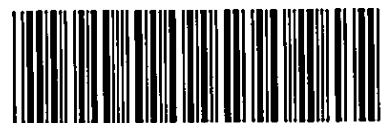


HSF health plan LIMITED
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Registered Company Number: 30869

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COMPANIES HOUSE



HSF health plan LIMITED

A Company Limited by Guarantee No. 30869

Founded in 1873 Incorporated 1890 Change of name 2007

Officers and Advisers 2008

Board of Directors

Executive

Mr K R Bradley MCMI - Chief Executive

Mr S R Duff - Sales and Marketing Director

Mr P W Jackson MSc BA (Hons) DChA - Finance Director

Non-Executive

Mr M J Boyle FCA

Mrs J L Dalton LLB (Hons)

Mr M Davies

Mr G R M Hind - Chairman

Mrs L Richards-Cole ACII

Mr D Thomas

Medical Adviser

Dr I J Sawtell MB BS MSc MFOM BA Dip CII

Bankers

HSBC

Unity Trust Bank Plc

UBS AG

Ulster Bank Limited

Bank of Ireland

Solicitors

Iliffes Booth Bennett

Campbell Riddell Breeze Patterson

Eugene P Kearns

Auditors

haysmacintyre, Chartered Accountants

Investment Managers

Rensburg Sheppards (until 31 October 2008)

Newton Investment Management Limited (from 1 November 2008)

Head Office

24 Upper Ground

LONDON SE1 9PD

Telephone: 020 7928 6662

Fax: 020 7928 0446

E-mail: marketing@hsf.eu.com

National Offices

Suite 3.5

111 Union Street

GLASGOW G1 3TA

Telephone: 0141 221 1711

Fax: 0141 248 3992

E-mail: glasgow@hsf.eu.com

Clare Road Mall, Clare Road

ENNIS

Co. Clare, Ireland

Telephone: 065 686 2500

Fax: 065 686 2504

E-mail: info@hsf.eu.com

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008

INTRODUCTION

The Board of Directors is pleased to present the 135th Annual Report and the audited Financial Statements for the year ended 31 December 2008.

BACKGROUND AND PRINCIPAL ACTIVITIES

HSF health plan Limited, a Company Limited by Guarantee, is a health cash plan organisation. The trading activities of the Company are undertaken in support of The Hospital Saturday Fund. Founded in 1873 as The Hospital Saturday Fund, it has adapted to the needs of the times, particularly since the National Health Service came into being in 1948 and now provides a number of health cash plan schemes both in the UK and Ireland.

THE ASSOCIATION OF THE HOSPITAL SATURDAY FUND

At the Association General Meeting in October 2008 Mr John Greenwood was re-elected to serve for a further year as Chairman of the Association and the Board of Directors of the charity company. By virtue of this office, he would also serve as a Director of HSF health plan Limited. Mr Michael Boyle and Mr David Thomas were re-elected as Directors / Trustees for a further three year term. The HSF Board decided that Mr Michael Boyle, Mrs Jane Dalton, Mr Graham Hind and Mr David Thomas should serve as Non-Executive Directors of HSF health plan Limited.

BOARD OF DIRECTORS

Following the decisions of the HSF Association outlined in the paragraph above, the Board re-elected Mr Graham Hind as Chairman and Mrs Lynn Richards-Cole to continue to serve as Vice Chairman from November 2008. Members of the three Committees were also appointed as stated below and there were no changes. The two Non-Executive Directors who were not also Directors of The Hospital Saturday Fund and who would be able to act completely independently continued their service. These were Mr Mark Davies and Mrs Lynn Richards-Cole who began a three year term of office in January 2007.

The wide and varied expertise brought to Board meetings and Committee meetings by the Directors, both Executive and Non-Executive, continues to ensure that the Company is managed efficiently. A further extensive annual review and updating of the risk register was undertaken with the conclusion being reached again that working practices and procedures were entirely satisfactory. Board and Committee business plans were updated to reflect current and future activities. The Board has a strong commitment to its regulatory responsibilities working through them and implementing procedures with the Compliance Manager.

COMMITTEE MEMBERSHIP

Finance:

Mr M J Boyle – Chairman
Mr G R M Hind
Mrs L Richards-Cole
Mr K R Bradley (in attendance)
Mr P W Jackson (in attendance)

Human Resources:

Mr J Greenwood – Chairman
Mr K R Bradley
Mrs J L Dalton
Mr G R M Hind

Sales and Marketing:

Mr D Thomas – Chairman
Mr K R Bradley
Mr M Davies
Mr S R Duff

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

REVIEW OF THE YEAR

- CONTRIBUTION INCOME AND BENEFIT PAYMENTS

Total contributions (less Insurance Premium Tax) for the year were £26,181,311. Benefits payable (including Personal Accident premiums and helplines) for the year were £19,452,407 and represented 74% of contribution income. These figures included the *Best Health Schemes*.

- CHARITABLE DONATIONS

The Company continued to support the Hospital Saturday Fund Charitable Trust and its successor, The Hospital Saturday Fund, by donating under Gift Aid the sums of £12,517 (2007: £568,000) and £164,167 respectively.

- INVESTMENTS

The market value of the Company's investments reduced from £11,777,236 to £9,170,979, due to net disposals of £1,359,480 and an unrealised loss of £1,246,777. The company changed investment manager during the year, appointing Newton Investment Management Limited.

- RESERVES

The profit for the year of £178,598 after taxation has increased the Company's reserves to £16,086,013 at 31 December 2008.

- FINANCIAL INSTRUMENTS

The Company holds a range of financial investments including both Sterling and Euro cash deposits and stock market investments. The Company's Directors are careful to manage the Company's exposure to any one counterparty and ensure the nature of the financial investments are appropriate to the Company's activities, objectives and the maintenance of the Company's FSA solvency requirement.

- PRINCIPAL RISKS

The Board carefully monitors the Company's risk exposure, specifically claim rates, investment risk and operational and management risk. The Board maintains and regularly reviews the Company's risk register

- BEST HEALTH

The cash plan underwritten by HSF for the Benenden Healthcare Society being marketed under the title *Best Health* has two schemes *Classic* and *Advantage*. Some 350 new contributors were enrolled which was a low figure due to active marketing being suspended during the year. This made a total of just over 16,500 at the end of December 2008. These figures are in addition to those referred to for HSF in the Sales and Marketing paragraph below.

- ANNUAL GENERAL MEETING 2008

The meeting was held on 29 April, 2008 and was attended by two Members of the Association of The Hospital Saturday Fund acting as 'The Member' attending and voting in accordance with the new structures and relationship between The Hospital Saturday Fund and HSF health plan Limited. The Annual Report and Accounts for the nine month period ended 31 December, 2007 were adopted.

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

- HSA IRELAND

HSA Ireland, part of the UK based Simplyhealth Group, decided to discontinue its Ireland operations and HSF health plan was able to acquire the book of business in April 2008. This resulted in over 13,000 contributors, plus their family members, being added to HSF and gave exposure to a large number of new companies in Ireland. The transfer was undertaken with a considerable amount of work by many different members of staff and the smooth transition has been a credit to their efficiency and dedication.

- SALES AND MARKETING

The total number of new contributors enrolled during the year was just over 12,000 across the UK and Ireland. This was slightly less than the previous year, due to sales staff vacancies, and brought the grand total at the year end to just over 118,000. 82 brand new companies (excluding those who were former clients of HSA) were taken on which was a figure slightly higher than the previous year.

Ongoing staff training has continued to ensure that HSF is compliant with the Insurance Conduct of Business (ICOB) regulations. In addition to the e-learning process and driving assessments, sales staff are included in training opportunities which are part of the company maintaining the standards of *Investors in People* and *Excellence Through People*.

Whilst the contributors who left us during the year were mainly from the lower value schemes, the new ones joined at the higher rates. The percentage of contributors paying £3/€4.25 per week and over continued to increase and is now nearly 75%. Contributors in the Extra Cover schemes in the UK and the *One* schemes in Ireland now represent over a third of the grand total. Company Group contributors represent 86% of the total and Personal contributors 14%.

- INVESTOR IN PEOPLE / EXCELLENCE THROUGH PEOPLE

The assessments for renewal of accreditation of both IiP and ETP took place in 2007 which resulted in very successful conclusions with complimentary comments about the Company, its management and staff. The ethos of both standards continue to be reflected in the way HSF values and encourages its members of staff.

As mentioned above, under 'Sales and Marketing', training forms an important part of both the IiP and ETP standards and opportunities have been taken by members of staff to increase their knowledge and enhance their work performance. All have undertaken an e-learning process for medical insurance and health cash plan staff under the auspices of the Chartered Insurance Institute and the British Health Care Association.

- APPRECIATION

The Directors are always pleased to have this opportunity to express their grateful thanks for the cooperation and assistance received during the year. Employers who operate payroll deduction facilities and allow recruitment on their premises provide invaluable help and ensure that HSF is able to operate simply and efficiently in a cost effective manner. The personal recommendation which existing contributors give to their work colleagues is also very much appreciated. Hospital staff continue to assist us by providing a vital service in validating our claim forms.

The Directors, both Executive and Non-Executive, continue to be proud of the efficient service provided to contributors by all members of staff throughout the year. The long service records continue with nearly a third of the workforce having been with HSF for 10 years or more. Everyone, both in our offices and 'out on the road', has made a valuable contribution to this year's achievements both in the UK and Ireland. This continues to give the Board confidence for the future of *HSF health plan* in both countries in spite of the recession which began as the year was drawing to a close.

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which 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 those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable 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 proper accounting records which 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 1985. 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.

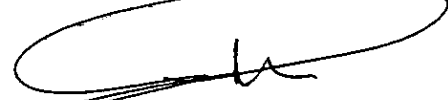
So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s. 234ZA (2)).

AUDITORS

haysmacintyre have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next Annual General Meeting in accordance with section 485, Companies Act 2006.

On behalf of the Board of Directors:



GRAHAM R M HIND, Chairman



KEITH R BRADLEY, Chief Executive

26 March, 2009

HSF Mission Statement

Our Mission is: To be recognised as the number one Health Cash Plan provider in the UK and Ireland by offering the best value range of schemes and ensuring a first class service for every contributor

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

HSF health plan LIMITED

We have audited the financial statements of HSF health plan Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Company's Member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

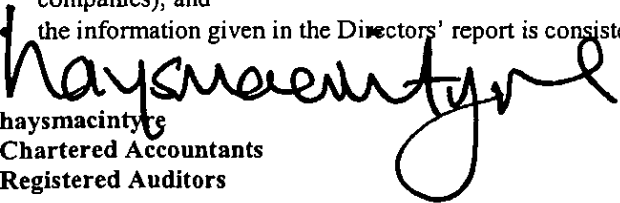
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 (applicable to insurance companies); and
- the information given in the Directors' report is consistent with the financial statements.


haymacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London WC1V 6AY

26 March 2009

HSF health plan LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Technical account general business			
Earned premiums			
Gross premiums written		26,186,594	16,585,610
Change in the gross provision for unearned premiums		(5,283)	(25,957)
Gross premiums earned		26,181,311	16,559,653
Less: reinsurance premiums		(858,313)	(747,082)
Net premiums earned		25,322,998	15,812,571
Claims incurred			
Gross claims paid	3	(18,451,576)	(11,448,291)
Change in the gross provision for claims outstanding		(18,087)	(155,006)
		(18,469,663)	(11,603,297)
Net operating expenses	5	(4,526,091)	(4,020,511)
Balance on the technical account for general business		2,327,244	188,763
Non-technical account			
Investment income			
Income from other financial investments		287,207	225,362
Interest receivable		119,316	122,082
Realised losses - Other financial investments		(1,011,985)	(36,062)
Unrealised losses - Other financial investments		(1,246,777)	113,734
Investment expenses and charges		(102,413)	(78,206)
		(1,954,652)	346,910
Profit on ordinary activities before donations		372,592	535,673
Donations	6	(176,884)	(568,000)
Profit/(loss) on ordinary activities before tax	4	195,708	(32,327)
Taxation	8	(17,110)	75,254
Profit for the year after tax	14	178,598	42,927

The profit on ordinary activities before taxation is wholly attributable to continuing activities.

The notes on pages 12 to 19 form part of these financial statements.

HSF health plan LIMITED**FOR THE YEAR ENDED 31 DECEMBER 2008**

STATEMENT OF RECOGNISED GAINS AND LOSSES

	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Profit for the financial year	178,598	42,927
Prior year adjustment	-	(412,206)
Total recognised gains and losses relating to the year	<u>178,598</u>	<u>(369,279)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008 £	2007 £
Reported profit/(loss) before tax	195,708	(32,327)
Difference between historical cost depreciation and the actual depreciation charge of the year calculated on the revalued amount (note 14)	<u>23,550</u>	<u>17,663</u>
Historical cost profit/(loss) before taxation	<u>219,258</u>	<u>(14,664)</u>
Historical cost profit after taxation	<u>202,148</u>	<u>60,590</u>

HSF health plan LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	2007 £
ASSETS			
Investments			
Land and buildings	9	1,850,000	1,890,000
Other financial investments	10	9,170,979	11,777,236
		<u>11,020,979</u>	<u>13,667,236</u>
Debtors			
Debtors arising out of direct insurance operations:			
- policyholders		2,077,484	1,659,600
Other debtors		294,557	550,844
		<u>2,372,041</u>	<u>2,210,444</u>
Other Assets			
Intangible fixed assets	11	927,701	-
Tangible fixed assets	12	104,082	124,547
Cash at bank and in hand		3,844,398	1,988,169
		<u>4,876,181</u>	<u>2,112,716</u>
Prepayments and Accrued Income		157,485	126,306
TOTAL ASSETS		<u>18,426,686</u>	<u>18,116,702</u>
LIABILITIES			
Reserves			
General fund	14	14,996,826	14,794,678
Revaluation reserve	14	1,089,187	1,112,737
		<u>16,086,013</u>	<u>15,907,415</u>
Technical Provisions			
Provision for unearned premiums		388,831	383,548
Provision for claims outstanding		1,074,290	1,056,203
		<u>1,463,121</u>	<u>1,439,751</u>
Provisions for Other Risks and Charges			
Provision for deferred taxation	13	228,670	211,560
Creditors			
Other creditors including taxation and social security		648,882	557,976
TOTAL LIABILITIES		<u>18,426,686</u>	<u>18,116,702</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2009 and were signed below on its behalf by:


GRAHAM R M HIND, Chairman


KEITH R BRADLEY, Chief Executive

The notes on pages 12 to 19 form part of these financial statements.

HSF health plan LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Reconciliation of profit/(loss) on ordinary activities before tax to net operating cash flows		
Profit/(loss) on ordinary activities before tax	195,708	(32,327)
Unrealised losses/(gains) on other financial investments	1,246,777	(113,734)
Realised losses on other financial investments	1,011,985	36,062
Income from other financial investments and cash	(406,523)	(347,444)
	<u>2,047,947</u>	<u>(457,443)</u>
Depreciation	96,502	80,893
Amortisation	163,712	-
Increase in contributions due and other debtors	(192,776)	(257,582)
Increase in benefit claims and other creditors	114,276	147,845
	<u>2,229,661</u>	<u>(486,287)</u>
CASH FLOW STATEMENT		
Net cash inflow/(outflow) from operating activities	2,229,661	(486,287)
Returns on investments and servicing of finance (Note A)	406,523	347,444
Capital expenditure (Note A)	(1,127,450)	(46,806)
Taxation paid	-	(120,269)
	<u>1,508,734</u>	<u>(305,918)</u>
Cash flows were invested as follows:		
Increase in cash holdings	1,856,229	212,350
Net investments (Note A)	(347,495)	(518,268)
	<u>1,508,734</u>	<u>(305,918)</u>
Net cash flow for the year (Note B)		
Cash flow	1,856,229	212,350
Net investments	(347,495)	(518,268)
	<u>1,508,734</u>	<u>(305,918)</u>
Movement arising from cash flows	1,508,734	(305,918)
Changes in market value	(2,298,762)	47,672
	<u>(790,028)</u>	<u>(258,246)</u>
Total movement in cash and investments	(790,028)	(258,246)
Investments and cash at 1 January 2008	15,655,405	15,913,651
	<u>14,865,377</u>	<u>15,655,405</u>
Investments and cash at 31 December 2008		

HSF health plan LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

A GROSS CASH FLOWS

	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Returns on investments and servicing of finance		
Income received from other financial investments	287,207	225,362
Interest received	119,316	122,082
	<u>406,523</u>	<u>347,444</u>
Capital Expenditure		
Purchases of tangible fixed assets	(36,037)	(46,806)
Purchase of intangible fixed assets	(1,091,413)	-
	<u>(1,127,450)</u>	<u>(46,806)</u>
Investments		
Purchases of other financial investments	(4,354,193)	(1,426,826)
Sales of other financial investments	4,701,688	1,945,094
	<u>347,495</u>	<u>518,268</u>

B MOVEMENT IN CASH AND INVESTMENTS

	At 1 January 2008 £	Cash flows £	Changes in Market Values £	At 31 December 2008 £
Cash in hand and at bank	1,988,169	1,856,229	-	3,844,398
Other financial investments	11,777,236	(347,495)	(2,258,762)	9,170,979
Land and buildings	1,890,000	-	(40,000)	1,850,000
	<u>15,655,405</u>	<u>1,508,734</u>	<u>(2,298,762)</u>	<u>14,865,377</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover disclosures applicable to insurance companies. The financial statements have been prepared in accordance with the Association of British Insurers' ("ABI") Statement of Recommended Practice on Accounting for Insurance Business ("SORP") issued in December 2005.

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention modified to incorporate the revaluation of freehold land and buildings and other financial investments.

(b) Premiums

Earned premiums represent contributions from policyholders for the year, excluding insurance premium tax and including an estimate of amounts due on 31 December and subsequently received.

Provision is made for premiums received, but not earned at the balance sheet date.

All premiums arise in the United Kingdom and Ireland.

(c) Claims Incurred

Claims incurred represent benefits payable to contributors for the year, and include provision for dental, optical, hospital, recuperation and birth grant claims in respect of the year to 31 December settled after that date. All other claims are recognised on a paid basis.

(d) Acquisition Costs

The costs of acquiring new business are recognised in the year to which they relate.

(e) Depreciation

Depreciation is calculated to write off the cost less estimated residual value of assets in equal instalments over their expected useful lives. The rates used are as follows:

Freehold property	2%
Furniture and equipment	20%
Computer equipment	25%

(f) Translation of Foreign Currency

Transactions in foreign currencies are converted monthly at the relevant month end rates of exchange. At the year end assets and liabilities are converted at the exchange rates ruling at that date. Exchange differences are taken to the Profit and Loss Account.

HSF health plan LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2008****ACCOUNTING POLICIES (continued)****(g) Pension Costs**

The Company makes contributions to employees' group personal pension plans. The pension cost charge represents contributions payable by the Company to the group personal pension plans in respect of the year.

(h) Investments

Land and buildings occupied by the Company for its own purposes are stated at valuation less depreciation.

Listed investments are included in the balance sheet at mid-market value. Unrealised gains and losses on the revaluation of listed investments are taken to the Profit and Loss Account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and mid-market value at the previous financial year end or cost if the investment was acquired subsequently.

(i) Intangible fixed assets

Purchased goodwill is stated at cost less amortisation and is written off on a straight line basis over a period of 5 years.

(j) Deferred Taxation

Full provision is made for deferred tax in respect of all non-permanent timing differences that have originated but not reversed at the balance sheet date.

(k) Operating leases

Rental costs payable under operating leases are charged to Profit and Loss Account over the period of each lease.

2. CONTRIBUTION INCOME

The Company is engaged in only one class of business all of which arises in the United Kingdom and Ireland.

3. GROSS CLAIMS PAID

	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Hospital	3,142,917	1,922,499
Day case	369,755	229,507
Recuperation	295,804	186,384
Birth Grant	1,386,581	857,534
Specialists/investigations	1,405,069	874,114
Dental/optical	9,355,603	5,819,142
Home help	18,488	15,744
Practitioners	1,423,556	887,194
General Practitioners/Prescriptions/Emergency department	1,016,826	625,722
Surgical appliances/hearing aids	36,977	30,451
	18,451,576	11,448,291

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Profit/(loss) on ordinary activities before tax is stated after		
Charging/(crediting):		
Depreciation - owned assets	96,502	80,893
Amortisation - purchased goodwill	163,712	-
Auditors' remuneration - audit (including VAT)	19,388	18,758
- other (including VAT)	6,109	6,251
Operating leases - motor vehicles and office equipment	132,158	91,798
Foreign exchange gains	(356,395)	(77,185)
Recharge of administrative expenses to The Hospital Saturday Fund/Hospital Saturday Fund Charitable Trust	(74,348)	(55,763)
	<u></u>	<u></u>
5. NET OPERATING EXPENSES	2008 £	2007 £
Staff costs	2,595,888	2,553,512
Other administrative expenses	466,569	311,167
Sales/marketing expenses	558,750	470,372
Acquisition costs	904,884	685,460
	<u>4,526,091</u>	<u>4,020,511</u>
6. DONATIONS	2008 £	2007 £
The following donations were made under Gift Aid to registered charities		
The Hospital Saturday Fund	164,167	-
Hospital Saturday Fund Charitable Trust	12,517	568,000
NSPCC	200	-
	<u>176,884</u>	<u>568,000</u>
7. STAFF COSTS	2008 £	2007 £
Wages and salaries	2,127,397	1,403,927
Social security costs	226,054	146,435
Other pension costs (see note 15)	242,437	1,003,150
	<u>2,595,888</u>	<u>2,553,512</u>
Staff costs of Directors including emoluments	<u>435,260</u>	<u>786,353</u>
Highest paid Director : Emoluments including benefits-in-kind	<u>164,396</u>	<u>455,113</u>
Contributions totalling £46,066 (2007: £525,721) were made to group personal pension plans in respect of 3 Directors (2007: 3 Directors).		

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

7. STAFF COSTS (continued)	12 months ended 31 December 2008	9 months ended 31 December 2007
The average number of persons employed during the year was:		
Sales	22	21
Administration	38	36
	<u>60</u>	<u>57</u>

8. TAXATION

Gains and losses on the Company's investments are taxed under the HM Revenue and Customs rules for insurance companies. Gains and losses realised on disposals of investments during the year and the unrealised gains and losses on revaluation of the portfolio to market value at the year end are subject to corporation tax. Unrealised gains in the portfolio as at 31 March 2002 will be liable to corporation tax when realised.

The tax charge in the Profit and Loss Account is made up as follows.

	2008 £	2007 £
Corporation tax (a)	-	-
Movement in deferred tax provision (see note 13)	17,110	(65,124)
Adjustments in respect of prior years	-	(10,130)
	<u>17,110</u>	<u>(75,254)</u>

(a)

The tax assessed for the year differs from the standard corporation tax rate in the UK of 28% (2007: 30%).

The differences are explained below:

Profit/(loss) on ordinary activities before tax	195,708	(32,327)
Corporation tax at the standard rate of 28% thereon (2007: 30%)	54,798	(9,698)
Effects of:		
Amounts not deductible for tax purposes	9,225	123,437
Additional amounts allowable for tax purposes	(115,216)	-
Depreciation in excess of capital allowances	11,101	21,218
Dividend and distribution income	(57,648)	(50,459)
Realised gains on investments	98,106	86,867
Prior year adjustment	-	(160,302)
Marginal relief/change in rate	(366)	(11,063)
Corporation tax on profit/(loss) on ordinary activities	<u>-</u>	<u>-</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

9. LAND AND BUILDINGS

The Company owns a freehold property at 24 Upper Ground, London SE1 9PD which is used for the Company's own activities. On 6 April 2006, the property was valued on an open market basis by Keith Lumley, Chartered Surveyors at £2,000,000.

	2008
	£
At Valuation	
At 1 January 2008 and 31 December 2008	2,000,000
Depreciation	
At 1 January 2008	110,000
Charge for the year	40,000
At 31 December 2008	150,000
Net book value	
At 31 December 2008	1,850,000
At 31 December 2007	1,890,000

The historical cost of freehold property at 31 December 2008 is £822,500 (2007: £822,500).

10. OTHER FINANCIAL INVESTMENTS

	2008	2007
	£	£
At market value		
United Kingdom equities	5,516,562	6,879,185
Overseas Unit Trusts and investment funds	1,265,809	1,567,405
Bonds	1,624,479	2,395,111
UK Unit Trusts and investment funds	764,129	935,535
	<u>9,170,979</u>	<u>11,777,236</u>

The cost of other financial investments as at 31 December 2008 was £8,201,580 (2007: £8,920,981).

Reconciliation of movement in the year		
Market value at 31 December 2007	11,777,236	12,217,832
Additions	4,354,193	1,426,826
Disposals	(5,713,673)	(1,981,156)
Unrealised (loss)/gain on investments	(1,246,777)	113,734
Market value at 31 December 2008	<u>9,170,979</u>	<u>11,777,236</u>

HSF health plan LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2008**

11.	INTANGIBLE FIXED ASSETS	Purchased goodwill £
	Cost	
	Additions	1,091,413
	At 31 December 2008	<u>1,091,413</u>
	Amortisation	
	Charge for the year	163,712
	At 31 December 2008	<u>163,712</u>
	Net book value	
	At 31 December 2008	<u>927,701</u>
	Purchased goodwill represents the cost of acquiring the insurance business from a third party insurance company in Ireland.	
12.	TANGIBLE FIXED ASSETS	Furniture and Equipment £
	Cost	
	At 1 January 2008	631,021
	Additions	36,037
	At 31 December 2008	<u>667,058</u>
	Depreciation	
	At 1 January 2008	506,474
	Charge for year	56,502
	At 31 December 2008	<u>562,976</u>
	Net book value	
	At 31 December 2008	<u>104,082</u>
	At 31 December 2007	<u>124,547</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

13. PROVISION FOR DEFERRED TAXATION

	2008
	£
At 1 January 2008	211,560
Transfer to Profit and Loss Account	
- Release of deferred tax liability on investment gains	(98,106)
- Release of deferred tax asset on pension deferral	115,216
	<u>17,110</u>
At 31 December 2008	<u>228,670</u>

As disclosed in note 8 the Company's investments are taxed on a mark to market basis in accordance with the transitional rules for insurance companies under which the unrealised gains that existed at 31 March 2002 are taxed when realised. Provision is made for deferred taxation in respect of unrealised gains on investments that existed at 31 March 2002, where those gains have not yet been realised. Deferred tax is also provided in respect of other timing differences.

The balance as at 31 December 2008 comprises a deferred taxation liability of £228,670 relating to investment gains.

If the Company's freehold property were sold for its revalued amount a tax liability of £208,000 would arise. As the Directors do not intend to sell the property in the foreseeable future no provision has been made for this liability in deferred taxation.

14. RESERVES

	Revaluation Reserve £	General Fund £	Total £
At 1 January 2008	1,112,737	14,794,678	15,907,415
Retained profit for the year	-	178,598	178,598
Transfer to general fund	(23,550)	23,550	-
At 31 December 2008	<u>1,089,187</u>	<u>14,996,826</u>	<u>16,086,013</u>

15. PENSION COSTS

The Company makes contributions to group personal pension plans. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable for the year by the Company to the personal pension plans and amounted to £242,437 (2007: £1,003,510).

At the balance sheet date, there were no outstanding or prepaid contributions (2007: £Nil).

16. CONTINGENT ASSETS AND LIABILITIES

No provision has been made for any levy which the Company may be called upon to pay under the provisions of the Policyholders Protection Act 1975. The maximum amount of any such levy in respect of the current financial year would be £261,900 (2007: £165,900).

HSF health plan LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2008****17. OPERATING LEASE COMMITMENTS**

At 31 December 2008, the Company had annual commitments under operating leases which expire as follows:

	2008		2007	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	29,749	2,760	6,945	16,771
In the second to fifth years inclusive	7,043	122,497	7,043	92,438
	<u>36,792</u>	<u>125,257</u>	<u>13,988</u>	<u>109,209</u>

18. RELATED PARTY TRANSACTIONS

During the year, the following transactions transpired with the Hospital Saturday Fund Charitable Trust, a charity administered by the Company.

- a donation of £12,517 was made (2007: £568,000) to the Hospital Saturday Fund Charitable Trust
- a balance of £Nil (2007: £179,016) was due to the Company from the Charitable Trust as at 31 December 2008.

The company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing details of transactions with other group companies. Consolidated accounts in which the Company is included as a subsidiary are publicly available.

19. THE FRIENDLY HEALTHCARE ORGANISATION LIMITED

The Company operates and underwrites "Best Health" health care cash plans for The Friendly Healthcare Organisation Limited, a subsidiary of The Benenden Healthcare Society Limited. Benenden Healthcare Society markets these schemes via The Friendly Healthcare Organisation Limited as an authorised agent to the Company and although the substance of the arrangement is one of an underwriting agreement, legally, the scheme is operated on an agency basis. The following amounts are included within the Company's accounts for the year ended 31 December 2008.

	12 months ended 31 December 2008 £	9 months ended 31 December 2007 £
Contribution income	3,886,902	2,943,958
Claims incurred	2,975,648	2,240,173
Reinsurance premium	-	18,325
Other operating expenses	<u>911,254</u>	<u>685,460</u>

20. ULTIMATE PARENT UNDERTAKING/ULTIMATE CONTROLLING PARTY

The Company's ultimate parent undertaking is The Hospital Saturday Fund, a Charitable Company registered in England and Wales. The Directors consider there to be no ultimate controlling party.