT DISCLOSURES

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

### 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 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 their behalf.

By order of the Board

Hambleden House
Waterloo Court
Andover
Hampshire
SP10 1LQ

Ben Kent
28 March 2018

# Denplan Limited

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company'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 MEMBER OF DENPLAN LIMITED

We have audited the financial statements of Denplan Limited ('the company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Who we are reporting to**

This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DENPLAN LIMITED
**(continued)**

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**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 directors' report

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

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

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

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Andrew Heffron
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 March 2018

## STATEMENT OF COMPREHENSIVE INCOME
**Year ended 31 December 2017**

| | Note | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|---|
| Turnover | | **39,484** | 38,100 |
| Administrative expenses | | **(33,235)** | (32,704) |
| **Operating profit** | | **6,249** | 5,396 |
| Gains on the realisation of investments | | **-** | 9 |
| Income from shares in group undertakings | 7 | **1,000** | 1,500 |
| Other interest receivable and similar income | 5 | **18** | 121 |
| **Profit on ordinary activities before taxation** | 3 | **7,267** | 7,026 |
| Tax on profit on ordinary activities | 6 | **(1,171)** | (942) |
| **Profit for the financial year** | | **6,096** | 6,084 |

The Company 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 amounts shown above are in respect of continuing operations.

The accounting policies and notes on pages 14 to 24 form an integral part of these financial statements.

## Denplan Limited

**Company number: 01981238**

**STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2017**

| | Note | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | | |
| Intangible assets | 9 | **15,209** | | 10,890 | |
| Tangible assets | 10 | **175** | | 388 | |
| Investments | 11 | **7,385** | | 7,385 | |
| | | | **22,769** | | 18,663 |
| **Current assets** | | | | | |
| Debtors | 12 | **12,153** | | 11,884 | |
| Deferred taxation | 13 | **137** | | 224 | |
| Cash at bank and in hand | 14 | **10,867** | | 10,852 | |
| | | **23,157** | | 22,960 | |
| **Creditors** | | | | | |
| Amounts falling due within one year | 15 | **(20,964)** | | (22,287) | |
| **Net current assets** | | | **2,193** | | 673 |
| Debtors: Amounts falling due in more than one year | 12 | | **721** | | |
| Provisions for liabilities | 16 | | **(853)** | | (602) |
| **Net assets** | | | **24,830** | | 18,734 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | **3,568** | | 3,568 |
| Share premium account | | | **550** | | 550 |
| Capital redemption reserve | | | **250** | | 250 |
| Profit and loss account | | | **20,462** | | 14,366 |
| **Shareholder's funds** | | | **24,830** | | 18,734 |

The accounting policies and notes on pages 14 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 28 March 2018.

Signed on behalf of the Board of Directors

Romana Abdin, Chief Executive

Ben Kent, Chief Financial Officer

## Denplan Limited

**STATEMENT OF CHANGES IN EQUITY**
**Year ended 31 December 2017**

| | Called-up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Capital redemption reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 January 2016 | 3,568 | 550 | 8,282 | 250 | 12,650 |
| Total comprehensive income for the year | - | - | 6,084 | - | 6,084 |
| At 31 December 2016 | 3,568 | 550 | 14,366 | 250 | 18,734 |
| **At 1 January 2017** | **3,568** | **550** | **14,366** | **250** | **18,734** |
| Total comprehensive income for the year | - | - | **6,096** | - | **6,096** |
| **At 31 December 2017** | **3,568** | **550** | **20,462** | **250** | **24,830** |

The accounting policies and notes on pages 14 to 24 form an integral part of these financial statements.

The share premium account contains the premium arising on the issue of equity shares, net of issue expenses.

The capital redemption reserve is held in relation to the premium redemption of the Company's convertible redeemable preference shares. These shares were redeemed in July 1993.

## NOTES TO THE FINANCIAL STATEMENTS

**Year ended 31 December 2017**

### 1. ACCOUNTING POLICIES

The Company is limited by shares and incorporated in the United Kingdom under the Companies Act, registration number 01981238. The address of the registered office is detailed on page 1. The nature of the Company'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 the Companies Act 2006.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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 relation to presentation of a cash flow statement and related notes, financial instrument disclosures (including categories of financial instruments, items of income, expense, gains or losses relating to financial instruments and exposure to and management of financial risks) and remuneration of key management personnel in its financial statements.

**Going concern**

The Directors have considered in detail the Company's forecast performance, as well as its capital and liquidity resources. On this basis the Directors have a reasonable expectation that the Company 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.

**Group accounts**

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company is exempt from preparing Group accounts as it is a wholly owned subsidiary undertaking of Simplyhealth Group Limited, a company incorporated in the United Kingdom, and the Company's results and those of its subsidiary undertakings are included in the consolidated accounts of Simplyhealth Group Limited.

**Turnover**

Turnover in respect of business with personal customers comprises amounts received by the Company in respect of services provided in the form of registration fees from patients which are recognised on a receipts basis, administration fees from dentists and insurance commission from insurance sales to patients, which are recognised when the services are provided. Turnover in respect of corporate business represents insurance commission from insurance sales to companies and their employees and is recognised when the services are provided. All amounts exclude value added tax.

Turnover has been generated wholly from the UK.

**Pension costs and other employee benefits**

The Company operates a defined contribution pension scheme. Payments to the scheme 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.

**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 profit and loss account on a straight-line basis over its expected useful economic life, which the Directors consider to be ten years in respect of current acquisitions. 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.

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

## 1. ACCOUNTING POLICIES (continued)

### Other intangible assets

*Brands, customer relationships and licenses*

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 Company 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 profit and loss account on a straight-line basis over their expected useful economic life, which the Directors consider to be ten years.

The carrying values of brands, customer relationships and licenses are assessed at each annual reporting date for any impairment.

*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.

### Investment in subsidiary companies

Investments in subsidiaries are measured at cost less provision for impairment.

### Tangible fixed assets and depreciation

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 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:

| | | |
|---|---|---|
| Computer hardware | - | 2 to 4 years |
| Fixtures, fittings and office equipment | - | 4 to 10 years |
| Leasehold property | - | over the term of the lease |

The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Carrying values of fixed assets are reviewed for indicators of impairment on an annual basis.

### Impairment of assets

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

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## 1. ACCOUNTING POLICIES (continued)

### Financial assets and liabilities

Financial assets and liabilities, including debtors and creditors receivable or payable within one year with no stated interest rate, are recorded at transaction price.

### Debtors

Premiums due from corporate customers are recognised in line with the insurance contract period with the corresponding liability due to the insurer.

### Unearned premiums

Unearned premiums represent the proportion of premiums written in the financial year that relate to periods of risk in future accounting years.

### Taxation

The Company 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 reporting date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company 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 Company'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 sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

### Leases

Payments in respect of operating leases are charged to the profit and loss account 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.

### 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 that part of the profit and loss account in which the underlying transaction is reported.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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.

**Capitalisation of software development costs**

Internally developed bespoke software relates to a large system development project (note 9). The costs relating directly to the new system developments are capitalised as an intangible asset on the basis that the Directors are satisfied as to the technical, commercial and financial viability of the project. This assessment requires the application of judgement.

The recognition of such intangible assets requires the completion of the project to the stage that the software is available for use to be technically feasible, the ability of the Company to use the software once its development has been completed, and the completed software must generate probable future economic benefits for the Company. In making their judgement, the Directors considered their intention to complete the project and the availability of adequate technical, financial and other resources to complete the development and use the software.

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| **Profit on ordinary activities before taxation is stated after charging:** | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| Amortisation of goodwill | **163** | 40 |
| Amortisation of other intangible assets | **160** | 10 |
| Impairment of intangible assets | **-** | 68 |
| Depreciation - owned assets | **234** | 288 |
| Operating lease rentals | | |
| - motor vehicles | **598** | 558 |
| - buildings | **450** | 450 |
| - office equipment | **281** | 177 |
| Fees payable to the Company's auditors | | |
| - for the audit of the Company's annual accounts | **44** | 42 |

## 4. STAFF COSTS

| **Staff costs comprise the following:** | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| Wages and salaries | **13,750** | 13,021 |
| Social security costs | **1,487** | 1,390 |
| Other pension costs | **1,206** | 1,210 |
| Total staff costs | **16,443** | 15,621 |

The total pension cost which has been charged to the statement of comprehensive income of the Company is £1,206,000 *(2016: £1,210,000)*. There were no outstanding pension contributions as at 31 December 2017 *(2016: £nil)*. The above costs include £1,569,000 *(2016: £1,627,000)* of own labour capitalised as part of investment in our system development and form part of the cost reflected in intangible assets in note 9.

| The average number of employees during the year was as follows: | **Year ended 31 December 2017 No** | Year ended 31 December 2016 No |
|---|---|---|
| Operations | **138** | 97 |
| Finance and other administration services | **305** | 293 |
| | **443** | 390 |

### Directors' remuneration

All Directors are employed by and receive emoluments from Simplyhealth People Limited, a fellow subsidiary company in the Simplyhealth Group. Mr S J Gates was appointed as a Director of the Company on 3 February 2016 and he resigned this position on 21 February 2017. The following amounts are paid or payable in respect of his services as a Director of the Company:

| | **Year ended 31 December 2017 £** | Year ended 31 December 2016 £ |
|---|---|---|
| Salary | **62,239** | 136,438 |
| Benefits in kind | **15,063** | 17,682 |
| | **77,302** | 154,120 |

The Company also paid pension contributions in 2016 amounting to £13,303 on his behalf during his time as a director. Following his resignation in 2017, £118,956 became payable as compensation for loss of office.

Ms R Abdin and Mr B D J Kent are Directors of Simplyhealth Group Limited, the ultimate parent undertaking. They consider that their services to the Company during the year were incidental to their other duties within the Simplyhealth Group and it is not possible to make a reasonable apportionment of their total remuneration in respect of the Company. These Directors' emoluments, which relate to their services to the Simplyhealth Group as a whole, are disclosed in the financial statements of that company.

### Directors' interests in transactions

No contract in which a Director was interested and which was material to the Company or its subsidiaries or to the other transacting party existed during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2017

## 5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| Bank and other interest | **18** | 121 |

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge on the profit on ordinary activities for the year was as follows:

| | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 19.25% *(2016: 20%)* | **1,091** | 1,158 |
| Current tax adjustment in respect of prior periods | **(74)** | (125) |
| Group Relief | **67** | - |
| **Total current tax** | **1,084** | 1,033 |
| Current year deferred taxation | **(30)** | 60 |
| Deferred tax adjustment in respect of prior periods | **114** | (190) |
| Effect of change in tax rate | **3** | 39 |
| **Tax on profit on ordinary activities** | **1,171** | 942 |

The corporation tax charge for the year is lower *(2016: lower)* than the standard rate of corporation tax in the UK of 19.25% *(2016: 20%)* on the accounting profit.

| **The differences are explained as follows:** | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | **7,267** | 7,026 |
| Tax charge on profit at UK rate of 19.25% *(2016: 20%)* | **1,399** | 1,405 |
| **Effects of:** | | |
| Income not subject to corporation tax | **(192)** | (300) |
| Expenses not deductible for tax purposes | **111** | 113 |
| Adjustments in respect of prior years | **39** | (315) |
| Research and development relief | **(189)** | - |
| Effect of change in tax rate | **3** | 39 |
| **Tax on profit on ordinary activities** | **1,171** | 942 |

## 7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Amounts received from subsidiary undertakings during the year:

| | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| Interim dividend received from subsidiary undertaking | **1,000** | 1,500 |

## 8. DIVIDENDS PAID

The Company paid no interim dividend during the year *(2016: £nil)* and does not propose to pay a final dividend *(2016: £nil)*.

## 9. INTANGIBLE ASSETS

| | Brands £'000 | Customer relationships £'000 | Goodwill £'000 | Development costs £'000 | Software £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2017 | 68 | 307 | 1,217 | 9,416 | - | 11,008 |
| Additions | - | - | - | 4,642 | - | 4,642 |
| Transfer | - | - | - | (4,995) | 4,995 | - |
| **At 31 December 2017** | **68** | **307** | **1,217** | **9,063** | **4,995** | **15,650** |
| **Amortisation** | | | | | | |
| At 1 January 2017 | 68 | 10 | 40 | - | - | 118 |
| Charge for the year | - | 41 | 163 | - | 119 | 323 |
| **At 31 December 2017** | **68** | **51** | **203** | **-** | **119** | **441** |
| **Net book value** | | | | | | |
| **At 31 December 2017** | **-** | **256** | **1,014** | **9,063** | **4,876** | **15,209** |
| At 31 December 2016 | - | 297 | 1,177 | 9,416 | - | 10,890 |

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss. An amount of £4,995,000 has been transferred from development costs following completion and implementation of software within the business.

## 10. TANGIBLE ASSETS

| | Computers and office equipment £'000 | Fixtures and fittings £'000 | Leasehold property £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 1,800 | 109 | 1,183 | 3,092 |
| Additions | 21 | - | - | 21 |
| **At 31 December 2017** | **1,821** | **109** | **1,183** | **3,113** |
| **Depreciation** | | | | |
| At 1 January 2017 | 1,621 | 79 | 1,004 | 2,704 |
| Charge for the year | 123 | 18 | 93 | 234 |
| **At 31 December 2017** | **1,744** | **97** | **1,097** | **2,938** |
| **Net book value** | | | | |
| **At 31 December 2017** | **77** | **12** | **86** | **175** |
| At 31 December 2016 | 179 | 30 | 179 | 388 |

## 11. FIXED ASSET INVESTMENTS

**Subsidiaries**

The details of investments in the subsidiary undertakings held by the Company at 31 December 2017 are as follows:

| Name of Company | Principal Activity | Class and percentage of shares held |
|---|---|---|
| The Animal Healthcare Company Ltd | Administration of veterinary pet health plans | Ordinary shares 100% |
| Simplyhealth Partnerships Limited (formerly Denplan Partnerships Limited) | Investment and management of joint venture investments in dental practices | Ordinary shares 100% |

Both companies listed above are registered in England & Wales and are directly held subsidiaries.

The movement in fixed asset investments during the year is as follows:

| | Subsidiary undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 January 2017 | 7,385 |
| Additions | - |
| **At 31 December 2017** | **7,385** |

The Directors have considered the recoverability of the Company's investment in subsidiaries. Their review concluded that no provision for impairment is required *(2016: £nil).*

## 12. DEBTORS

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| **Due within one year** | | |
| Trade debtors | **11,193** | 10,838 |
| Amounts due from group undertakings | **-** | 358 |
| Other debtors | **106** | - |
| Prepayments and accrued income | **854** | 688 |
| | **12,153** | 11,884 |
| **Due after more than one year** | | |
| Amounts due from group undertakings | **721** | - |

Trade debtors include an amount of £8,714,000 *(2016: £8,473,000)* relating to premiums collected on behalf of Simplyhealth Access Limited.

## 13. DEFERRED TAXATION

The Company's deferred tax asset calculated in accordance with FRS 102 was as follows:

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| Asset relating to timing differences on fixed assets | **49** | 133 |
| Asset relating to short term timing difference | **88** | 91 |
| | **137** | 224 |

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

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| **At 1 January** | **224** | 131 |
| Current year deferred tax | **27** | (99) |
| Adjustment in respect of prior years | **(114)** | 190 |
| Arising on acquisition of SFSL business | **-** | 2 |
| **At 31 December** | **137** | 224 |

## 14. CASH AT BANK AND IN HAND

The Company administers a number of trust accounts under agreements between the Company and dentists in accordance with the declaration of trust for each account. The accounts are used to manage cash collected by the Company from patients and pet owners for onward payment to dental and vet practices. No right of set- off exists between the trust accounts and any other bank accounts of the Company.

Total balances held in the trust accounts at 31 December 2017 amounting to £4,234,000 *(2016: £4,407,000)* were included in the cash at bank and in hand on the Company's statement of financial position with an offsetting liability included in "Creditors: Amounts falling due within one year" (note 15).

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| Trade creditors | **131** | 191 |
| Corporation tax | **575** | 199 |
| Amounts due to group undertakings | **7,852** | 7,519 |
| Amounts held in trust on behalf of clients | **4,234** | 4,407 |
| Accruals and deferred income | **7,094** | 8,432 |
| Other taxes and social security | **647** | 706 |
| Other creditors | **431** | 833 |
| | **20,964** | 22,287 |

Amounts due to group undertakings includes an amount of £6,780,000 *(2016: £6,818,000)* that represents the value of unearned premiums (note 12) collected on behalf of Simplyhealth Access.

## 16. PROVISIONS FOR LIABILITIES

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| **At 1 January** | **602** | 602 |
| Increase during the year | **251** | - |
| **At 31 December** | **853** | 602 |

Provisions represent the best estimates of expenditure required to settle outstanding obligations resulting from past events that exist at the statement of financial position date, where a reasonable estimate could be made of the value of the obligation.

## 17. CALLED UP SHARE CAPITAL

The allotted, called up and fully paid share capital of the Company is:

| | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| 3,567,659 *(2016: 3,567,659)* ordinary shares of £1 each | **3,567,659** | 3,567,659 |

The Company has one class of ordinary shares which carries no right to fixed income.

## 18. FINANCIAL COMMITMENTS

### (a) Capital expenditure

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| Authorised by the Board of Directors and contracted for up to 31 December | **328** | 829 |

Commitments to future capital expenditure relate primarily to development costs for new administration and IT systems that will further enhance the customers' experience.

### (b) Leasing

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

| Amounts payable | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| within one year | **860** | 835 |
| between one and five years | **2,362** | 1,275 |
| | **3,222** | 2,110 |

## 19. RELATED PARTY TRANSACTIONS

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.

The Company is a related party of four Limited Liability Partnerships ('LLPs') in which its subsidiary undertaking, Simplyhealth Partnerships Limited, has joint control. The LLPs provide dental services to patients. The Company charges fees to the LLPs for services provided in the collection of registration and administration fees from patients and the payment of such amounts to the LLP's.

In the year ended 31 December 2017 the Company charged the LLPs £60,931 *(2016: £2,000)* in respect of administration fees.

All transactions were undertaken on an arm's length basis.

## 20. ULTIMATE PARENT AND CONTROLLING PARTY

The Company's immediate and ultimate parent company is Simplyhealth Group Limited, a company registered in the United Kingdom and limited by guarantee.

Simplyhealth Group Limited is the parent of the largest and smallest group for which consolidated accounts are prepared of which the Company is a member. The financial statements of this company can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.