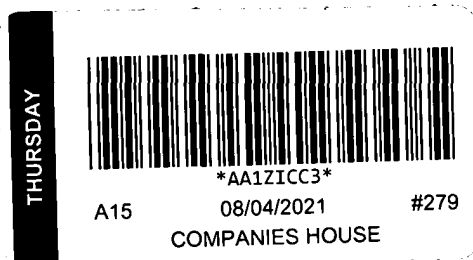


HSF health plan LIMITED
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Registered Company Number: 30869



HSF health plan LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

CONTENTS	Page
Officers and Advisers	1
Report of the Board of Directors	2 - 3
Strategic Report	4 - 8
Independent Auditors' Report	9 - 14
Income Statement	15
Statement of Comprehensive Income	15
Statement of Changes in Equity	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Financial Statements	19 - 30



HSF health plan LIMITED
A Company Limited by Guarantee No. 30869
Founded in 1873 Incorporated 1890 Change of name 2007

Officers and Advisers 2020

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
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

Armstrong Teasdale
Ronan Daly Jermyn

Auditors

MHA MacIntyre Hudson
6th Floor,
2 London Wall Place,
London
EC2Y 5AU

Investment Managers

UBS AG
Brewin Dolphin

Head Office

24 Upper Ground
London, SE1 9PD
Telephone: 020 7928 6662
Fax: 020 7928 0446
E-mail: marketing@hsf.eu.com

National Office

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 2020

INTRODUCTION

The Board of Directors is pleased to present the 148th Annual Report and the audited financial statements for the year ended 31 December 2020.

BOARD OF DIRECTORS

In November 2020, Mr. John Randel was elected to serve a further term as Chairman and Mr. Mark Davies was elected to serve as Vice Chairman. There are three independent Directors, Mr. Jonathan Diamond, Mrs. Lynn Richards-Cole and Mr. Neil Finlayson, none of whom serve as Directors/Trustees of the charity company.

The Board of Directors is composed of individuals from a broad range of backgrounds in general insurance, finance, investment banking, legal and the charity sector. This diverse range of experience is invaluable to the Company and ensures that the continued strong governance culture is maintained.

The Board continues to maintain a strong governance culture and is fully committed to its regulatory responsibilities, with this at the forefront of its strategic planning. The Board continues to work extremely closely with its Head of Compliance.

COMMITTEE MEMBERSHIP AT 31 DECEMBER 2020

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

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 Prudential Regulation Authority & Central Bank of Ireland solvency requirements.

HSF health plan LIMITED

REPORT OF THE BOARD OF DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, 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). The Directors have also applied the basis of preparation FRS102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and FRS 103 Insurance Contracts, FRS103 is a new basis of preparation used this year but this approach has not resulted in the restatement of any primary statements or supporting notes. 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 adequate 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)).

Approved by the Board of Directors and signed on their behalf on 18 March 2021



JOHN RANDEL, *Chairman*



PAUL CLARE, *Managing Director*

HSF health plan LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors present their Strategic Report for the year ended 31 December 2020.

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

The Association performs an important role in the overall governance of the Charitable Company. The Members of the Association are responsible for electing the Board and Honorary Officers of the Charitable Company.

At the Association General Meeting in October 2020 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 £31,008,019 (2019: £31,269,301) Benefits payable (including Personal Accident premiums, helplines and Perk Box) for the year were £19,735,198 (2019: £22,914,491) and represented 63.6% (2019: 73.3%) of premium income.

INVESTMENTS

The Company's investments increased in value from £17,144,754 to £19,259,024 comprising net additions of £804,863 (2019 net additions of: £988,358) and unrealised gains of £1,309,407 (2019 gains of: £1,184,175).

RESERVES

The profit for the year of £7,252,628 (2019: £3,584,942) after taxation and the distribution to the parent charity The Hospital Saturday Fund of £5,585,042 (2019: £1,448,060) has increased the Company's reserves to £24,130,194 at 31 December 2020 (2019: £20,308,822).

PRINCIPAL RISKS

The Risk & Compliance Committee has responsibility to monitor the Company's risk exposure in all areas including, risk appetite, which covers a number of departments within the company, this includes the functional areas of Operations, Finance, Human Resources and Sales & Marketing. It advises the Board on risk management and maintains adherence to policy, whilst having responsibility to 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 whose remit is to assist with actively monitoring the identified 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, regularly reviewed and maintained departmental risk registers to accurately reflect the key areas of both current and emerging risks across the business, which are kept under constant review by key appointed internal stakeholders and discussed by the relevant Committees and Board to manage and mitigate these risks. The Board are satisfied with the revised risk management policies and procedures that are currently in place.

To ensure continued compliance with the GDPR regulations, the business has undergone a package of education, training and assurance testing during the year facilitated by the Data Protection Officer. A review of all the data protection related policies, privacy notices/statements, forms and guidance documents that has also been conducted, which has given the business a continued acceptable level of assurance.

HSF health plan LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL RISKS (continued)

The core activity and output of the Company is to provide a range of health cash plans, predominantly within the corporate market. The business model of this business activity requires the need to carefully evaluate and manage the associated risks. The company monitors the profitability of schemes and claims data on a quarterly basis, with the ability to take any remedial action when required and deemed necessary. The scheme premiums are carefully rated using detailed analysis of historic claims data. Under the insurers regulatory regime, we also consider and diligently monitor a wide range of other risk factors including the market, liquidity, interest rates, insurance trends (including IPT) and operational costs. The overarching aim of our ORSA (Own Risk and Solvency Assessment), further information on some of these risks can be found in Note 18 and Note 19 of this document.

SOLVENCY II

The Solvency II regime, which came into effect on 1 January 2016, has continued throughout 2020. The most significant requirement under Solvency II is the submission to the Prudential Regulatory Authority (PRA) and the production of the Own Risks and Solvency Assessment (ORSA), following the approval of the Board. The "ORSA" was approved at the Board meeting in November 2020 and was subsequently submitted to the PRA. The Board will continue to monitor this activity and ensure the company continues to meet and exceed its solvency requirements.

BREXIT

As 56.6% of the overall premium income in 2020 (2019: 56.5%) was generated in the Republic of Ireland (ROI), the Board of Directors and Senior Leadership Team, in consultation with their advisors, have continued to undertake detailed planning in advance of the UK's conclusion of the transition period on 31st December 2020. Following the issue of a 'no objection' letter issued by the Central Bank of Ireland (CBI) in December 2020, the company has been working closely with the CBI, to ensure that it can continue to trade in a compliant manner as a third country branch from January 2021. On the 4th January 2021 the CBI issued us with a letter and certificate of authorisation confirming our status in Ireland as a Branch in the state of a Third Country Insurance Undertaking, the certificate was backdated and commenced from 11pm (GMT) on 31 December 2020.

COVID -19 BUSINESS IMPACT

When the national lockdown was announced in March 2020, HSF health plan activated its business continuity plan, which worked very effectively, allowing the business to function in an effective and compliant manner. In addition to the procurement of additional ICT equipment, with additional facilities to support sustained home working. The company has placed the wellbeing and safety of its staff at the forefront of its planning and commissioned a significant amount of work by external contractors across both our London and Ennis offices to ensure that both sites were covid-19 secure, this was to facilitate a return to office occupation when infection rates reduced.

The company has continued to evolve its procedures to improve both its resilience and business continuity protocols, and was well prepared to meet the challenges of a second national lockdown. The external validation of our commitment to exemplary customer service has also given the business demonstrable evidence of delivering on its mission statement.

ANNUAL GENERAL MEETING 2020

The Annual General Meeting was held on 14 May 2020 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 2019 were adopted.

ENVIROMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environmental, Social and Governance refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company. Most socially responsible investors check companies out using ESG criteria to screen investments. It is a generic term used in capital markets and commonly used by investors to evaluate the behaviour of companies.

On 29 June 2020 the Climate Financial Risk Forum (CFRF) is an industry forum jointly convened by the PRA and FCA) published its guide to help the financial industry approach and address climate-related financial risks. The guide aims to help financial firms understand the risks and opportunities that arise from climate change, and support firms as they adapt their risk, strategy and decision-making processes to reflect climate-related financial risks. On 21 July 2020 the PRA sent a 'Dear CEO' letter to every regulated insurer stating that they need to embed an approach to managing climate-related financial risks by the end of 2021

HSF health plan LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (continues)

Mr Paul Jackson has continued to serve as the Senior Management Function holder with responsibility for co-ordinating a plan for managing the risks of climate change, to include the oversight of how this is affected by the Investment Portfolio. The Company has formed an Environmental Impact Committee attended by employees. This committee has completed a project plan which contains items such as exploring LED lighting options for our offices to reduce energy usage, reviewing brochure usage to reduce paper use and wastage, among many other items. Unfortunately, due to the working restrictions implemented by the Covid-19 pandemic this is still in its early stages, it is however a regular agenda item for the Human Resources and Remuneration Committee.

CORPORATE GOVERNANCE

HSF health plan has always endeavoured to apply the highest standards of corporate governance and has a goal of continuous improvement in governance processes. Although as a private limited company it is not subject to the UK Corporate Governance Code ("the Code"), it was a member of the Association of Financial Mutuals (AFM) during 2020 and abided by their rules where appropriate. The AFM Corporate Governance Code was issued in December 2018, to take effect for financial years commencing on 1 January 2019 or later, focused on six overarching principles. The Code sets an expectation that members apply all the six principles and explain how they have interpreted and approached them. Set out below is how the Company has applied the principles:

PRINCIPLE	APPLIED/ NOT APPLIED	EXPLANATION OF HOW HSF HEALTH PLAN HAS APPLIED IT
1 PURPOSE AND LEADERSHIP An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	APPLIED	<p>An effective board of directors is a board that has diversity within its members and diversity with its talents which HSF health plan has. There is in place an overall strategy plan which was written by the Managing Director and approved by the Board.</p> <p>There is in place a System of Governance Manual which sets out in one location the methodology applied by HSF health plan to operate governance of its business in a sound, prudent and progressive manner. The manual demonstrates how the requirements of the Financial Conduct Authority/Prudential Regulatory Authority (FCA/PRA), the Central Bank of Ireland (CBI) and the Health Insurance Authority (HIA, Ireland) are observed. There is also a separate Management of Responsibilities Map. Both have been approved by the Board.</p>
2 BOARD COMPOSITION Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.	APPLIED	<p>HSF health plan has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained.</p> <p>The Board comprises a Chairman, and six other Non-Executive Directors, three of whom are regarded as Independent. The skills, experience and knowledge the NEDs bring to the Board are invaluable.</p> <p>There are three Executive Directors, Group Chief Executive, Managing Director, and Director of Operations. All have served the company for more than 15 years.</p> <p>The Board meet on a quarterly basis. This size and composition is appropriate and proportionate to the size and complexity of the business.</p> <p>The Directors have equal voting rights when making decisions, except the Chairman, who has a casting vote. All Directors have the right if they wish, take professional advice at the company's expense</p> <p>The duties of the Board are executed partially through committees. The Non-Executive Directors attend and act as chair to relevant committees so that they are able to challenge and influence a broad range of areas across the Company.</p>

HSF health plan LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (Continued)

PRINCIPLE	APPLIED/NOT APPLIED	EXPLANATION OF HOW HSF HEALTH PLAN HAS APPLIED IT
3 DIRECTORS RESPONSIBILITIES The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	APPLIED	The Board delegates authority for day-to-day management of the company to the Executive Directors. The duties of the Board are executed partially through four committees, Audit & Finance, Human Resources & Remuneration, Sales and Marketing and Risk & Compliance. The Non-Executive Directors attend and act as chair to the committees so that they are able to challenge and influence a broad range of areas across the Company.
4 OPPORTUNITY AND RISK A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks	APPLIED	The Board seeks out opportunities whilst mitigating risk Each Committee has its own Risk Register which is reviewed at each of the quarterly meetings and which the Chief Risk Officer attends. On a bi-annual basis the Chief Risk Officer presents his report at the Risk & Compliance Committee Meeting. Where appropriate each Risk Register Owner will be available to attend these meetings to answer any queries raised. The Chair of the Risk & Compliance Committee will report their findings to the Board.
5 REMUNERATION A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation	APPLIED	The Board has delegated this responsibility to the Human Resources & Remuneration Committee and the Chair of this Committee reports their findings to the Board for approval on a quarterly basis.
6 STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	APPLIED	Communications may take many forms and will vary with the issues involved, the urgency or relevance of matters, and the degree of responsibility for the communications. The communications include:- Formal management information including monthly reports on new business activity, claims/administration activity, and other areas. Reporting/monitoring of adverse developments or concerns. Face-to-face meetings including appraisals, sales conferences, management/team meetings, etc. Frequent use of e-mails and the intranet. Staff/managers attending board or board committee meetings when appropriate and relevant. In addition to the formal reporting arrangements at Board, Sub-Committees and Management level, HSF health plan operates an open-door policy and is small enough that any member of staff may communicate concerns immediately to another, informally or formally. HSF health plan's continued adherence to the Investors in People standard, gives important external validation of the company's policies and performance in supporting and managing its employees in achieving demonstrable sustainable results. HSF health plan was also recently assessed against the Customer Service Excellence standard, achieving a very positive report, which included a number of compliance plus accreditations, which further underpinned its sustainability credentials.

HSF health plan LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

KEY PERFORMANCE INDICATORS

	2020	2019
Insurance policies	85,942	87,284
New companies	80	94
Gross premiums earned (£)	31,008,019	31,269,301
Profit before taxation (£)	7,628,598	3,958,036
Loss ratio	63.6%	73.3%
Solvency II (SII) coverage ratio (estimated)	919%	766%

There was a decrease in new companies of 15% and a slight overall decrease of policies against prior year of 2%, although overall we continue to remain stable during the exceptionally difficult and uncertain times as a result of the pandemic.

The slight reduction in gross premium is a solid performance set against the backdrop of a very challenging operating environment. Profits before taxation increased by 193% to £7,628,598 (2019: £3,958,036) due to higher investment returns and a continued stable operating performance.

INVESTOR IN PEOPLE (IIP) AND STAFF TRAINING

The company continues to remain fully committed to its on-going program of staff training and personal development, despite the challenges the pandemic has had on face to face training, which has included our planned leadership development program. Despite these challenges, our staff have continued with mandatory training such as GDPR, and developmental training within departments via our on-line training platform.

The IIP assessment scheduled for June 2020 was postponed because of the pandemic and instead replaced by a desk top review, which was conducted in October 2020, at which the company met the criteria to defer the assessment. The company is now scheduled to undergo its revised assessment against the IIP Gold standard in June 2021.

CUSTOMER SERVICE EXCELLENCE (CSE) STANDARD

The company is completely focused on its mission to continue to deliver the very highest levels of customer service, coupled with its commitment to continuous improvement. HSF health plan Limited was once again externally assessed against the CSE Standard in December 2020. Despite the challenges of remote working as a result of the pandemic, the company was once again successful with its continued compliance against the standard. In addition to meeting the CSE standard with a very strong report, the company was also awarded 18 compliance plus accreditations. The next assessment is scheduled for October 2021.

APPRECIATION

The Board would like to extend its sincere appreciation to all staff, who have demonstrated an exemplary level of commitment and dedication, in one of the most challenging years in the company's recent history. The service they have provided to our policyholders and customers has been of the very highest standard.

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 18 March 2021



JOHN RANDEL, Chairman



PAUL CLARE, Managing Director

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 AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

1. Our Opinion

We have audited the financial statements of the HSF Health Plan Limited for the year ended 31 December 2020.

The financial statements that we have audited comprise:

- Income Statement
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Balance Sheet
- Statement of Cash Flows
- Notes 1 to 24 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law, Financial Reporting Standard 102 - *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, Financial Reporting Standard 103 - *Insurance Contracts*, 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 2020 and of the company's profit for the year then ended;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements 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 ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview

Materiality	
Company	£611,000 2% Gross Revenues
Key audit matters	
Event driven	<ul style="list-style-type: none"> • Impact of the UK exiting the European Union.
Recurring Company	<ul style="list-style-type: none"> • Completeness of insurance premium income • Reasonableness of estimates of provisions for outstanding claims liabilities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

2. Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included those matters 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 and, as required for public interest entities, our results from those procedures. 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.

Impact of the UK exiting the European Union.	
The Risk	Our response
As noted in the Directors' report, the impact of the UK exiting the European Union will potentially have a significant impact on the operations of the company.	Our procedures included an assessment of the actions taken in response to Brexit taking place on 31 st December 2020 to ensure that it is able to operate in both jurisdictions.
Result of our procedures We have concluded that the uncertainties involved do not represent a going concern risk to the organisation as a whole and that sufficient disclosure has been made regarding this uncertainty in the Directors' Report.	
Completeness of insurance premium income	
The Risk	Our response
As described in the accounting policy note 3a, premiums represent income earned from policyholders. There is a risk that premium income is not complete due to inaccurate recording of policyholders and the premiums associated with each policyholder.	Our procedures included assessing the design and implementation of key controls around the recording of premium income. This included key control testing on new joiners, ensuring that they are accurately and promptly entered into the policyholder system. In addition to the control testing, we performed substantive analytical review procedures reconciling expected premium income from the policyholder database, to that which had been recorded in the financial statements to ensure that income was complete.
Result of our procedures We concluded that premium income was complete and had been accurately recorded in the financial statements.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

Provision for outstanding claims	
The Risk	Our response
As described in accounting policy 3c, provisions are made at the year-end for the estimated costs of claims incurred, but not settled, at the balance sheet date. As this assessment requires judgements, it is considered a key area of focus for the audit due to the material amount of the provision.	Our procedures included an assessment of the methodology used in order to calculate the claim provision at the year end. We then tested this methodology by substantive analytical review which included the review of historic provision against actual results, the expected provision based on historical patterns, and the reasonableness of the methodology in light of the Covid-19 pandemic and Brexit.
Result of our procedures We concluded that the provision for outstanding claims is within an acceptable level and has been recorded appropriately.	

3. Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that would change or influence the economic decision of a reasonably knowledgeable person. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the company was set at £611,000 which was determined on the basis of 2% of Gross Revenues.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- the consideration of inherent risks to the company's operations and specifically its business model
- the evaluation of how those risks might impact on the company's available financial resources.
- where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.

Our evaluation of the Directors' assessment included:

- Liquidity considerations including examination of cash flow projections;
- Solvency considerations including examination of budgets and forecasts and their basis of preparation;
- Viability assessment including consideration of reserve levels and business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

We have nothing material to add or draw attention to in relation to the directors' statement within the directors' responsibilities statement about whether the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

It is our responsibility to obtain sufficient and appropriate evidence regarding and to conclude on:

- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and
- the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion of 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.

6. 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.

7. 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 is 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 by 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.

8. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

9. 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Insurance Services Act 2015 and the Financial Services and Markets Act 2000 and applicable tax legislation. In addition, we considered compliance with the UK Bribery Act and employee legislation, as fundamental to the group's operations;
- Reviewing key correspondence with regulatory authorities such as the Financial Conduct Authority, Prudential Regulatory Authority, and Financial Reporting Council;
- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Enquiry of management around actual and potential litigation and claims;
- Enquiry of the audit and finance committee concerning actual and potential litigation and claims;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HSF health plan LIMITED

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

We communicate with the Audit and Finance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

10. Other requirements

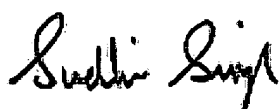
We were appointed by the Trustees on 29 November 2019. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

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 Audit and Finance Committee.

11. 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.



Sudhir Singh FCA
(Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU

Date: 1 April 2021

FOR THE YEAR ENDED 31 DECEMBER 2020

The profit on ordinary activities before tax is wholly attributable to continuing activities.
The notes on pages 19 to 30 form part of these financial statements.

HSF health plan LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	General Fund	Total Reserves
At 1 January 2019		18,171,940	18,171,940
Profit for the financial year		3,584,942	3,584,942
Other comprehensive income		-	-
Total comprehensive income		<u>3,584,942</u>	<u>3,584,942</u>
Distribution to parent charity	7	<u>(1,448,060)</u>	<u>(1,448,060)</u>
At 31 December 2019		<u>20,308,822</u>	<u>20,308,822</u>
At 1 January 2020		20,308,822	20,308,822
Profit for the financial year		7,252,628	7,252,628
Other comprehensive income		2,153,785	2,153,785
Total comprehensive income		<u>9,406,413</u>	<u>9,406,413</u>
Distribution to parent charity	7	<u>(5,585,042)</u>	<u>(5,585,042)</u>
At 31 December 2020		<u>24,130,194</u>	<u>24,130,194</u>

Included in the above are non-distributable reserves of £4,020,027 (2019 £2,172,990) due to the inclusion of the revaluation reserve.

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	£	2020	£	£	2019	£
ASSETS							
Investments							
Land and Buildings	10	4,995,000			2,400,000		
Other financial investments	11	19,259,024			17,144,754		
				24,254,024			19,544,754
Debtors							
Debtors arising out of direct insurance operations:							
- policyholders		1,574,595			1,769,970		
Other debtors		604,669			602,070		
				2,179,264			2,372,040
Other Assets							
Tangible fixed assets – Furniture & Equipment	12	221,738			362,607		
Cash at bank and in hand		3,060,789			2,468,638		
				3,282,527			2,831,245
Prepayments and Accrued Income							
				227,141			270,425
TOTAL ASSETS							
				29,942,956			25,018,464
LIABILITIES							
Reserves							
General fund	15			24,130,194			20,308,822
Technical Provisions							
Provision for unearned premiums	13	1,016,387			846,650		
Provision for claims outstanding	13	2,548,346			2,505,701		
				3,564,733			3,352,351
Provisions for Other Risks and Charges							
Provision for deferred taxation	14			1,367,554			500,369
Creditors							
Other creditors including taxation and social security	16	880,475			856,920		
				880,475			856,920
TOTAL LIABILITIES							
				29,942,956			25,018,464

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2021 and were signed below on its behalf by:



JOHN RANDEL, Chairman



PAUL CLARE, Managing Director

The notes on pages 19 to 30 form part of these financial statements.

HSF health plan LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Reconciliation of profit on ordinary activities to net operating cash flows		
Profit on ordinary activities	7,252,628	3,584,942
Taxation	375,970	373,094
Exchange (gains) / losses	(414,282)	416,098
Unrealised (gains) on other financial investments	(1,309,407)	(1,184,175)
Realised (gain) on other financial investments	(908)	(763,180)
Income from other financial investments and cash	(398,144)	(434,923)
Depreciation	265,380	337,253
Decrease/(Increase) in premiums due and other debtors	236,060	(134,976)
Increase/(Decrease) in benefit claims and other creditors	235,937	(1,841)
Net cash flow from operating activities	<u>6,243,234</u>	<u>2,192,292</u>
Cash flows from investing activities		
Income other financial investments	356,486	385,687
Interest received	41,658	49,236
Exchange gains / (losses)	414,282	(416,098)
Purchases of tangible fixed assets	(74,511)	(252,860)
Purchases of other financial investments	(3,621,076)	(19,688,625)
Proceed from sales of other financial investments	2,817,121	19,463,447
Net cash flow from investing activities	<u>(66,040)</u>	<u>(459,213)</u>
Finance Activities		
Distribution to parent charity	(5,585,042)	(1,448,060)
Increase/(decrease) in cash holdings	592,152	285,019
Cash and cash equivalents at 1 January 2020	2,468,638	2,183,619
Cash and cash equivalents at 31 December 2020	<u>3,060,789</u>	<u>2,468,638</u>
Analysis of cash and cash equivalents		
Cash in hand	3,060,789	2,468,638
Total cash and cash equivalents	<u>3,060,789</u>	<u>2,468,638</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. COMPANY INFORMATION

HSF health plan Limited, a company limited by guarantee incorporated in England and Wales. Its registered office is 24 Upper Ground, London, SE1 9PD. The nature of the company's operations and principal activity are detailed in the Strategic Report.

2. GOING CONCERN

The Directors have assessed the use of going concern and have considered possible events or conditions that might cast significant doubt on the ability of the company to continue as a going concern including the impact of COVID-19. The Directors have made this assessment for a period of at least one year from the date of the approval of these financial statements. The Directors have concluded that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the company's ability to continue as a going concern. The company therefore continues to adopt the going concern basis in preparing these financial statements.

3. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and to include certain items at fair value and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and FRS 103 Insurance contracts.

The financial statements have been prepared in accordance with the provisions of section 403 of the Companies Act 2006, and with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group and Company's accounting policies (see note 1).

The following principal accounting policies have been applied:

(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.

Re-Insurance premiums are deducted from gross premiums earned for the Personal Accident as this is underwritten by a third party.

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 material claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the outcome will prove to be different from the original liability established.

Provision is also made at the year-end for the estimated unearned premium income at the balance sheet date. The Company takes all reasonable steps to ensure that it has appropriate information regarding its material unearned premium exposure. However, given the uncertainty in establishing unearned premiums provisions, it is likely the 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.

3. ACCOUNTING POLICIES (continued)

(e) Tangible Fixed Assets

The Company has adopted the revaluation method in relation to its freehold property. Land and buildings occupied by the Company for its own purposes are stated at valuation less depreciation. Depreciation in excess of historical costs is charged to the revaluation reserve.

Other Fixed Assets are stated at historical cost less accumulated depreciation. Costs include expenditure directly attributed in making the asset capable of operating as an asset.

Depreciation is provided on all tangible assets at rates 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 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.

(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) Redundancy

Redundancy costs arising from periodic reviews of staff levels are charged against profit in the year in which employees leave the group.

(i) Investments

Listed investments are included in the balance sheet at fair value. Fair 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.

(j) Investment Income

Investment income is recognised in the period when the company has earned unconditional entitlement to monies.

(k) 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.

(l) Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

3. ACCOUNTING POLICIES (continued)

(m) 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. The financial assets and financial liabilities of the Company are as follows:

- Debtors – trade and other debtors are financial instruments and are debt instruments measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received as detailed in the Balance Sheet on page 17. Prepayments amounting to £227,141 (2019: £270,425) for the Company are not financial instruments.
- Cash at bank – is classified as a basic financial instrument and is measured at face value.
- Liabilities – trade creditors, accruals and other creditors are classified as financial instruments, and are measured at amortised cost as detailed in the Balance Sheet on page 17. Amounts due to taxation and social security are not included in the financial instrument disclosure.

(n) 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 and debtors, 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 one or two years to estimate the provisions required at the year end. The fair value of the freehold property has been based on the value provided by an independent chartered surveyor.

4. PREMIUM INCOME

The Company is engaged in only one class of business, providing a range of health cash plan schemes all of which arises in the United Kingdom and Republic of Ireland.

5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2020	2019
	Profit on ordinary activities before tax is stated after	£	£
	Charging/(crediting):		
	Depreciation - owned assets (Note 9 and 11)	265,380	337,253
	Auditors' remuneration - audit (including VAT)	29,700	28,800
	Operating leases - motor vehicles and office equipment	130,455	137,045
	Foreign exchange (gain)/loss	(414,282)	416,098
		<u> </u>	<u> </u>
6.	NET OPERATING EXPENSES	2020	2019
		£	£
	Staff costs	3,984,428	3,952,109
	Other administrative expenses	1,510,545	2,559,447
	Sales and marketing expenses	219,771	384,117
		<u> </u>	<u> </u>
		5,714,744	6,895,673
		<u> </u>	<u> </u>
7.	DISTRIBUTIONS AND DONATIONS	2020	2019
	The following donations were made under Gift Aid to registered charities	£	£
	The Hospital Saturday Fund	5,585,042	1,448,060
	Other Charities	-	400
		<u> </u>	<u> </u>
		5,585,042	1,448,460
		<u> </u>	<u> </u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. STAFF COSTS	2020	2019
	£	£
Wages and salaries	3,163,829	3,184,320
Social security costs	337,329	353,732
Other pension costs (see note 15)	483,270	414,057
	<u>3,984,428</u>	<u>3,952,109</u>
Staff costs of Directors including emoluments	<u>676,800</u>	<u>719,827</u>
Highest paid Director: Emoluments including benefits-in-kind and pension	<u>269,817</u>	<u>299,004</u>

Contributions totalling £65,541 (2019: £56,233) were made to group personal pension plans in respect of 11 Directors (2019: 11 Directors).

Key management personnel are the Non-Executive Directors, Executive Directors and Head of Departments and total remuneration of key management personnel is £1,049,898 (2019: £1,027,258).

The average number of persons employed during the year was:

Sales	22	20
Administration	52	54
	<u>74</u>	<u>74</u>

9. TAXATION

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

	2020	2019
	£	£
Corporation tax (see below)	375,970	373,094
Movement on deferred tax provision on property revaluation	491,215	-
	<u>867,185</u>	<u>373,094</u>

The tax assessed for the year differs from the standard corporation tax rate in the UK of 19.00% (2019: 19.00%). The differences are explained below:

Profit on ordinary activities before tax	7,628,598	3,958,036
Corporation tax at the standard rate of 19.00% thereon (2019: 19.00%)	1,449,434	752,027
Effects of:		
Amounts not deductible for tax purposes	4,225	3,948
Fixed asset differences	9,500	9,500
Dividend and distribution income	(67,732)	(73,281)
Chargeable gains	474,050	-
Deferred tax (charged)/credited directly to equity	(491,215)	-
Adjust closing deferred tax to average rate	-	(58,867)
Adjust opening deferred tax to average rate of 19.00%	-	14,974
Deferred tax not recognised	-	-
Remeasurement of deferred tax for changes in tax rates	58,866	-
Adjustment for profits gift aided to parent, charged to reserves	(1,061,158)	(275,207)
Excess gift aid donations	-	-
Corporation tax on profit on ordinary activities	<u>375,970</u>	<u>373,094</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

10. 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 18 February 2021, the fair value of the property was £4,995,000 on an open market basis by an independent valuer, Egerton chartered surveyors. At the date of the revaluation, the directors believed the property had a useful economic life of at least 50 years.

At Valuation	£
At 1 January 2020	2,500,000
Revaluation	2,495,000
	<u>4,995,000</u>
Depreciation	
At 1 January 2020	100,000
Charge for the year	50,000
Revaluation	(150,000)
	<u>-</u>
At 31 December 2020	
Net book value	
At 31 December 2020	<u>4,995,000</u>
At 31 December 2019	<u>2,400,000</u>

11. OTHER FINANCIAL INVESTMENTS

	2020	2019
	£	£
At market value		
United Kingdom investments (listed)	2,281,087	2,313,192
Overseas investments (listed)	10,916,437	9,864,446
Bonds (listed)	3,759,168	3,749,105
Other (listed)	1,740,075	1,218,011
Cash Fund	562,257	-
	<u>19,259,024</u>	<u>17,144,754</u>

The historical cost of other financial investments as at 31 December 2020 was £17,160,198 (2019: £16,399,676).

Reconciliation of movement in the year		
Market value at 1 January 2020	17,144,754	14,972,221
Additions	3,621,076	19,688,625
Disposals	(2,816,213)	(18,700,267)
Unrealised gain on investments	1,309,407	1,184,175
	<u>19,259,024</u>	<u>17,144,754</u>

HSF health plan LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

12. TANGIBLE FIXED ASSETS

	Furniture and Equipment £
Cost	
At 1 January 2020	1,779,774
Additions	74,511
At 31 December 2020	<u>1,854,285</u>
Depreciation	
At 1 January 2020	1,417,167
Charge for year	215,380
At 31 December 2020	<u>1,632,547</u>
Net book value	
At 31 December 2020	<u>221,738</u>
At 31 December 2019	<u>362,607</u>

13. MOVEMENTS IN PRIOR YEAR'S PROVISIONS

	2020 £	2019 £
Claims Provision		
Net claims provision brought forward (including IBNR)	2,505,701	2,426,551
Net payments during the year in respect of those provisions	(2,578,508)	(2,700,694)
Adjustment to prior year's provision	72,807	274,143
Movement in provision during the year	<u>2,548,346</u>	<u>2,505,701</u>
Net loss provision carried forward in respect of outstanding claims	<u>2,548,346</u>	<u>2,505,701</u>
Unearned Premium Provision		
Net claims provision brought forward	846,650	998,692
Net premiums during the year in respect of those provisions	(846,650)	(998,692)
Adjustment to prior year's provision	-	-
Movement in provision during the year	<u>1,016,387</u>	<u>846,650</u>
Net loss provision carried forward in respect of unearned premiums	<u>1,016,387</u>	<u>846,650</u>

The provisions detailed above would be expected to be realised within six months of the year end due to the nature of our business and the terms and conditions of our policies.

14. PROVISION FOR DEFERRED TAXATION

	Liability on Property revaluation £	Short term timing difference £	Fixed asset- timing differences £	Total £
At 1 January 2020	(145,910)	(361,990)	7,531	(500,369)
Income Statement	-	(389,832)	13,862	(375,970)
Other comprehensive income	(491,215)	-	-	(491,215)
At 31 December 2020	<u>(637,125)</u>	<u>(751,822)</u>	<u>21,393</u>	<u>(1,367,554)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

14. PROVISION FOR DEFERRED TAXATION (continued)

	Liability on Property revaluation £	Short term timing difference £	Fixed asset- timing differences £	Total £
At 1 January 2019	(145,910)	5,138	13,496	(127,276)
Income Statement	-	(367,128)	(5,965)	(373,093)
Other comprehensive income	-	-	-	-
At 31 December 2019	(145,910)	(361,990)	7,531	(500,369)

Over the next 12 months it is expected that £751,822 of deferred tax liabilities in respect of short-term timing difference will reverse when the relevant gift aid donations are made to the parent charity. Reversal of deferred tax liabilities in respect of property revaluation is uncertain due to its dependency on prevailing market conditions.

15. RESERVES

	General Fund £	Total £
At 1 January 2020	20,308,822	20,308,822
Retained profit for the year	7,252,628	7,252,628
Distribution to parent charity	(5,585,042)	(5,585,042)
Other comprehensive income	2,153,785	2,153,785
At 31 December 2020	24,130,193	24,130,193

General fund represents accumulated profits after tax of the year and prior periods and includes non-distributable reserves of £4,020,027 (2019: £2,172,990) due to the inclusion of the revaluation reserve.

16. OTHER CREDITORS

	2020 £	2019 £
Creditors	558,438	571,467
Accruals	239,151	349,033
Taxation	82,886	(63,580)
At 31 December 2020	880,475	856,920

17. 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 £483,270 (2019: £414,057).

At the balance sheet date, there were outstanding contributions of £63,069 (2019: £24,030).

18. 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 £311,778 (2019: £311,173).

19. OPERATING LEASE COMMITMENTS

At 31 December 2020, the Company had future minimum rentals payable under operating leases, which expire as follows:

	2020		2019	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	4,141	81,206	24,097	93,661
In the second to fifth years inclusive	-	61,413	4,016	64,339
In more than five years	-	-	-	-
	4,141	142,619	28,113	158,000

20. NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS

This section has been broken down into the key natures of risk arising, these are Market, Underwriting, Counterparty Default, Operational and Insurance.

Market Risk

Key Risks

The key drivers for the charge are assets class 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 offers 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.

Re-Insurance is used to remove all risks associated with the personal accident as a third party underwrites this.

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.

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.

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

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 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.

	Profit/Loss before tax		Accumulated Fund	
	2020	2019	2020	2019
	£	£	£	£
Before sensitivities	7,628,598	3,958,036	24,130,193	20,308,822
Reduction in business volumes by 15%	2,951,935	(709,553)	19,453,530	15,641,233
Reduction in investment market values by 25%	1,565,092	(928,153)	18,066,688	15,422,633

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. The Company has a risk associated with the claims technical provision which is calculated based on the requirement for claims to be submitted within 6 months of the date of treatment, by using two previous year's figures analysis to produce a trend and utilise this trend to calculate the current year's provisions.

Concentration

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

	Gross claims	
	2020	2019
	£	£
Direct Insurance	18,220,179	21,417,068
	<u>18,220,179</u>	<u>21,417,068</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020	1-3 months 2020	3 months to 1 year 2020	1-5 years 2020	5+ years 2020	Total 2020
	£	£	£	£	£	£
Trade and other liabilities	-	-	880,475	-	-	880,475
Outstanding claims	1,318,552	883,510	346,284	-	-	2,548,346
	<u>1,318,552</u>	<u>883,510</u>	<u>1,226,759</u>	<u>-</u>	<u>-</u>	<u>3,428,821</u>

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 Company's maximum exposure to credit risk for insurance receivables would be 15% of net premiums earned, £4,473,505 (2019: £4,519,203).

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	-	1,310,418	264,177	-	-
	<u>-</u>	<u>1,310,418</u>	<u>264,177</u>	<u>-</u>	<u>-</u>

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:

	2020 £	2019 £
0.5% increase		
Movement in bonds	18,796	18,746
Movement in equities	65,988	60,888
0.5% decrease		
Movement in bonds	(18,796)	(18,746)
Movement in equities	(65,988)	(60,888)

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

21. FINANCIAL RISK MANAGEMENT (continued)

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	18,696,767	-	-	18,696,767

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.

	2020 £	2019 £
Statutory minimum capital requirement	2,626,250	2,652,000
Total available capital resources	24,130,193	20,308,822
Solvency Cover %	919%	766%

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 with the company number 6039284 and registered charity number 1123381. The Hospital Saturday Fund's registered address is 24 Upper Ground, London, SE1 9PD. 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

23. GOVERNMENT GRANTS

The company received government grants totalling £235,222 in the year (2019: Nil) from the Coronavirus Job Retention Scheme. There are no unfulfilled conditions or other contingencies attaching to the grants received from government sources.

24. POST BALANCE SHEET EVENTS

After the statement of financial position date and following the completion of the Brexit, the United Kingdom's withdrawal from the European Union, the company has received its licence to continue to operate in the Republic of Ireland as a Third Country Branch. This change means that the Third Country Branch will be regulated by its local regulator the Central Bank of Ireland.

In February 2021 the company also took the underwriting and administration of the Personal Accident element of its products in house, having been previously been underwritten and provided by a third party.

As this occurred after the end of the 2020 year, there are no direct impacts on these financial statements.