

**PROVINCIAL HOSPITAL SERVICES
ASSOCIATION
(A COMPANY LIMITED
BY GUARANTEE)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2009**

Company no. 515058

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PROVINCIAL HOSPITAL SERVICES ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Company registration number 515058

Company limited by guarantee not having a share capital

Registered office 14 St Cuthbert's Street
Bedford
MK40 3JU

Chairman H F J Fowler

Medical adviser Dr S W Lowe

Treasurer Mrs J V Turley, FCA

Chief executive and secretary M W H Gilbert, B Com

Bankers. The Royal Bank of Scotland plc
Bedford

Solicitors Palmers Solicitors
Bedford

Investment managers Charles Stanley & Company Limited – Stockbrokers
Bedford

J O Hambro Investment Management Limited
London

Auditors Grant Thornton UK LLP
Registered auditors
Chartered accountants
Central Milton Keynes

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Eighth Annual General Meeting of Members of the Association will be held at the Registered Office of the Association 14 St Cuthbert's Street, Bedford, on 14th May 2010 at 12 noon for the following purposes

- 1 To receive the Minutes of the Fifty-Seventh Annual General Meeting, which were confirmed by the Board of Management at its meeting on 19th June 2009 in accordance with Annual General Meeting Resolution No 61
- 2 To receive the audited balance sheet and financial statements for the year ended 31st December 2009
- 3 To receive the Report of the Board of Management for the year ended 31st December 2009
- 4 To appoint for the ensuing year in accordance with Article 32:
 - (i) Treasurer of the Association
 - (ii) Medical Advisor to the Association
- 5 To re-elect as Associate Members of the Association Mr J A Bulpitt, Mr M C Rock, Mrs S E Rosser, Mr A Willis and Mr J Wrycroft
- 6 To re-elect to the Board of Management Mr J A Bulpitt, Mr K D Lazenby and Mr M C Rock, retiring in accordance with Articles 40 and 41
- 7 To appoint Auditors and authorise the Board of Management to fix their remuneration.

BY ORDER OF THE BOARD



M W H Gilbert
Secretary

Any member of the Association entitled to attend and vote at this meeting may appoint a proxy to attend on his/her behalf, and, on a poll, to vote instead of the member. The proxy need not be a member of the Association, but notice of the appointment of this proxy must be given to the Secretary at the Association's Registered Office not less than forty-eight hours prior to this meeting, in accordance with Article 29

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

REPORT OF THE BOARD OF MANAGEMENT

The Board has pleasure in presenting its annual report and the audited financial statements for the year ended 31 December 2009

Aims and objectives of the Association

The Association is a non-profit making medical provident association which is limited by guarantee and controlled by a voluntary Board of Management. Its aims and objectives are to provide for its subscribers benefits supplementary to the National Health Service, these being cash benefits to alleviate financial outlay associated with the maintenance of good health.

Overview

The strength of the Association's balance sheet, in which total assets amount to more than five times the 2009 earned premium value, provides a strong defence against current adverse market conditions. A change in strategic policy was adopted in March 2009 that resulted in the closure of the Sales and Marketing department in order to reduce overheads. The Board is now considering future policy options.

The Association's products have produced an acceptable overall Claims Rate of 85.5% (2008 88.4%) during the year.

The Association's investment portfolio is managed by external, independent investment managers. Their performance is reviewed regularly by the Board and measured against the APCIMS Income Total Return Index. The portfolios outperformed the index in the year to 31 December 2009 by an average of 6.5% (2008 underperformed 9.1%).

The Association's reputation for service based on human values and ethical conduct is earned by the skill, attitude and dedication of its staff, to whom the Board rightly places on record its thanks and appreciation.

There is a surplus for the year after taxation of £599,703 (2008 deficit £2,481,500). A transfer of £799,542 has been made to (2008 £1,620,716 transferred from) the Unrealised Investment Reserve, leaving a deficit of £199,839 (2008 £860,784) taken to the General Reserve. Total reserves at 31 December 2009 stand at £7,505,554 (2008 £7,002,951).

Members of the Board during the year ended 31 December 2009

Chairman	H F J Fowler
Deputy Chairman	J A Bulpitt
Treasurer	Mrs J V Turley FCA
Medical Adviser	Dr S W Lowe
	D Fensome
	M B Large
	K D Lazenby
	M C Rock

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Board of Management responsibilities for the financial statements

The Members of the Board of Management are responsible for preparing the Report of the Board of Management and the financial statements in accordance with applicable law and regulations

Company law requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the Board Members are required to

- select suitable accounting policies and then apply them consistently
- make judgments and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board Members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Association 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 Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


In so far as each of the Board Members is aware

- there is no relevant audit information of which the Associations' auditors are unaware, and
- the Board Members 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.

Charitable donations

The Association has continued to support the activities of the Medical Charities Trust, donating £10,000 (2008- £10,000) under Gift Aid

ON BEHALF OF THE BOARD



H F J Fowler
Chairman

11 March 2010

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PROVINCIAL HOSPITAL SERVICES ASSOCIATION

We have audited the financial statements of Provincial Hospital Services Association for the year ended 31 December 2009 which comprise the principal accounting policies, the revenue account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association'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 Association'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 Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Association's affairs as at 31 December 2009 and of its surplus 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Simon Jones
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

12 March 2010

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention except that investments are re-valued at market value annually and the freehold property is shown at its re-valued amount

The financial statements have been prepared in accordance with applicable accounting standards to the extent that they are applicable to insurance companies and the provision of Schedule 3 of Statutory Instrument 2008 No 410, The Large and Medium sized Companies and Groups (Accounts and Reports Regulations 2008) except that in order to show a true and fair view certain descriptions have been changed to reflect the fact that the Association is a non-profit making organisation. In addition, the financial statements have been prepared in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended December 2006 (the "ABI SORP")

The Board of Management have reviewed the forecast activity and results for the period until 31 March 2011 and concluded that despite further underwriting losses the Association has sufficient reserves and financial resources to enable it to continue as a going concern for at least that period

The principal accounting policies of the Association are set out below. The policies have remained unchanged from the previous year

BASIS OF ACCOUNTING

The annual basis of accounting has been used and premium income is recognised at the point at which the agreement incepts and is apportioned over the period for which cover is provided

PREMIUMS AND BENEFITS TO SUBSCRIBERS

Premiums and benefits to subscribers are the adjusted amounts receivable and payable respectively relating to the year

Premiums exclude insurance premium tax. The amount of this tax due by the Association which has not been paid over to HM Revenue & Customs as at the year end has been included in the balance sheet as a liability under the heading "Other creditors including taxation and social security"

The unearned premium reserve relates to premiums received but not yet earned

OUTSTANDING CLAIMS

Claims incurred comprise claims paid and claims handling expenses incurred in the year together with changes in provisions for outstanding claims. The provisions for outstanding claims are estimated on the basis of information arising after the year end in respect of claims incurred before the year end.

DEFERRED ACQUISITION COSTS AND CLAIMS HANDLING PROVISION

Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned.

A provision is made for claims handling costs relating to the costs incurred in processing claims outstanding at the year end

CONTRIBUTIONS TO PENSION FUNDS

The Association operates defined contribution schemes

The pension costs charged against profits represent the amounts payable to the schemes in respect of the accounting period

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets, other than freehold land, by equal annual instalments over their expected useful lives. The rates generally applicable are

Freehold property	-	2% per annum
Motor vehicles	-	25% per annum
Furniture and equipment	-	20% per annum

The freehold property, occupied by the Association for its own activities, is stated at market value. Valuations are carried out by independent, professionally qualified valuers. These valuations are updated every five years, with interim values every three years and are reviewed by the Board in subsequent years and any changes in values accounted for.

INVESTMENT INCOME AND EXPENSES

Dividends are recognised on a received basis. Interest income is recognised on an accruals basis, as are investment expenses.

Investment returns, comprising investment income and realised and unrealised investment gains and losses and investment expenses, are included in the non-technical account.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and purchase price.

INVESTMENTS

Investments are stated at market value at the balance sheet date.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current revenue account. Annual unrealised investment gains, net of tax, are appropriated to an unrealised investment reserve.

TAXATION

The taxation charge in the non-technical account is based on investment income for the year.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Association an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

LEASED ASSETS

The total payments made under operating leases are charged to the revenue account on a straight line basis over the term of the lease.

PROVINCIAL HOSPITAL SERVICES ASSOCIATION**REVENUE ACCOUNT****TECHNICAL ACCOUNT - GENERAL BUSINESS****FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
Earned premiums			
Gross premiums written		1,414,748	1,455,968
Change in gross provision for unearned premiums		14,985	359
		1,429,733	1,456,327
Claims incurred	1		
Claims paid		(1,406,032)	(1,482,242)
Change in provision for claims		(12,841)	23,571
		(1,418,873)	(1,458,671)
Operating costs			
Acquisition costs		(131,292)	(296,953)
Changes in deferred acquisition costs		(23,091)	5,693
Administration expenses		(448,387)	(385,820)
		(602,770)	(677,080)
Total balance on technical account for general business		(591,910)	(679,424)

The Association undertook no form of reinsurance during the year

The accompanying accounting policies and notes form an integral part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

REVENUE ACCOUNT (CONTINUED)

NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Balance on the general business technical account		(591,910)	(679,424)
Investment income	2	129,079	184,133
Investment charges		(19,846)	(24,814)
Unrealised net profits/(losses) on investments		1,117,369	(1,938,543)
Unrealised loss on revaluation of freehold property		(2,900)	-
Charitable donations		(10,000)	(10,000)
Surplus/(deficit) of income over expenditure on ordinary activities before taxation	4	621,792	(2,468,648)
Taxation	5	(22,089)	(12,852)
Surplus/(deficit) for the financial year	8	599,703	(2,481,500)
Appropriation			
Transfer (to)/from unrealised investment reserve	8	(799,542)	1,620,716
Retained deficit	8	(199,839)	(860,784)

The accompanying accounting policies and notes form an integral part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 £	2008 £
Assets			
Investments			
Other financial investments	6	<u>6,807,854</u>	<u>5,700,587</u>
Debtors			
Debtors arising out of direct insurance operations - policyholders		<u>15,597</u>	<u>22,946</u>
Other assets			
Tangible assets	7	<u>532,075</u>	<u>655,750</u>
Cash at bank and in hand		<u>449,588</u>	<u>888,993</u>
		<u>981,663</u>	<u>1,544,743</u>
Prepayments and accrued income			
Deferred acquisition costs		<u>2,224</u>	<u>25,314</u>
Other prepayments and accrued income		<u>8,643</u>	<u>15,152</u>
		<u>10,867</u>	<u>40,466</u>
Total assets		<u><u>7,815,981</u></u>	<u><u>7,308,742</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION
BALANCE SHEET AT 31 DECEMBER 2009 (CONTINUED)

Liabilities	Note	2009 £	2008 £
Capital and reserves			
General reserve	8	6,706,012	6,905,851
Unrealised investment reserve	8	799,542	–
Revaluation reserve	8	–	97,100
		<u>7,505,554</u>	<u>7,002,951</u>
Technical provisions			
Provision for unearned premiums		111,311	126,296
Claims outstanding	9	88,888	76,047
		<u>200,199</u>	<u>202,343</u>
Creditors			
Creditors arising out of direct insurance operations		13,020	25,247
Other creditors including taxation and social security	10	43,825	27,873
		<u>56,845</u>	<u>53,120</u>
Accruals and deferred income		<u>53,383</u>	<u>50,328</u>
Total liabilities		<u><u>7,815,981</u></u>	<u><u>7,308,742</u></u>

The financial statements were approved by the Board of Management on

H F J Fowler	-	Chairman
Mrs J V Turley	-	Treasurer
M W H Gilbert	-	Chief Executive

Handwritten signatures of the Chairman, Treasurer, and Chief Executive.

The accompanying accounting policies and notes form an integral part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Net cash outflow from operating activities	11	<u>(339,101)</u>	<u>(384,372)</u>
Taxation		<u>(22,089)</u>	<u>(421)</u>
Capital expenditure			
Purchase of tangible fixed assets		<u>(4,080)</u>	<u>(18,098)</u>
Proceeds on sale of tangible fixed assets		<u>9,955</u>	<u>-</u>
Net cash inflow/(outflow) from capital expenditure		<u>5,875</u>	<u>(18,098)</u>
Net cash outflows	12	<u><u>(355,315)</u></u>	<u><u>(402,891)</u></u>
Cashflows were invested as follows:			
(Decrease)/Increase in cash holdings		<u>(439,405)</u>	<u>75,928</u>
Net portfolio investments			
Purchases		<u>2,844,417</u>	<u>2,503,206</u>
Sales		<u>(2,760,327)</u>	<u>(2,981,845)</u>
Net investment of cash flows		<u><u>(355,315)</u></u>	<u><u>(402,891)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 CLAIMS INCURRED

	2009	2008
	£	£
Claims paid	(1,214,253)	(1,309,478)
Claims handling expenses paid	(191,779)	(172,764)
	(1,406,032)	(1,482,242)
Change in provision for claims handling costs	(4,732)	2,120
Change in claims provision	(8,109)	21,451
	(12,841)	23,571
Total	(1,418,873)	(1,458,671)

2 INVESTMENT RETURN

	2009	2008
	£	£
Investment Income		
Listed securities	219,330	258,397
Bank and other interest	3,941	40,379
Loss on realisation of investments	(94,192)	(114,643)
	129,079	184,133

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

3 BOARD MEMBERS AND EMPLOYEES

Staff costs during the year were as follows

	2009 £	2008 £
Wages and salaries	364,183	382,770
Social security costs	34,150	37,616
Other pension costs	70,938	90,923
	<u>469,271</u>	<u>511,309</u>

The average number of employees of the Association during the year was 13 (2008 16) all of whom were engaged in administration

Emoluments in respect of Board Members were £32,139 (2008 £29,281) None of the Board Members participated in the Association's pension schemes

4 SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE TAXATION

Surplus/(Deficit) of income over expenditure before taxation is stated after:

	2009 £	2008 £
Depreciation	22,331	24,227
Profit on sale of fixed assets	(4,531)	-
Auditors' remuneration (including irrecoverable VAT)		
- audit services	14,159	13,570
- other services	33,450	4,571
	<u>65,409</u>	<u>42,368</u>

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

5 TAXATION

The taxation charge based on the result for the year is made up as follows

	2009 £	2008 £
UK Corporation tax at 21% (2008: 19%)	19,177	—
Tax attributable to franked investment income	12,577	12,852
Adjustment in respect of prior periods	(9,665)	—
Total current tax and tax charge for the year	<u>22,089</u>	<u>12,852</u>

The tax assessed for the year is different from the standard rate of UK corporation tax of 28% (2008: 30%) The differences are explained as follows

	2009 £	2008 £
Surplus/(Deficit) before tax	<u>621,792</u>	<u>(2,468,648)</u>
Surplus/(Deficit) before tax multiplied by standard rate of UK corporation tax of 21% (2008: 20.75%)	130,576	(512,244)
Effect of		
Expenses not deductible for tax	8,799	3,196
Capital allowances in excess of depreciation	(553)	(2,750)
Movement in short term timing differences	(3,348)	3,308
(Utilisation of)/Increase in tax losses	(90,759)	532,087
Dividends tax treatment	(12,961)	(10,745)
Adjustment to tax charge of prior years	(9,665)	—
Current tax charge for the year	<u>22,089</u>	<u>12,852</u>

The company has unrelieved tax losses carried forward of approximately £3,400,000 (2008: £3,700,000). These are available for offset against certain future surpluses. No related deferred tax asset has been recognised because of uncertainty as to timing of generation of such future surpluses.

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

6 INVESTMENTS: OTHER FINANCIAL INVESTMENTS

	2009 £	2008 £
Cost	6,008,311	6,018,414
Excess/(deficit) of market value over cost	799,543	(317,827)
Market value	<u>6,807,854</u>	<u>5,700,587</u>

All of the investments are listed on the UK stock exchange except for £398 (2008 £398) which is an unlisted security

7 TANGIBLE FIXED ASSETS

	Freehold property £	Furniture and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2009	600,000	60,191	82,915	743,106
Additions	-	4,080	-	4,080
Disposals	-	(13,243)	(43,093)	(56,336)
Deficit on revaluation	(100,000)	-	-	(100,000)
At 31 December 2009	<u>500,000</u>	<u>51,028</u>	<u>39,822</u>	<u>590,850</u>
Depreciation				
At 1 January 2009	-	41,018	46,338	87,356
Provided in the year	-	10,206	12,125	22,331
Eliminated on disposals	-	(13,243)	(37,669)	(50,912)
At 31 December 2009	<u>-</u>	<u>37,981</u>	<u>20,794</u>	<u>58,775</u>
Net book amount at 31 December 2009	<u>500,000</u>	<u>13,047</u>	<u>19,028</u>	<u>532,075</u>
Net book amount at 31 December 2008	<u>600,000</u>	<u>19,173</u>	<u>36,577</u>	<u>655,750</u>

The freehold property was re-valued at open market value in December 2009. The valuation was made by a firm of independent chartered surveyors. The value of the property at 31 December 2008 was on the basis of an informal valuation obtained from an independent firm of chartered surveyors.

If the freehold property had not been re-valued it would have been included at a cost of £615,436 (2008 £615,436) with a net book amount of £462,759 (2008 £475,067).

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

8 RESERVES

	General reserve £	Unrealised investment reserve £	Revaluation reserve £	Total £
2009				
Balance at 1 January 2009	6,905,851	–	97,100	7,002,951
Revaluation of property	–	–	(97,100)	(97,100)
Retained surplus/(deficit) for the financial year	(199,839)	799,542	–	599,703
At 31 December 2009	<u>6,706,012</u>	<u>799,542</u>	<u>–</u>	<u>7,505,554</u>
2008				
Balance at 1 January 2008	7,766,635	1,620,716	267,100	9,654,451
Revaluation of property	–	–	(170,000)	(170,000)
Retained surplus/(deficit) for the financial year	(860,784)	(1,620,716)	–	(2,481,500)
At 31 December 2008	<u>6,905,851</u>	<u>–</u>	<u>97,100</u>	<u>7,002,951</u>

9 CLAIMS OUTSTANDING

	2009 £	2008 £
Notified outstanding claims	76,345	68,236
Claims handling expenses	12,543	7,811
	<u>88,888</u>	<u>76,047</u>

10 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2009 £	2008 £
Corporation tax	19,177	–
Social security and other taxes	24,648	27,873
	<u>43,825</u>	<u>27,873</u>

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

11 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Surplus/(deficit) of income over expenditure before taxation	621,792	(2,468,648)
Depreciation	22,331	24,227
Profit on disposal of fixed assets	(4,531)	–
Unrealised loss on revaluation of freehold property	2,900	–
Realised and unrealised investment (profits)/losses	(1,023,177)	2,053,186
Change in debtors	36,948	3,356
Change in technical provisions	(2,144)	(23,930)
Change in creditors	6,780	27,437
Net cash outflow from operating activities	<u>(339,101)</u>	<u>(384,372)</u>

12 MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2009 £	2008 £
Net cash (outflow)/inflow for year	(439,405)	75,928
Cash inflow/(outflow) from portfolio investments	84,090	(478,819)
Movements arising from cashflows	(355,315)	(402,891)
Changes in market values	1,023,177	(2,053,186)
Total movement in portfolio investments net of financing	<u>667,862</u>	<u>(2,456,077)</u>
Portfolio at 1 January 2009	<u>6,589,580</u>	<u>9,045,657</u>
Portfolio at 31 December 2009	<u>7,257,442</u>	<u>6,589,580</u>

13 MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	At 1 January 2009 £	Cash flow £	Change in market values £	At 31 December 2009 £
Cash in hand and at bank	888,993	(439,405)	–	449,588
Portfolio investments	5,700,587	84,090	1,023,177	6,807,854
	<u>6,589,580</u>	<u>(355,315)</u>	<u>1,023,177</u>	<u>7,257,442</u>

PROVINCIAL HOSPITAL SERVICES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

14 PENSIONS

Defined contribution schemes

The Association contributes to two defined contribution schemes for the benefit of its staff and management
The assets of the schemes are administered by trustees in funds independent from those of the Association