

HSF health plan LIMITED
(A Company Limited by Guarantee)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



Registered Company Number 30869

HSF health plan LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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HSF health plan LIMITED

A Company Limited by Guarantee No. 30869

Founded in 1873 Incorporated 1890 Change of name 2007

Officers and Advisers 2010

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 J Greenwood

Mr G R M Hind - Chairman

Mr J Randel (from October)

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

Solicitors

Iliffes Booth Bennett

Campbell Riddell Breeze Patterson

Eugene P Kearns

Auditors

haysmacintyre, Chartered Accountants

Investment Managers

Newton Investment Management Limited

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HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2010

INTRODUCTION

The Board of Directors is pleased to present the 137th Annual Report and the audited Financial Statements for the year ended 31 December 2010

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 a registered charity, The Hospital Saturday Fund. Founded in 1873 The Fund 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 2010 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 Christopher Bottomley and Mrs Pauline Lee were elected as Directors / Trustees of the charitable company for a three year term. At this meeting, Mr Graham Hind did not seek re-election and Mr Keith Lawrey retired as a Director / Trustee. It was agreed that Mr Michael Boyle, Mrs Jane Dalton, Mr John Randel 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 appointed Mr Graham Hind as an independent Non-Executive Director for a term ending on 31 December, 2013. The other two independent Directors, Mr Mark Davies and Mrs Lynn Richards-Cole, began a new three year period of service on 1 January, 2010. None of the three aforementioned serve as Directors / Trustees of the charity company and are not Members of the Association. The Board then elected Mr Graham Hind and Mrs Lynn Richards-Cole to continue to serve as Chairman and Vice Chairman respectively from November 2010.

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 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.

During the year the Board (in conjunction with the charity company Board) began the process of succession planning, preparing for the retirement of Mr Keith Bradley as Chief Executive of both companies in May 2011. The opportunity was taken to consider a restructuring, the planning of the first part of which had been completed by the end of 2010. The Board decided to appoint Mr Stephen Duff (currently Sales and Marketing Director) as Managing Director and Mr Paul Jackson (currently Finance Director) as Director of Resources from 1 June 2011. Mr Paul Jackson would also have responsibilities as Chief Executive of the charitable company.

COMMITTEE MEMBERSHIP

Finance

Mr M J Boyle – Chairman
Mr J Greenwood
Mr G R M Hind
Mr K R Bradley (in attendance)
Mr P W Jackson (in attendance)

Human Resources

Mrs J Dalton – Chairman
Mr K R Bradley
Mr G R M Hind
Mr D Thomas

Sales and Marketing

Mr M Davies - Chairman
Mr K R Bradley
Mr S R Duff
Mr J Randel (from October)
Mrs L Richards Cole

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF THE YEAR

- CONTRIBUTION INCOME AND BENEFIT PAYMENTS

Total contributions (less Insurance Premium Tax) for the year were £27,450,491. Benefits payable (including Personal Accident premiums and helplines) for the year were £20,895,238 and represented 76% of contribution income. These figures included the *Benenden Health Cash Plan Schemes*.

- CHARITABLE DONATIONS

The Company continued to support The Hospital Saturday Fund, by donating under Gift Aid the sum of £2,328,536 (2009 £1,730,740).

- INVESTMENTS

The Company's investments increased in value from £11,869,759 to £13,528,693, due to net additions of £595,651 and an unrealised gain of £1,063,283.

- RESERVES

The profit for the year of £288,436 after taxation has increased the Company's reserves to £16,696,117 at 31 December 2010.

- 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.

- BENENDEN HEALTH CASH PLAN

The cash plan underwritten by HSF for the Benenden Healthcare Society moved to another underwriter at the end of 2010 and the contributor numbers are not included in the figures in the Sales and Marketing paragraph below.

- ANNUAL GENERAL MEETING 2010

The meeting was held on 27 April, 2010 and was attended by a Member of the Association of The Hospital Saturday Fund acting as 'The Member' attending and voting in accordance with the structures and relationship between The Hospital Saturday Fund and HSF health plan Limited. The Annual Report and Accounts for the year ended 31 December, 2009 were adopted. The Articles of Association were amended by Special Resolution to enable there to be three independent Non-Executive Directors instead of the former two.

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

- IRELAND

On 1 April, 2010, in accordance with the Health Insurance Acts and Regulations, HSF health plan Limited was entered in The Register of Health Benefit Undertakings by The Health Insurance Authority. Hitherto, HSF had been granted an exemption under the Act from becoming a Health Insurance Company and therefore some of the regulations which surround such companies. This change resulted in the launching of revised and an increased number of health schemes to fall within the regulations and to give contributors in Ireland a greater choice with a wider range of benefits and services. Contributors who were still covered under the former HSA Ireland schemes moved to this new range during the year.

- SALES AND MARKETING

The total number of new contributors enrolled during the year was just over 9,000 across the UK and Ireland. This was slightly fewer than the previous year, and brought the grand total at the year end to 104,500. 52 brand new companies were taken on which was another figure slightly lower than the previous year. In view of the economic situation in both countries these results were still considered to be very good.

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*.

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 over 76%. Contributors in the Extra Cover schemes and the *One* schemes in Ireland now represent nearly 37% of the grand total. Company Group contributors represent 85% of the total and Personal contributors 15%.

- INVESTOR IN PEOPLE AND STAFF TRAINING

The assessment for renewal of accreditation took place in 2010 which resulted in a very successful conclusion with complimentary comments about the Company, its management and staff. The ethos of the IiP standard continues to be reflected in the way HSF values and encourages its members of staff in the UK and Ireland.

As mentioned above, under 'Sales and Marketing', training is considered important by HSF 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 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 in spite of the problems of recession in both countries. This continues to give the Board confidence for the future of *HSF health plan* as financial recovery begins.

HSF health plan LIMITED

THE REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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). 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 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 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.

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

5 April 2011

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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's Member in accordance with Chapter 3 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 the Member 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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 (applicable to insurance companies).

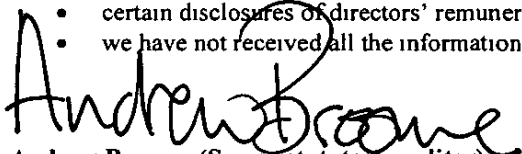
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Andrew Broome (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

**Fairfax House
15 Fulwood Place
London
WC1V 6AY**

5 April 2011

HSF health plan LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010		2009	
	Notes	£	£	£	£
Technical account general business					
Earned premiums					
Gross premiums written		27,470,250		27,146,524	
Change in the gross provision for unearned premiums		(19,759)		26,788	
Gross premiums earned			27,450,491		27,173,312
Less reinsurance premiums			(944,803)		(901,209)
Net premiums earned			26,505,688		26,272,103
Claims incurred					
Gross claims paid	3	(19,672,429)		(19,733,915)	
Change in the gross provision for claims outstanding		(81,190)		(16,540)	
			(19,753,619)		(19,750,455)
Net operating expenses					
	5		(5,391,715)		(5,554,228)
Balance on the technical account for general business					
			1,360,354		967,420
Non-technical account					
Investment income					
Income from other financial investments		284,450		300,904	
Interest receivable		101,952		184,496	
Realised (losses)/gains - other financial investments		(54,225)		24,757	
Unrealised gains - other financial investments		1,063,283		1,103,678	
Investment expenses and charges		(155,934)		(108,712)	
			1,239,526		1,505,123
Profit on ordinary activities before donations					
			2,599,880		2,472,543
Donations					
	6		(2,328,536)		(1,731,240)
Profit on ordinary activities before tax					
	4		271,344		741,303
Taxation					
	8		17,092		(152,431)
Profit for the year after tax					
	14		288,436		588,872

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 2010**

STATEMENT OF RECOGNISED GAINS AND LOSSES

	2010	2009
	£	£
Profit for the financial year	288,436	588,872
Prior year adjustment	-	(457,204)
Total recognised gains and losses relating to the year	<u>288,436</u>	<u>131,668</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2010	2009
	£	£
Reported profit before tax	271,344	741,303
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount (note 14)	<u>23,550</u>	<u>23,550</u>
Historical cost profit taxation	<u>294,894</u>	<u>764,853</u>
Historical cost profit after taxation	<u>311,986</u>	<u>612,422</u>

HSF health plan LIMITED
COMPANY NUMBER: 30869
BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
Investments			
Land and buildings	9	1,960,000	2,000,000
Other financial investments	10	13,528,693	11,869,759
		<u>15,488,693</u>	<u>13,869,759</u>
Debtors			
Debtors arising out of direct insurance operations			
- policyholders		1,789,206	1,869,124
Other debtors		607,403	482,510
		<u>2,396,609</u>	<u>2,351,634</u>
Other Assets			
Intangible fixed assets	11	491,135	709,418
Tangible fixed assets	12	187,017	93,285
Cash at bank and in hand		2,117,786	3,405,046
		<u>2,795,938</u>	<u>4,207,749</u>
Prepayments and Accrued Income		186,970	172,302
TOTAL ASSETS		<u>20,868,210</u>	<u>20,601,444</u>
LIABILITIES			
Reserves			
General fund	14	15,464,030	15,152,044
Revaluation reserve	14	1,232,087	1,255,637
		<u>16,696,117</u>	<u>16,407,681</u>
Technical Provisions			
Provision for unearned premiums		381,802	362,043
Provision for claims outstanding		1,807,025	1,725,835
		<u>2,188,827</u>	<u>2,087,878</u>
Provisions for Other Risks and Charges			
Provision for deferred taxation	13	187,019	204,111
Creditors			
Other creditors including taxation and social security		1,796,247	1,901,774
TOTAL LIABILITIES		<u>20,868,210</u>	<u>20,601,444</u>

The financial statements were approved and authorised for issue by the Board of Directors on 5 April 2011 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 2010

	2010	2009
	£	£
Reconciliation of profit on ordinary activities before tax to net operating cash flows		
Profit on ordinary activities before tax	271,344	741,303
Unrealised gains on other financial investments	(1,063,283)	(1,103,678)
Realised losses/(gains) on other financial investments	54,225	(24,757)
Income from other financial investments and cash	(386,402)	(485,400)
	<u>(1,124,116)</u>	<u>(872,532)</u>
Depreciation	101,484	94,092
Amortisation	218,283	218,283
(Increase)/decrease in contributions due and other debtors	(59,643)	5,590
(Decrease)/increase in benefit claims and other creditors	(4,578)	1,243,455
Net cash (outflow)/inflow from operating activities	<u>(868,570)</u>	<u>688,888</u>
CASH FLOW STATEMENT		
Net cash (outflow)/inflow from operating activities	(868,570)	688,888
Returns on investments and servicing of finance (Note A)	386,402	485,400
Capital expenditure (Note A)	(155,216)	(43,295)
	<u>(637,384)</u>	<u>1,130,993</u>
Cash flows were invested as follows:		
Decrease in cash holdings	(1,287,260)	(439,352)
Net investments (Note A)	649,876	1,570,345
	<u>(637,384)</u>	<u>1,130,993</u>
Net cash flow for the year (Note B)		
Cash flow	(1,287,260)	(439,352)
Net investments	649,876	1,570,345
Movement arising from cash flows	(637,384)	1,130,993
Changes in market value	969,058	1,278,435
Total movement in cash and investments	331,674	2,409,428
Investments and cash at 1 January 2010	17,274,805	14,865,377
Investments and cash at 31 December 2010	<u>17,606,479</u>	<u>17,274,805</u>

HSF health plan LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

A GROSS CASH FLOWS

	2010 £	2009 £
Returns on investments and servicing of finance		
Income received from other financial investments	284,450	300,904
Interest received	101,952	184,496
	<u>386,402</u>	<u>485,400</u>
Capital Expenditure		
Purchases of tangible fixed assets	<u>(155,216)</u>	<u>(43,295)</u>
Investments		
Purchases of other financial investments	(3,870,744)	(5,045,538)
Sales of other financial investments	3,220,868	3,475,193
	<u>(649,876)</u>	<u>(1,570,345)</u>

B MOVEMENT IN CASH AND INVESTMENTS

	At 1 January 2010 £	Cash flows £	Changes in Market Values £	At 31 December 2010 £
Cash in hand and at bank	3,405,046	(1,287,260)	-	2,117,786
Other financial investments	11,869,759	649,876	1,009,058	13,528,693
Land and buildings	2,000,000	-	(40,000)	1,960,000
	<u>17,274,805</u>	<u>(637,384)</u>	<u>969,058</u>	<u>17,606,479</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with

- the provisions of Schedule 3 to the Companies Act 2006, which cover disclosures applicable to insurance companies,
- the Association of British Insurers' ("ABI") Statement of Recommended Practice on Accounting for Insurance Business ("SORP") issued in December 2005, and
- 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 a provision for claims in respect of the year to 31 December settled after that date

(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 2010****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

	2010	2009
	£	£
Hospital	3,033,432	2,938,155
Day case	468,573	384,533
Recuperation	265,184	252,623
Birth Grant	1,215,776	1,255,548
Specialists/investigations	1,607,580	1,691,712
Dental/optical	9,845,111	9,786,941
Home help	14,420	12,400
Practitioners	1,911,552	1,836,574
General Practitioners/Prescriptions/Emergency department	1,245,134	1,514,153
Surgical appliances/hearing aids	65,667	61,276
	<u>19,672,429</u>	<u>19,733,915</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2010	2009
		£	£
	Profit on ordinary activities before tax is stated after		
	Charging/(crediting)		
	Depreciation - owned assets	101,484	94,092
	Amortisation - purchased goodwill	218,283	218,283
	Auditors' remuneration - audit (including VAT)	19,681	18,688
	- other (including VAT)	6,560	5,348
	Operating leases - motor vehicles and office equipment	139,942	176,986
	Foreign exchange loss	66,225	134,091
		<u> </u>	<u> </u>
5.	NET OPERATING EXPENSES	2010	2009
		£	£
	Staff costs	2,870,540	2,784,893
	Other administrative expenses	1,053,044	1,187,067
	Sales/marketing expenses	667,728	685,818
	Acquisition costs	800,403	896,450
		<u> </u>	<u> </u>
		5,391,715	5,554,228
		<u> </u>	<u> </u>
6.	DONATIONS	2010	2009
		£	£
	The following donations were made under Gift Aid to registered charities		
	The Hospital Saturday Fund	2,328,536	1,730,740
	Other	-	500
		<u> </u>	<u> </u>
		2,328,536	1,731,240
		<u> </u>	<u> </u>
7.	STAFF COSTS	2010	2009
		£	£
	Wages and salaries	2,325,959	2,273,722
	Social security costs	248,163	241,607
	Other pension costs (see note 15)	296,418	269,564
		<u> </u>	<u> </u>
		2,870,540	2,784,893
		<u> </u>	<u> </u>
	Staff costs of Directors including emoluments	472,852	410,374
		<u> </u>	<u> </u>
	Highest paid Director Emoluments including benefits-in-kind and pension	158,416	147,507
		<u> </u>	<u> </u>

Contributions totalling £52,606 (2009 £45,435) were made to group personal pension plans in respect of 3 Directors (2009 3 Directors)

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

7. STAFF COSTS (continued)

	2010	2009
	£	£
The average number of persons employed during the year was		
Sales	23	23
Administration	40	41
	<u>63</u>	<u>64</u>

8. TAXATION

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

	2010	2009
	£	£
Corporation tax (see below)	8,338	20,022
Overseas tax suffered	(8,270)	(13,009)
Double tax relief	(68)	(7,013)
Movement in deferred tax provision (see note 13)	(17,092)	153,242
Adjustments in respect of prior years	-	(811)
	<u>(17,092)</u>	<u>152,431</u>

The tax assessed for the year differs from the standard corporation tax rate in the UK of 28 % (2009 28%)

The differences are explained below

Profit on ordinary activities before tax	271,344	741,303
Corporation tax at the standard rate of 28% thereon (2009 28%)	75,976	207,564
Effects of		
Amounts not deductible for tax purposes	3,726	7,008
Depreciation (less than)/in excess of capital allowances	(11,604)	7,122
Dividend and distribution income	(69,182)	(46,301)
Realised gains on investments	10,166	24,559
Prior year adjustment	-	(177,801)
Marginal relief	(744)	(2,129)
Corporation tax on profit on ordinary activities	<u>8,338</u>	<u>20,022</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

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 28 January 2010, the property was valued at £2,000,000 on an open market basis by Keith Lumley, Chartered Surveyors

	2010
	£
At Valuation	
At 1 January 2010 and 31 December 2010	2,000,000
Depreciation	
At 1 January 2010	-
Charge for the year	40,000
At 31 December 2010	40,000
Net book value	
At 31 December 2010	1,960,000
At 31 December 2009	2,000,000

The historical cost of freehold property at 31 December 2010 is £822,500 (2009 £822,500)

10. OTHER FINANCIAL INVESTMENTS

	2010	2009
	£	£
At market value		
United Kingdom equities	4,538,547	4,043,986
Overseas equities	2,275,331	2,231,590
UK Unit Trusts and investment funds	1,053,635	623,730
Overseas Unit Trusts and investment funds	3,151,069	2,268,826
Bonds	2,410,111	2,701,627
Cash Fund	100,000	-
	<u>13,528,693</u>	<u>11,869,759</u>

The cost of other financial investments as at 31 December 2010 was £11,762,017 (2009 £9,870,077)

Reconciliation of movement in the year

Market value at 1 January 2010	11,869,759	9,170,979
Additions	3,870,744	5,045,538
Disposals	(3,275,093)	(3,450,436)
Unrealised gain on investments	1,063,283	1,103,678
Market value at 31 December 2010	<u>13,528,693</u>	<u>11,869,759</u>

HSF health plan LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2010****11 INTANGIBLE FIXED ASSETS****Purchased
goodwill
£****Cost**

At 1 January 2010 and 31 December 2010

1,091,413

Amortisation

At 1 January 2010

381,995

Charge for the year

218,283

At 31 December 2010

600,278

Net book value

At 31 December 2010

491,135

At 31 December 2009

709,418

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 2010

710,353

Additions

155,216

At 31 December 2010

865,569

Depreciation

At 1 January 2010

617,068

Charge for year

61,484

At 31 December 2010

678,552

Net book value

At 31 December 2010

187,017

At 31 December 2009

93,285

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

13 PROVISION FOR DEFERRED TAXATION

	2010
	£
At 1 January 2010	204,111
Transfer to Profit and Loss Account	
- Release of deferred tax liability on investment gains	(17,092)
At 31 December 2010	<u>187,019</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 2010 comprises a deferred taxation liability of £187,019 relating to investment gains.

If the Company's freehold property was sold for its revalued amount a tax liability of £182,308 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 2010	1,255,637	15,152,044	16,407,681
Retained profit for the year	-	288,436	288,436
Transfer to general fund	(23,550)	23,550	-
At 31 December 2010	<u>1,232,087</u>	<u>15,464,030</u>	<u>16,696,117</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 £296,418 (2009 £269,564).

At the balance sheet date, there were no outstanding or prepaid contributions (2009 £Nil).

HSF health plan LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2010****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 £274,700 (2009 £271,400)

Subject to a Court ruling, the company may have a liability to a pension scheme to which certain employees formerly belonged. The directors are advised that the potential liability should not exceed £250,000. No provision has been made in respect of any potential liability.

17. OPERATING LEASE COMMITMENTS

At 31 December 2010, the Company had annual commitments under operating leases which expire as follows

	2010		2009	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	8,143	11,358	9,445	31,049
In the second to fifth years inclusive	4,569	90,554	7,043	104,904
	<u>12,712</u>	<u>101,912</u>	<u>16,488</u>	<u>135,953</u>

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing details of transactions with its Parent Company. 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 health 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 cash plan was moved to another underwriter at the end of 2010.

The following amounts are included within the Company's accounts for the year ended 31 December 2010

	2010 £	2009 £
Contribution income	3,716,463	3,758,779
Claims incurred	2,916,060	2,862,329
Other operating expenses	<u>800,403</u>	<u>896,450</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.