

HOSPITAL PLAN INSURANCE SERVICES

Annual Report and Financial Statements for the year ended 30 November 2016

WEDNESDAY



L6B0GWEY

LD2

19/07/2017

#68

COMPANIES HOUSE

Registered Number:

2100356

HOSPITAL PLAN INSURANCE SERVICES

Contents of the Annual Report and Financial Statements for the year ended 30 November 2016

	Pages
Company Information	1
Strategic Report	2
Directors' Report	3 – 5
Independent Auditors' Report	6 – 7
Profit and Loss Account	8
Balance Sheet	9
Statement of changes in equity	10
Notes to the Financial Statements	11 - 17

HOSPITAL PLAN INSURANCE SERVICES

Company Information

For the year ended 30 November 2016

Directors

Ian C Slater
Ian Thomas Robinson

Secretary

Andrew Kane

Registered office

The AIG Building
58 Fenchurch Street
London
EC3M 4AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

HOSPITAL PLAN INSURANCE SERVICES

Strategic report for the year ended 30 November 2016

The directors present their strategic report for the year ended 30 November 2016.

Review of the Business

The Company operates as an unlimited liability company.

The principal activity of the Company is the administration of insurance business within the United Kingdom on behalf of AIG Europe Limited.

Results and Performance

The results of the Company for the year, as shown on page 8, show a profit on ordinary activities before taxation of £2,800,380 (2015: £3,218,565). The profit for the financial year of £2,238,577 (2015: £2,568,293) has been transferred to reserves.

At 30 November 2016, the total shareholders' funds of the Company, as shown on page 9, total £3,442,856 (2015: £3,204,279). There was a dividend payment of £2,000,000 in the year ended 30th of November 2016.

The policyholder base continues to be in decline, however, in 2016 the retention rate was held about at the same level as in previous years (policy retention rate was 90% in 2016 and 91% in 2015). This due to cancellation rescue campaigns in place at the customer service call centre.

The Company continues to remain profitable.

Business Environment

The Company continues to operate in a highly competitive direct response segment. This segment is saturated with many competitors offering similar insurance products.

Key Performance Indicators

Key performance indicators are discussed in the Directors' report.

Principal risks and Uncertainties

The principal risks and uncertainties are discussed in the Directors' report.

Strategy

The strategy continues to be maintenance of its existing policyholder base through upsell, cross sell and retention activities such as reactivation. The Company prioritises maintaining good levels of customer and claims service.

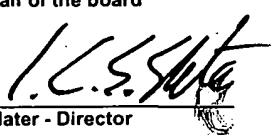
The company performs strategy reviews on an ongoing basis, and the future direction of the company may be subject to change or modification based upon those reviews, in order to maximise profitability whilst maintaining appropriate levels of customer support and service.

Future Outlook

The directors consider the level of business and the year end financial position of the Company to be satisfactory.

It is anticipated that the Company will continue to remain profitable. The Company's focus point is servicing its existing policyholder base and ensuring its customers receive the best possible service.

On behalf of the board


Ian C Slater - Director

Date: 5 July 2017

HOSPITAL PLAN INSURANCE SERVICES

Directors' report for the year ended 30 November 2016

The directors have pleasure in presenting their annual report and the audited financial statements of Hospital Plan Insurance Services (the 'Company') for the year ended 30 November 2016 (Company Registration Number 2100356).

Approach to Risk

As part of the American International Group Inc. (AIG Inc.), Hospital Plan Insurance Services conforms to a proper internal control framework which exists to manage financial risks and ensures that controls operate effectively. This is subject to review by the AIG Compliance department and Internal Audit functions.

The process of risk acceptance and risk management is addressed through the Company's procedures and internal controls, which are reviewed regularly by management. A number of risk forums and committees are in place to review, assess and manage customer and operational risks including those relating to the HPIS book and which feed relevant information to the HPIS Board. Compliance with regulation, legal and ethical standards is a high priority for the Company.

Principal Risks and Uncertainties

The Company's operations expose it to a variety of risks and to address this it has put in place a risk management program that seeks to limit the adverse effects on its financial performance.

Financial Risk

The Company is exposed to financial risks through its financial assets and financial liabilities. In particular, the key financial risks that may arise are:

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations at a reasonable cost when due. This risk is mitigated by cash flow monitoring and monthly forecasts to ensure that sufficient funds are available to meet anticipated outflow requirements. The Company has invested surplus cash with a group company, AIG Transaction Execution Limited, however cash is available on demand.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's exposure is limited as the premium collections are largely received by monthly direct debit. In instances where the premium cannot be collected, the policy is cancelled.

Interest rate risk

Interest rate risk arises mainly from the impact that the change in interest rates may have on loans to group companies. Although interest due on loans is determined with reference to the Sterling LIBOR rate, it represents a small portion of the Company's overall income/expense.

Group Risk

There is an intrinsic business link between Hospital Plan Insurance Services and other group companies operating in the UK. Substantially all of the Company's income is derived from insurance administration provided to group companies. The exposure to the group is monitored on a monthly basis at the local level, and there are intercompany agreements in place that set out the terms and conditions of trade.

There is no other business related risk which would affect the Company other than the above risks detailed.

Regulatory Risk

Being a financial services company, the Company's activities are closely monitored by the Financial Conduct Authority. The Company reviews its campaign procedures to ensure that it meets the regulatory requirements in force at the time. In addition, the Compliance department and Internal Audit provide oversight of the Company's ongoing activities within the regulatory environment.

HOSPITAL PLAN INSURANCE SERVICES

Directors' report for the year ended 30 November 2016 (continued)

Future developments

Likely future developments in the business are discussed in strategic report.

Dividends

There was one dividend payment during the financial year ended in 2016. On 22nd of June 2016 the directors approved a dividend payment of £2,000,000. This event is disclosed in the Notes of the Financial Statement (note 9, page 14). No further dividend will be paid for the financial year ended 2016.

Key Performance Indicators

The Board monitors the performance of the Company in light of the following key performance indicators:

	2016 £	2015 £
Turnover	3,416,352	3,822,860
Gross Profit Margin	81%	83%
Net Profit Margin	66%	67%
Policy retention rates	90%	91%
Total shareholders' funds	3,442,856	3,204,279

Directors

The directors of the Company who were in office during the Company financial year were:

Ian C Slater
Ian Thomas Robinson
Adam Winslow

The details of the Directors who were appointed or resigned at the date of the report included:

Ian Thomas Robinson	Appointed 3 December 2015
Adam Winslow	Resigned 3 December 2015

Company Secretary

Andrew Kane is the Company Secretary of the Company.

Directors' interests

No director had a beneficial interest in the shares of the Company at any time during the current or prior year.

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of this report confirms that:

1) as far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 30 November 2016 of which the auditors are unaware; and

2) the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

HOSPITAL PLAN INSURANCE SERVICES

Directors' report for the year ended 30 November 2016 (continued)

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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:

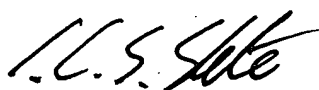
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group company (AIG Inc 251 Little Falls Drive, Wilmington DE 19808, United States) purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

On behalf of the board



Ian C Slater - Director

Date: 5 July 2017

Independent auditors' report to the members of Hospital Plan Insurance Services

Report on the financial statements

Our opinion

In our opinion, Hospital Plan Insurance Services' financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 November 2016 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 November 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

R Nicholas

Richard Nicholas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 July 2017

HOSPITAL PLAN INSURANCE SERVICES

Profit and Loss Account for the year ended 30 November 2016

	Notes	2016 £	2015 £
Turnover	2	3,416,352	3,822,860
Administrative expenses	3	(633,558)	(664,743)
Operating Profit	3	2,782,794	3,158,117
Profit on ordinary activities before interest and taxation		2,782,794	3,158,117
Interest receivable and similar income	4	17,586	24,143
Other income	4	-	36,305
Profit on ordinary activities before taxation		2,800,380	3,218,565
Tax on profit on ordinary activities	5	(561,803)	(650,272)
Profit for the financial year		2,238,577	2,568,293

All of the Company's activities arise from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

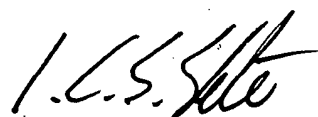
HOSPITAL PLAN INSURANCE SERVICES

Balance Sheet as at 30 November 2016

	Notes	2016 £	2015 £
Fixed Assets			
Tangible assets	10	6,811	8,768
Total Fixed Assets		6,811	8,768
Current Assets			
Debtors	11	4,308,196	4,687,198
Other Debtors		5,957	2,926
Prepayments and accrued income		3,349	5,377
Cash at Bank and in hand		59,203	57,792
		4,376,705	4,753,293
Creditors: amounts falling due within one year	12	(940,660)	(1,557,782)
Net Current Assets		3,436,045	3,195,511
Total Assets less Current Liabilities		3,442,856	3,204,279
Capital and Reserves			
Called up share capital	13	200,000	200,000
Retained earnings		3,242,856	3,004,279
Total Shareholders' Funds		3,442,856	3,204,279

The notes on pages 11 to 17 form an integral part of these financial statements.

The financial statements on pages 8 to 17 were approved by the board of directors on the 5th of July 2017 and were signed on its behalf by:



Ian C Slater
Director

Registered Number: 2100356

HOSPITAL PLAN INSURANCE SERVICES

Statement of changes in equity as at 30 November 2016

	Note	Called-up share capital £	Retained earnings £	Total Equity £
Balance at 1 December 2014		200,000	3,435,986	3,635,986
Profit and total comprehensive income for the year			2,568,293	2,568,293
Dividends			(3,000,000)	(3,000,000)
Balance as at 30 November 2015		200,000	3,004,279	3,204,279
Profit and total comprehensive income for the year			2,238,577	2,238,577
Dividends			(2,000,000)	(2,000,000)
Balance as at 30 November 2016		200,000	3,242,856	3,442,856

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016

1 Statement of Accounting Policies

Basis of Preparation

The financial statements have been prepared on the going concern basis and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in British Pound as the assets, liabilities and majority of the Company's transactions are denominated in that currency. The functional currency of the Company is British Pound.

The Company is incorporated in the United Kingdom.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions in accordance with paragraph 1.12 of FRS 102:

- a) from preparing a statement of cash flows
- b) from disclosing the Company key management personnel compensation
- c) related parties

Turnover

Turnover represents commission for providing insurance services, namely maintenance commission. The maintenance commission relates to compensation for claims handling and policy administration, in respect of new and existing policies. Turnover is recognised in the profit and loss account on the basis of contractual services performed, as follows:

Policy administration services on inception:

Income is recognised at the inception of the underlying policies when service obligations in respect of policy administration services for new business are deemed to have been fulfilled.

Policy administration services over the life of policies:

Income is recognised over the life of the underlying policies as services are rendered at any point during the tenure of the underlying policies.

Claims handling:

Income is recognised over the life of the underlying policies as services are rendered at any point during the tenure of the underlying policies.

Promotional expenditure

The costs of advertisement, mailing marketing literature and promotional awards are recognised in the profit and loss account in the year in which the expense is incurred.

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016 (continued)

1 Statement of Accounting Policies (continued)

Tax

The charge for tax is based on the results for the year adjusted for disallowable items and items not chargeable to tax. Deferred tax is provided in full on all material timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted. The deferred tax rate of 17% has been substantively enacted at balance sheet date.

Tangible fixed assets

Tangible fixed assets are capitalised at purchase cost, together with the incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values. Computer equipment is calculated on a reducing balance basis over the expected useful economic lives of those assets.

The principal annual rates used for this purpose are:

Computer equipment	25%	Reducing balance basis
--------------------	-----	------------------------

Interest income

Interest income is recognised in the profit and loss account on a time proportionate basis, taking into account the effective interest yield.

Cash at Bank and in Hand/Bank Overdraft

Cash at bank and in hand represents cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

Dividends

Dividends payable are recognised when they are declared by the directors of the Company by written resolution.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016 (continued)

2 TURNOVER

Turnover is represented by commission income relating to:

	2016 £	2015 £
Insurance administration	3,416,352	3,822,860
	3,416,352	3,822,860

Turnover arises entirely in the UK, and is attributable to insurance administration.

3 OPERATING PROFIT

Operating profit is stated after charging/ (crediting) the following expenses:

	2016 £	2015 £
Data Processing	10,920	18,023
Depreciation	1,957	2,520
I/Co Service Fees	562,299	567,185
Non Interco - Audit	17,195	14,632
Non Interco - Service Fee Other	38,624	22,429
Office Supplies	10,380	547
Bad debt write off	(9,221)	17,324
Interest payment to policyholders	-	21,777
Miscellaneous	1,404	306
	633,558	664,743

4 INTEREST RECEIVABLE AND SIMILAR INCOME AND OTHER INCOME

	2016 £	2015 £
Interest due from group companies	17,586	24,143
Total interest receivable	17,586	24,143
Miscellaneous income from sale of company bonds	-	36,305
Total miscellaneous income	-	36,305

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

A) Analysis of tax charge in the year

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

	2016 £	2015 £
Analysis of tax charge/(credit) in the year		
UK corporation tax charge on profit for the year	555,885	651,452
Adjustments in respect of prior periods	3,571	(4,016)
Tax on profit on ordinary activities	559,456	647,436
Deferred tax		
Origination and reversal of timing differences	2,347	2,836
Adjustments in respect of prior periods	-	-
Effect of changes in tax rate on opening balance	-	-
Total deferred	2,347	2,836
Tax charge on profit on ordinary activities	561,803	650,272

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

B) Factors affecting tax charge for the year

The tax for the year is assessed at the standard rate of corporation tax in the UK of 20% (2015: 20.33%)

	2016 £	2015 £
Profit on ordinary activities before taxation	2,800,380	3,218,565
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.33%)	560,076	654,334
Effects of:		
Adjustments in respect of prior periods	3,571	(4,016)
Re-measurement of deferred tax – change in UK tax rate	-	(46)
Income not taxable for tax purposes	(1,844)	-
	<u>561,803</u>	<u>650,272</u>
Movement in Deferred Tax Asset	2016 £	2015 £
Balance at 1 December	13,460	16,296
Profit and loss account charge for the year	(2,347)	(2,836)
Balance at 30 November	<u>11,113</u>	<u>13,460</u>

The reductions in the UK corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted on 15 September 2016. Accordingly, the effects of these changes are reflected in the financial statements for the year ended 30 November 2016. The changes have not had a material impact on the Company's deferred tax balances as at 30 November 2016.

6 STAFF COSTS

The majority of the staff that support the operations of the Company are employed by AIG Europe Limited and their costs are incorporated in management recharges from AIG Europe Limited. (previously it was charged from AIG Europe Services Limited).

The number of staff disclosed below reflects the equivalent shared resources for the Company at year-end, which has been consistent throughout the year.

	2016	2015
Number of equivalent staff	13	16
	<u>13</u>	<u>16</u>

The management recharge in respect of staff costs during the year, from AIG Europe Limited amounted to £502,419 (2015: £558,244). Staff costs comprise base salary costs: There was a slight decrease of 3 in the number of equivalent staff from 2015 to 2016.

For the year 2016 £24,303 (2015: £9,449) was also recharged for 1 number of equivalent staff from AIG Europe Limited Hungarian Branch.

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements

for the year ended 30 November 2016 (continued)

7 DIRECTORS' REMUNERATION

All the Directors are employed and paid by AIG Europe Limited, for the qualifying services they render to the Company.

No recharge has been made to the Company by AIG Europe Limited in respect of any qualifying services rendered by the directors of the Company.

In addition, no incremental fees or emoluments were paid directly by the Company to the directors in respect of their duties to the Company, and no other benefits accruing to them which require disclosure under the Companies Act.

8 AUDITORS' REMUNERATION

	2016 £	2015 £
Fee payable to the Company's auditors for the annual audit	7807	7,978
Additional fee paid to auditors in 2016 in respect of 2015	438	-
	<u>8,245</u>	<u>7,978</u>

9 DIVIDENDS

The directors approved a dividend payment of £2,000,000 on the 22nd of June 2016 which was settled on the 23rd of August 2016 to HPIS Limited.

	2016 £	2015 £
Dividend:		
Ordinary shares interim paid: £10 (2015: £15) per £1 shares	100,000	150,000
Redeemable cumulative interim paid: £1.0 (2015: £1.5) per 10p preference shares	1,900,000	2,850,000
	<u>2,000,000</u>	<u>3,000,000</u>

10 TANGIBLE ASSETS

Tangible assets comprise of computer equipment. The depreciation is calculated on a reducing balance basis over the expected useful economic lives of those assets as described under the accounting policies section.

Cost	£
At 1 December 2015	37,301
At 30 November 2016	<u>37,301</u>
Accumulated depreciation:	
At 1 December 2015	28,533
Depreciation charge for the year	1,957
At 30 November 2016	<u>30,490</u>

NET BOOK VALUE

At 30 November 2015	8,768
At 30 November 2016	<u>6,811</u>

11 DEBTORS

	2016 £	2015 £
Amounts owed by group undertakings	4,297,083	4,673,738
Deferred tax asset	11,113	13,460
	<u>4,308,196</u>	<u>4,687,198</u>

Amounts owed by group undertakings relate mainly to a deposit of £4,260,193 with AIG Transaction Execution Limited which is repayable on demand. The interest rate on the deposit is equal to Overnight LIBOR minus 12.5 basis points. The initial agreement with AIG Transaction Execution Limited is effective from 15th December 2011. The current deposit agreement was signed by a director of the Company on the 14th of June 2013. The interest income on the loan for the year amounted to £17,586 (2015: £24,143).

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016 (continued)

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Bank loans and overdrafts	18,733	28,773
Amounts owed to group undertakings	-	72,244
Taxation	784,505	1,293,899
Accruals and deferred income	137,422	162,866
	<u>940,660</u>	<u>1,557,782</u>

13 CALLED UP SHARE CAPITAL

		2016	2015
	Number of Shares	£	£
Allotted, Issued and fully paid up			
Ordinary £1 shares	10,000	10,000	10,000
Redeemable cumulative 10p preference shares	1,900,000	190,000	190,000
		<u>200,000</u>	<u>200,000</u>

The preference shares may be redeemed at par at any time at the option of the Company upon one calendar month's notice. Upon redemption, the Company shall pay to each preference shareholder a sum equal to the amount paid up together with the aggregate of 90 pence and a sum equal to all arrears of the cumulative preferential dividend thereon.

In addition to the cumulative fixed dividend referred to above, the preference shareholders are entitled to further fixed dividends depending upon the profitability of the Company.

The preference shares do not carry voting rights except where the fixed preferential dividend on the preference shares are six months in arrears and where the meeting includes specific resolutions.

On the winding up, preference shares rank ahead of ordinary shares for the first tranche of any distribution and are also entitled to further sums if the distribution to the ordinary shareholders exceeds a certain figure.

Full details of the preference shareholders' rights are in the Company's Articles of Association.

HOSPITAL PLAN INSURANCE SERVICES

Notes to the Financial Statements for the year ended 30 November 2016 (continued)

14 RELATED PARTY TRANSACTIONS

As consolidated financial statements of the ultimate parent are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties that are 100% owned within the AIG Group.

15 ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of HPIS Limited, a company registered in England and Wales.

The ultimate parent undertaking party is American International Group Inc. (AIG Inc.), a company incorporated in the State of Delaware, United States of America. The company is consolidated into the financial statements of American International Group Inc. (AIG Inc), which forms the smallest and largest group to consolidate these financial statements at 30 November 2016. Copies of the ultimate parent company's consolidated financial statements may be obtained from the Company Secretary, AIG Inc 251 Little Falls Drive, Wilmington DE 19808, United States.

16 TRANSITION TO FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 30 November 2015. The date of transition to FRS 102 was 1 December 2014. There were no changes to the Company profit for the financial year ended 30 November 2015 and the total Company equity as at 1 December 2014 and 30 November 2015 as a result of the adoption of FRS 102.