HSF health plan LIMITED
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered Company Number: 30869

HSF health plan LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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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 2018

Board of Directors	
	Executive Mr P Clare FCMI FInstLM – Managing Director Mr P W Jackson MSc BA (Hons) DChA – Chief Executive Mrs S Phelan – Director of Operations
	Non-Executive Mrs J L Dalton LLB (Hons) Mr M Davies Mr J Diamond (from 18 June 2018) Mr N Finlayson FCA DChA Mr J Greenwood Mr J Randel – Chairman Mrs L Richards-Cole ACII Mr D Thomas
Bankers	HSBC UBS AG Ulster Bank Limited Lloyds Bank
Solicitors	Kerman & Co LLP Ronan Daly Jermyn
Auditors	haysmacintyre, Chartered Accountants
Investment Managers	Sarasin & Partners LLP UBS AG Investec
Head Office	24 Upper Ground London, SE1 9PD Telephone: 020 7928 6662 Fax: 020 7928 0446 E-mail: marketing@hsf.eu.com
National Offices	5 Westgate Business Park Kilrush Road, Ennis Co. Clare, Ireland Telephone: 065 686 2500 Fax: 065 686 2504 E-mail info@hsf.eu.com

HSF health plan LIMITED

REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Board of Directors is pleased to present the 146th Annual Report and the audited financial statements for the year ended 31 December 2018.

BOARD OF DIRECTORS

Mr John Randel and Mrs Lynn Richards-Cole continue to serve as Chairman and Vice Chairman respectively from November 2017. In November 2018, Mr John Randel was elected to serve a further term as Chairman and Mr Mark Davies was elected to serve as Vice Chairman. Two of the independent Directors, Mr Neil Finlayson and Mrs Lynn Richards-Cole continue to serve for a three-year period of service, which commenced on 1 October 2017 and a third independent Director, Mr Jonathan Diamond joined the Board in June 2018. None of them serve as Directors/Trustees of the charity company.

The Board is made up of individuals from a range of backgrounds in general insurance, finance, investment banking, legal, private sector and charity sectors. This diverse range of experience is invaluable to the Company and ensures that a strong governance structure is maintained, underpinning the business being managed efficiently.

A detailed annual review and updating of the departmental risk registers was undertaken in conjunction with a review of the Company's responsibilities in advance of the introduction of the General Data Protection Regulations (GDPR) in May 2018. The Company was successful in its application to achieve the Cyber Essentials accreditation in support of this. The overall conclusion reached was that the working practices and procedures for the company were satisfactory. Board and Committee business plans were updated to reflect current and future activities. The Board maintains a strong commitment to its regulatory responsibilities, with this at the forefront of its strategic thinking. A change was made to the Committee structure and the scope of its responsibilities to reflect this. Two revised Committees, Audit & Finance and Risk & Compliance now reflect this. The Directors have continued to develop their own CPD by participating in both internal and external training courses to enhance their knowledge. The Board continued to work extremely closely with its Compliance Manager.

COMMITTEE MEMBERSHIP AT 31 DECEMBER 2018

Audit & Finance (from 18 June 2018)	**Human Resources**	**Sales and Marketing**	**Risk & Compliance (from 18 June 2018)**
Mr N Finlayson – Chairman	Mrs J Dalton – Chairman	Mr M Davies - Chairman	Mrs L Richards-Cole - Chairman
Mr J Greenwood	Mr P W Jackson	Mr J Randel	Mr J Randel
Mr J Randel	Mr J Randel	Mrs L Richards Cole	Mr M Davies
Mr P W Jackson (in attendance)	Mr D Thomas	Mr P Clare	Mr P Clare
Mr P Clare (in attendance)	Mr P Clarc	Mr J Diamond (from 18 June 2018)	Mrs S Phelan
	Mrs S Phelan		Mr P Jackson

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 PRA solvency requirement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Rcport, the Strategic 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 cstablish that the auditors are aware of that information (s. 234ZA (2)).

On behalf of the Board of Directors on 25 March 2019

JOHN RANDEL, *Chairman*

PAUL CLARE, *Managing Director*

HSF health plan LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors present their Strategic Report for the year ended 31 December 2018.

BACKGROUND AND PRINCIPAL ACTIVITIES

HSF health plan Limited, a Company Limited by Guarantee, provides a range of health cash plan schemes throughout the United Kingdom and the Republic of Ireland. The original Hospital Saturday Fund was founded in 1873.

THE ASSOCIATION OF THE HOSPITAL SATURDAY FUND

At the Association General Meeting in October 2018 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 also serves as a Director of HSF health plan Limited.

REVIEW OF THE YEAR

PREMIUM INCOME AND BENEFIT PAYMENTS

Total premiums (less Insurance Premium Tax) for the year were £30,770,984 (2017: £30,232,484) Benefits payable (including Personal Accident premiums, helplines and Perk Box) for the year were £22,716,381 (2017: £22,095,826) and represented 73.8% (2017: 73.1%) of premium income.

INVESTMENTS

The Company's investments decreased in value from £15,743,897 to £14,972,221 comprising net additions of £55,486 (2017 net disposals of: £1,245,257) and unrealised losses of £827,162 (2017 gains of: £733,969).

RESERVES

The profit for the year of £1,637,873 (2017: £4,165,923) after taxation, along with the distribution to the parent charity The Hospital Saturday Fund of £3,324,954 (2017: £2,671,382) has decreased the Company's reserves to £18,171,940 at 31 December 2018 (2017: £19,859,021).

PRINCIPAL RISKS

The Risk & Compliance Committee monitors the Company's risk exposure in all areas including, risk appetite, investment, operational, financial, human resources, sales and business continuity, with the Committees also monitoring their own areas of risk as well. It advises the Board on risk management and policy, whilst it also keeps under review the effectiveness of these areas. The Chief Risk Officer (CRO) is the Executive Director accountable for enabling the efficient and effective governance of significant risks, and related opportunities, for the Company and this role is the responsibility of the Managing Director. The CRO reports to the Risk & Compliance Committee who's remit is to assist the committee with actively monitoring the risks and ensure the controls and appropriate monitoring systems are in place, the CRO is also accountable to the Board of Directors.

The Company has produced departmental risk registers to accurately reflect the key areas of both current and emerging risks across the business, these are kept under constant review by key stakeholders and discussed by the relevant Committees and Board to manage and mitigate risks. The Risk & Compliance Committee function is to review and monitor these risks and reports to the Board. The Board are satisfied with the revised risk management policies and procedures in place.

The main activity of the Company is the facilitator of a medical cash plan and with this business activity, comes the need to take carefully managed risk. We monitor the profitability of schemes and the claims data regularly, taking action when required and deemed necessary. The scheme premiums are rated on detailed analysis of historic claims data. Under the insurers regulatory regime, we also consider and diligently monitor a wide range of other risk including market, liquidity, interest rate, insurance, operational, concentration among others, this is done by regular consideration of the ORSA (Own Risk and Solvency Assessment).

SOLVENCY II

The Solvency II regime, which came into effect on 1 January 2016, has continued throughout 2018. The most significant requirement under Solvency II is the submission to the Prudential Regulatory Authority (PRA) on a regular basis (usually annually) of the Own Risks and Solvency Assessment (ORSA), following approval of the Board. The "ORSA" was approved at the Board meeting in November 2018 and was subsequently submitted to the PRA. The Board will continue to monitor this activity and ensure the company continues to satisfy their solvency requirements.

BREXIT

As 55.5% of the overall premium income in 2018 (2017: 54.1%) was generated in Ireland, the Board of Directors and Senior Management Team, in consultation with their advisors, have conducted extensive research and contingency planning in advance of the UK's departure from the EU on 29th March 2019. The research and planning has been to facilitate the most beneficially compliant trading arrangements for the company post Brexit and due to the ongoing uncertainty around this, discussions and contingency plans are still ongoing to establish the best approach. With that in mind, we have been given a preauthorisation letter from the Central Bank of Ireland to set up a Third Country Branch in Ireland.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting was held on 17 May 2018 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 2017 were adopted.

SALES AND MARKETING

There was an increase in new business against prior year of 0.3%, though overall gross premium income increased by 2.16%.

A total of 76 new companies launched HSF schemes for their employees, which has decreased from 90 in 2017. The number of policyholders at the year-end was 88,143 (2017: 87,900).

INVESTOR IN PEOPLE AND STAFF TRAINING

The company remains fully committed to its on-going staff training and development program. During the year the company, once again, experienced a number of successful personal development achievements by members of staff across several departments. In June 2019, the company will undertake an assessment against the revised Investors in People Gold standard, in line with the terms of the company's accreditation.

CUSTOMER SERVICE EXCELLENCE STANDARD

To underpin its mission to deliver the very highest levels of customer service, coupled with its commitment to continuous improvement, HSF health plan Limited was assessed against the Customer Service Excellence standard in the first quarter of 2018. The company was successful with its application and informed of the outcome in April 2018.

APPRECIATION

The Board would like to extend its thanks to the staff who continue to demonstrate an extremely high level of commitment and dedication in the service they provide to our policyholders.

We would also like to extend our thanks to companies, charities, hospital staff, or individuals who work with us throughout the United Kingdom and Ireland.

SUMMARY

The Directors are satisfied with the results this year and majority of the profits have been gift aided to The Hospital Saturday Fund.

On behalf of the Board of Directors on 25 March 2019

JOHN RANDEL, *Chairman* John Randel **PAUL CLARE**, *Managing Director* Paul Clare

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 policyholder

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

HSF health plan LIMITED

Opinion
We have audited the financial statements of HSF health plan Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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 2018 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 as applied to public interest entities, 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.

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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Outstanding claims provisions
The valuation of the claims provisions involves assumptions and judgements with potential for a mis-estimation to create a material misstatement. We reviewed and tested the methodologies and assumptions used in calculating the provisions.

Foreign currency transactions
A significant portion of the company activity takes place in Ireland and in Euros. There is a risk that use of an incorrect exchange rate when translating into sterling could result in a material misstatement. Rates used to translate Irish activities were reviewed for appropriateness by reference to published rates.

Investment valuation
Investments are a highly material balance to the company and there is a risk that any incorrect valuation could result in material error. We agreed a sample of investment valuations directly with independent pricing sources.

Brexit
Depending on the Government decision, Brexit could have a significant impact on the Company. We have reviewed the correspondence regarding potential contingency plans along with budgets and forecasts to consider the impact Brexit could have on the Company and its going concern position.

Our application of materiality
We define materiality as the magnitude of misstatement that could reasonably be expected to influence readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work.

We determined planning materiality for the company to be £300,000, which is 1% of earned premiums. Overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the company was 75% of materiality, namely £225,000.

We have agreed to report to the Directors all audit differences in excess of £15,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, the industry in which it operates and the key audit matters identified above.

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.

Opinions 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.

Matters on which we are required to report by exception
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 material misstatements in the strategic report or the directors' report.

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 by the company, 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
As explained more fully in the directors' responsibilities statement 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objective of our audit, in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was to obtain an understanding of the legal and regulatory framework applicable to the entity. We understood how the entity is complying with the relevant framework by making enquiries of management, and corroborated our enquires through review of board minutes and correspondence. We assessed the susceptibility of the company's financial statements to material misstatement and reviewed the control procedures in place to address risks. We performed relevant audit procedures on the higher risk areas.

Other matters which we are required to address

We were appointed by the directors in 2001. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, with the latest retender occurring in 2015.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the directors.

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

J Edwards

Jessica Edwards (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors
25 March 2019

10 Queen Street Place
London
EC4R 1AG

HSF health plan LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2018 £	As restated 2017 £	As restated 2017 £
Technical account general business					
Earned premiums					
Gross premiums written		30,865,844		30,316,893	
Change in the gross provision for unearned premiums		(94,860)		(84,409)	
Gross premiums earned			30,770,984		30,232,484
Less: reinsurance premiums			(1,154,392)		(1,205,002)
Net premiums earned			29,616,592		29,027,482
Claims incurred					
Gross claims paid		(21,349,224)		(20,604,373)	
Change in the gross provision for claims outstanding		65,201		791	
			(21,284,023)		(20,603,582)
Net operating expenses	5		(6,245,152)		(5,679,388)
Balance on the technical account for general business			2,087,417		2,744,512
Non-technical account					
Investment income					
Income from other financial investments		477,111		388,273	
Interest receivable		31,853		26,574	
Realised (loss)/gains - other financial investments		(50,012)		400,179	
Unrealised (loss)/gains - other financial investments		(827,101)		733,969	
Investment expenses and charges		(131,035)		(122,284)	
			(499,184)		1,426,711
Profit on ordinary activities before tax	4		1,588,233		4,171,223
Taxation	8		49,640		(5,300)
Profit for the year after tax			1,637,873		4,165,923

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

The notes on pages 13 to 23 form part of these financial statements.

HSF health plan LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
(Loss)/Profit for the financial year	1,637,873	4,165,923
Revaluation of freehold property	-	100,000
Movement on deferred tax relating to property revaluation	-	4,084
Total comprehensive income for the year	1,637,873	4,270,007

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	As restated General Fund	As restated Total Reserves
At 1 January 2017		18,260,396	18,260,396
Profit for the financial year		4,165,923	4,165,923
Other comprehensive income		104,084	104,084
Distribution to parent charity	6	(2,671,382)	(2,671,382)
Total comprehensive income		1,598,625	1,598,625
At 31 December 2017		19,859,021	19,859,021
Profit for the financial year		1,637,873	1,637,873
Other comprehensive income		-	-
Distribution to parent charity	6	(3,324,954)	(3,324,954)
Total comprehensive income		(1,687,081)	(1,687,081)
At 31 December 2018		18,171,940	18,171,940

HSF health plan LIMITED COMPANY NUMBER: 30869

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
ASSETS					
Investments					
Land and buildings	9	2,450,000		2,500,000	
Other financial investments	10	14,972,221		15,743,897	
			17,422,221		18,243,897
Debtors					
Debtors arising out of direct insurance operations:					
- policyholders		1,724,149		2,108,024	
Other debtors		620,736		838,241	
			2,344,885		2,946,265
Other Assets					
Tangible fixed assets	11	397,000		567,494	
Cash at bank and in hand		2,183,619		2,243,077	
			2,580,619		2,810,571
Prepayments and Accrued Income			162,603		277,854
TOTAL ASSETS			22,510,328		24,278,587
LIABILITIES					
Reserves					
General fund	14		18,171,940		19,859,021
Technical Provisions					
Provision for unearned premiums		998,692		903,832	
Provision for claims outstanding		2,426,551		2,491,752	
			3,425,243		3,395,584
Provisions for Other Risks and Charges					
Provision for deferred taxation	13		127,276		176,916
Creditors					
Other creditors including taxation and social security		785,869		847,066	
			785,869		847,066
TOTAL LIABILITIES			22,510,328		24,278,587

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2019 and were signed below on its behalf by:

JOHN RANDEL, Chairman PAUL CLARE, Managing Director

The notes on pages 13 to 21 form part of these financial statements.

HSF health plan LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	As restated 2017 £
Reconciliation of profit on ordinary activities to net operating cash flows		
Profit on ordinary activities	1,637,873	4,165,923
Taxation	(49,640)	4,841
Unrealised loss/(gains) on other financial investments	827,101	(733,969)
Realised loss/(gain) on other financial investments	50,012	(400,179)
Income from other financial investments and cash	(508,964)	(414,847)
Distribution to parent charity	(3,324,954)	(2,671,382)
Depreciation	336,177	306,246
Decrease/(increase) in premiums due and other debtors	716,631	(539,633)
(Decrease) in benefit claims and other creditors	(31,540)	(810,043)
Net cash flow from operating activities	(347,304)	(1,093,043)
Cash flows from investing activities		
Income received from other financial investments	477,111	388,273
Interest received	31,853	26,574
Purchases of tangible fixed assets	(115,683)	(180,054)
Purchases of other financial investments	(3,121,002)	(3,012,512)
Sales of other financial investments	3,015,567	4,657,948
Net cash flow from investing activities	287,846	1,880,229
(Decrease)/increase in cash holdings	(59,458)	787,186
Cash and cash equivalents at 1 January 2018	2,243,077	1,455,891
Cash and cash equivalents at 31 December 2018	2,183,619	2,243,077
Analysis of cash and cash equivalents		
Cash in hand	2,183,619	2,243,077
Total cash and cash equivalents	2,183,619	2,243,077

1. COMPANY INFORMATION

HSF health plan Limited, a company limited by guarantee incorporated in the United Kingdom. Its registered office is 24 Upper Ground, London, SE1 9PD.

2. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and 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, including Financial Reporting Standard 102 ('FRS 102').

The 2017 financial statements have been restated to treat gift aid payments to the parent charity as a distribution through the Statements of Changes In Equity.

(a) Premiums

Earned premiums represent premium income from policyholders for the year, excluding insurance premium tax and including 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.

(b) Claims Incurred

Claims incurred represent benefits payable to policyholders for the year, and include a provision for claims in respect of the year to 31 December settled after that date.

(c) Provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimate cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(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 or valuation less estimated residual value of assets in equal instalments over their expected useful lives. Assets costing below £1,000 are fully depreciated in the year of acquisition. The other 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 monthly average rates of exchange. At the yearend, assets and liabilities are converted at the exchange rates ruling at that date. Exchange differences are taken to the Income Statement.

2. ACCOUNTING POLICIES (continued)

(g) Pension Costs

The Company contributes 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 market value. Unrealised gains and losses on the revaluation of listed investments are taken to the Income Statement.

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

(i) Deferred Taxation

Full provision is made for deferred tax assets and liabilities within the accounts in respect of all timing differences, which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is recognised only if it can be regarded as probable that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

(j) Operating leases

Rental costs payable under operating leases are charged to Income Statement over the period of each lease.

(k) Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like debtors arising out of direct insurance operations, trade payables, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

(l) Significant judgements and estimates

The company requires management to make significant judgements and estimates in the preparation of the financial statements. The items in the financial statements where these judgements and estimates have been made include the translation of foreign currency into the reporting currency and the technical provisions. The most significant judgement and estimate in the accounts is the technical provisions, as it can take up to six months after the year end before establishing the ultimate cost of claims incurred and premiums paid but not yet reported to the Company and the final outcome could be better or worse than the provisions. The Directors use a calculation based on claims and premium trends from the previous two years to estimate the provisions required at the yearend.

3. PREMIUM INCOME

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

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

		2018	2017
		£	£
Profit on ordinary activities before tax is stated after Charging/(crediting):			
Depreciation	- owned assets (Note 9 and 11)	336,177	306,246
Auditors' remuneration	- audit (including VAT)	29,400	31,680
Operating leases	- motor vehicles and office equipment	133,288	127,821
Foreign exchange gain		(52,919)	(122,669)

5. NET OPERATING EXPENSES

	2018	2017
	£	£
Staff costs	3,734,697	3,462,989
Other administrative expenses	2,114,116	1,868,373
Sales and marketing expenses	396,339	348,026
	6,245,152	5,679,388

6. DONATIONS

	2018	2017
	£	£
The following donations were made under Gift Aid to registered charities		
The Hospital Saturday Fund	3,324,954	2,671,382
	3,324,954	2,671,382

7. STAFF COSTS

	2018	2017
	£	£
Wages and salaries	2,923,009	2,707,978
Social security costs	355,693	313,498
Other pension costs (see note 15)	455,995	441,513
	3,734,697	3,462,989
Staff costs of Directors including emoluments	605,363	500,933
Highest paid Director : Emoluments including benefits-in-kind and pension	268,100	225,753

Contributions totalling £72,294 (2017: £67,600) were made to group personal pension plans in respect of 3 Directors (2017: 3 Directors).

Key management personnel are the Executive Directors and Head of Departments and total remuneration of key management personnel is £829,247 (2017: £715,153).

The average number of persons employed during the year was:		
Sales	20	20
Administration	56	55
	76	75

8. TAXATION

The tax charge in the Income Statement is made up as follows.

	2018 £	2017 £
Corporation tax (see below)	(49,640)	5,300
Movement on deferred tax provision on property revaluation	-	(4,084)
	(49,640)	1,216

The tax assessed for the year differs from the standard corporation tax rate in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	1,588,233	4,171,223
Corporation tax at the standard rate of 19.00% thereon (2017: 19.25%)	301,764	802,818
Effects of:		
Amounts not deductible for tax purposes	6,904	7,144
Fixed asset differences	13,436	14,188
Dividend and distribution income	(78,063)	(62,828)
Adjust closing deferred tax to average rate	(14,973)	(22,708)
Adjust opening deferred tax to average rate of 19.00%	20,216	23,272
Deferred tax not recognised	(5,081)	-
Adjustment for profits gift aided to parent, charged to reserves	(393,607)	(756,586)
Excess gift aid donations	99,764	-
Corporation tax on profit on ordinary activities	(49,640)	5,300

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. The property was valued on 23 February 2018, at £2,500,000 on an open market basis by Dunsin Surveyors, Chartered Surveyors. The carrying value of the property as at 31 December 2018 if it were carried under the cost method is £493,500. At the date of the revaluation, the directors believed the property had a useful economic life of at least 50 years. The Directors have considered the value of the property at 31 December 2018 and do not consider there to be any material change in value.

	2018 £
At Valuation	
At 1 January 2018	2,500,000
	2,500,000
Depreciation	
At 1 January 2018	-
Charge for the year	50,000
At 31 December 2018	50,000
Net book value	
At 31 December 2018	2,450,000
At 31 December 2017	2,500,000

10. OTHER FINANCIAL INVESTMENTS

	2018	2017
	£	£
At market value		
United Kingdom investments	4,556,480	4,824,483
Overseas investments	4,947,332	5,210,786
Bonds	3,095,704	3,239,149
Other	2,372,705	2,469,479
	14,972,221	15,743,897

The cost of other financial investments as at 31 December 2018 was £13,555,909 (2017: £14,490,181).

Reconciliation of movement in the year		
Market value at 1 January 2018	15,743,897	16,255,185
Additions	3,121,002	3,012,512
Disposals	(3,065,516)	(4,257,769)
Unrealised gain on investments	(827,162)	733,969
Market value at 31 December 2018	14,972,221	15,743,897

11. TANGIBLE FIXED ASSETS

	Furniture and Equipment
	£
Cost	
At 1 January 2018	1,411,231
Additions	115,683
At 31 December 2018	1,526,914
Depreciation	
At 1 January 2018	843,737
Charge for year	286,177
At 31 December 2018	1,129,914
Net book value	
At 31 December 2018	397,000
At 31 December 2017	567,494

12. MOVEMENTS IN PRIOR YEAR'S CLAIMS PROVISION

	2018	2017
	£	£
Net claims provision brought forward (including IBNR)	2,491,752	2,492,543
Net payments during the year in respect of those provisions	(2,601,298)	(2,591,857)
Under-provision of prior year's provision	109,546	99,314
Movement in provision during the year	2,426,551	2,491,752
Net loss provision carried forward in respect of outstanding claims	2,426,551	2,491,752

13. PROVISION FOR DEFERRED TAXATION

	Liability on Property revaluation £	Short term timing difference £	Fixed asset-timing differences £	Total £
At 1 January 2018	(145,910)	-	(31,006)	(176,916)
Income Statement	-	5,138	44,502	49,640
Other comprehensive income	-	-	-	-
At 31 December 2018	(145,910)	5,138	13,496	(127,276)

14. RESERVES

	General Fund £	Total £
At 1 January 2018	19,859,021	19,859,021
Retained profit for the year	1,637,873	1,637,873
Distribution to parent charity	(3,324,954)	(3,324,954)
Other comprehensive income	-	-
At 31 December 2018	18,171,940	18,171,940

15. PENSION COSTS

The Company contributes 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 £455,995 (2017: £441,513).

At the balance sheet date, there were outstanding contributions of £31,143 (2017: £29,887).

16. CONTINGENT 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 £303,273 (2017: £303,169).

17. FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets measured at fair value through profit or loss	14,972,221	15,743,897
Financial assets measured at amortised cost	2,344,885	2,946,265
Financial liabilities measured at amortised cost	4,211,110	4,242,650

Financial assets measured at fair value through profit or loss, comprise listed investments.

Financial assets measured at amortised cost comprise of trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise technical provisions and other creditors.

18. OPERATING LEASE COMMITMENTS

At 31 December 2018, the Company had future minimum rentals payable under operating leases, which expire as follows:

	2018		2017	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Within one year	21,566	70,152	21,566	96,879
In the second to fifth years inclusive	25,160	20,418	46,726	59,726
In more than five years	-	-	-	-
	46,726	90,570	68,292	156,605

19. RESERVES

General fund represents accumulated profits after tax of the year and prior periods.

20. NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS

Market Risk
Key Risks
The key drivers of the charge are spread and equity risks. HSF health plan's asset portfolio contains a relatively conservative mix of bonds and equities.

Controls
To minimise risk and secure long term growth and inflation protection a diversified spread of assets in the form of property, equities, fixed interest securities, pooled funds and bank deposits are held currently using two fund managers, three banks, and HSF itself. No derivatives, options, or stock loans are underwritten or directly held, although some pooled/hedge funds will have some exposure

Risk Appetite
HSF health plan's appetite for market risk is relatively medium to low. The tolerance limits for Market Risk are detailed in HSF health plan's Risk Appetite document. As at the date of this report, there are no known breaches of market risk tolerances and the business is expected to remain within appetite over the life of the business plan.

Underwriting Risk
Key Risks

- Unexpected increase in claims frequency or deterioration in reserves
- Inadequate identification of current and emerging underwriting risks
- Sustained soft market resulting in falling premium rates resulting in inadequate volume of business to support operations

Controls
The short tailed nature of its liabilities offer a predictable and stable book of reserves which render a risk profile commensurate with its risk appetite.
The main driver of HSF health plan's Underwriting risk is the exposure to catastrophe risk. HSF health plan has robust underwriting controls to mitigate its exposure under catastrophe risk and align it to its risk appetite and strategic business plan.

Risk Appetite
As at the date of this report, there are no known breaches of underwriting risk tolerances and the business is expected to remain within appetite over the life of the business plan.

20. NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS (continued)

Counterparty Default Risk
Risk Capital
HSF health plan's Counterparty Default Risk (CDR) draws a capital charge of just under £0.5m, which equates to approximately 25% of its undiversified capital charge.

Key Risks
The main driver of the CDR is HSF health plan's cash at HSBC and Ulster Bank, which is unrated.

Controls

- Monthly reviews of broker balances
- Semi-annual asset allocation review

Risk Appetite
HSF health plan's tolerance thresholds for CDR is documented in greater detail in its Risk Appetite document. As at the date of this report, there are no known breaches of CDR risk tolerances and the business is expected to remain within appetite over the life of the business plan.

Operational Risk
HSF health plan's policy is to maintain an acceptable balance between the risk of operational failures, and the need to operate efficiently and prudently to ensure that contributions represent good value for money to policyholders. Appropriate precautions are taken to manage/control risk here, and compliance/internal/business audits will be undertaken from time to time on material activities and areas of potential concern. This is deemed to be adequate given the nature, scale and complexity of HSF health plan's business.

Sensitivity
Assumptions and sensitivities
The risks associated with the non-life insurance contracts are complex and subject to a number of variables, which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Company for estimating liabilities are expected loss ratio and benchmarking.

HSF health plan's management has considered a number of stress and scenario tests designed to provide a reasonableness check of the core-modelled results and more generally, the Risk Management Framework.
A key test was performed to determine whether losses resulting from any of the extreme events scenarios (assumed to be equal to or greater than 1 in 200 year events) would require capital holding in excess of the Solvency II Standard Formula model output; and hence whether HSF health plan would need to either increase its capital buffer or alter its modelling methodology and assumptions.

These tests are intended to be pragmatic illustrations of the major impact of an extreme adverse event or events rather than an attempt to model every possible consequence.

The conclusion from these tests was that HSF health plan currently holds adequate capital to absorb the shock from various extreme natural catastrophic events, which it is exposed to on a net basis from writing health insurance. In all the scenarios tested (which can be deemed to be extreme and fall under Reverse stress tests), HSF health plan remains solvent and fulfils obligations to its policyholders. However, if such events did occur HSF health plan would need to raise further capital, introduce reinsurance, or reduce operations.

Insurance Risk
HSF's policy is to offer no insurance policy or renewal options beyond a month or two, and to manage the benefit/contributions levels to achieve over the long term a small surplus of contributions over claims and business costs.

20. NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS (continued)

Concentration

The Company writes non-life insurance on a monthly renewable base. The Company's primary insurance risk exposure is pandemic risk from wide spread diseases. The concentration of non-life insurance by type of contract is summarised below by reference to liabilities:

	Gross claims 2018	Gross claims 2017
	£	£
Direct Insurance	21,349,224	20,604,373
	21,349,224	20,604,373

21. FINANCIAL RISK MANAGEMENT

Liquidity Risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. Unearned premiums are excluded from this analysis. This table includes both interest and principal cash flows.

	Less than 1 month 2018	1-3 months 2018	3 months to 1 year 2018	1-5 years 2018	5+ years 2018	Total 2018
	£	£	£	£	£	£
Trade and other liabilities	-	-	785,869	-	-	785,869
Outstanding claims	998,996	801,316	626,239	-	-	2,426,551
	998,996	801,316	1,412,108	-	-	3,212,420

Credit Risk

The objective of the Company is managing its credit risk exposure is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

The following table shows the carrying value of assets that are neither past due or impaired and the ageing of assets that are past due but not impaired. No assets have been impaired.

	Neither past due nor impaired	Past due less than 30 Days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days
	£	£	£	£	£
Insurance receivables	-	1,453,285	270,864	-	-
	-	1,453,285	270,864	-	-

21. FINANCIAL RISK MANAGEMENT (continued)

Market Risk
The Company is exposed to price risk arising from fluctuations in the value of financial instruments because of changes in market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The Company maintaining an appropriate mix of investment instruments to manage the risk.

The Company's sensitivity to a 0.5% increase and decrease in market prices is as follows:

	2018	2017
	£	£
0.5% increase		
Movement in bonds	15,479	16,196
Movement in equities	47,519	50,176
0.5% decrease		
Movement in bonds	(15,479)	(16,196)
Movement in equities	(47,519)	(50,176)

The Company's method for sensitivity to interest rate fluctuations has not changed significantly over the year.

Fair Value

i. **Financial instruments carried at fair value**
The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in FRS 102 para 34.22, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair value measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data

	Level 1	Level 2	Level 3	The Company Total
	£	£	£	£
Available-for-sale equity securities	14,972,221	-	-	14,972,221

The carrying amounts of the financial instruments carried at cost or amortised cost approximate to their fair value mainly because of the short maturity of those instruments.

22. CAPITAL MANAGEMENT

The objective of the Company in managing its capital requirements is to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Company operates, while maximising the return to HSF health plan Ltd through the optimising of the capital. The capital structure of the Company consists of reserves.

The Company was in compliance with capital requirements imposed by the regulators throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum capital requirement and the Company's available capital.

	2018 £	2017 £
Statutory minimum capital requirement	2,719,539	2,719,539
Total available capital resources	18,171,940	19,859,021
Solvency Cover %	668%	730%

23. 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.

The smallest and largest group in which the results of the company are consolidated is that headed by The Hospital Saturday Fund. The statutory accounts of The Hospital Saturday Fund are available from Companies House.

HSF health plan LIMITED

DETAILED CLAIMS PAID

FOR THE YEAR ENDED 31 DECEMBER 2018

GROSS CLAIMS PAID	2018 £	2017 £
Hospital	2,708,129	2,608,187
Day case	626,906	602,378
Recuperation	231,304	222,188
Birth Grant	871,030	887,715
Specialists/investigations	2,814,804	2,649,107
Dental/optical	9,825,612	9,674,447
Home help	11,085	10,334
Practitioners	2,540,778	2,406,989
General Practitioners/Prescriptions/Emergency department	1,494,920	1,383,287
Surgical appliances/hearing aids	159,455	158,950
	21,284,023	20,603,582