

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2007**

Company no 515058



**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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Company registration number 515058

Company limited by guarantee not having a share capital

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

Chairman D Fensome, Chartered FCIPD

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 2007**

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## PROVINCIAL HOSPITAL SERVICES ASSOCIATION

### NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Fifty-Sixth Annual General Meeting of Members of the Association will be held at the Park Inn Hotel, Bedford, on 16 May 2008 at 12 noon for the following purposes

- 1 To receive the Minutes of the Fifty-Fifth Annual General Meeting, which were confirmed by the Board of Management at its meeting on 14 June 2007 in accordance with Annual General Meeting Resolution No 61
- 2 To receive the audited balance sheet and financial statements for the year ended 31 December 2007
- 3 To receive the report of the Board of Management for the year ended 31 December 2007
- 4 To appoint for the ensuing year in accordance with Article 32
  - i Treasurer of the Association
  - ii Medical Adviser
- 5 To re-elect Dr S W Lowe and Mrs J V Turley as Associate Members of the Association
- 6 To re-elect to the Board of Management D Fensome and Mrs J V Turley retiring in accordance with Articles 40 and 41
- 7 To re-elect to the Board of Management J A Bulpitt and M C Rock, retiring in accordance with Articles 34
- 8 To elect D Fensome as a Life Member of the Association
- 9 To appoint the Auditors and authorise the Board of Management to fix their remuneration

BY ORDER OF THE BOARD



M W H Gilbert  
Secretary

13 March 2008

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**

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The Board has pleasure in presenting its annual report and the audited financial statements for the year ended 31 December 2007

#### **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 Association's balance sheet remains very strong, with a ratio of reserves to premium income which is very powerful by the standards of its sector. The Board's priority is growth and major advances have been made in this field during 2007, by the end of which the first sales of an innovative new product were being made.

The Association's products have produced an acceptable overall Claims Rate of 89.5% (2006 90.2%) 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 underperformed the index in the year to 31 December 2007 by an average of 2.7% (2006 outperformed 6.6%).

The Association's enviable reputation for customer service and ethical conduct is founded on the attitude and skill of its staff, and the Board is proud to place on record its thanks for, and appreciation of, their efforts in 2007.

There is a deficit for the year after taxation of £394,468 (2006 surplus £647,300). A transfer of £1,058,753 (2006 (£518,542)) has been made from the Unrealised Investment Reserve, creating a surplus of £664,285 (2006 £128,758). The freehold property was re-valued at 31 December 2007 generating a revaluation surplus of £267,100. Total reserves at 31 December 2007 stand at £9,654,451 (2006 £9,781,819).

#### **Members of the Board during the year ended 31 December 2007**

Chairman	D Fensome, Chartered FCIPD
Deputy Chairman	H F J Fowler
Treasurer	Mrs J V Turley, FCA
Medical Adviser	Dr S W Lowe
	D L Edwards, FCA (resigned 18 May 2007)
	M B Large
	K D Lazenby
	F I Maclean
	M C Rock (appointed 13 September 2007)
	J A Bulpitt (appointed 13 December 2007)

## PROVINCIAL HOSPITAL SERVICES ASSOCIATION

### REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

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#### **Board of Management responsibilities for the financial statements**

The Members of the Board of Management are responsible for preparing the Annual Report 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 proper 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 1985. 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 the Board Members are aware

- there is no relevant audit information of which the company's 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 (2006: £10,000) under Gift Aid.

#### **Auditors**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

  
H F J Fowler  
Deputy Chairman

13 March 2008

## **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 2007 which comprise the principal accounting policies, the revenue account, the balance sheet, the cash flow statement and notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Board of Management is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 December 2007 and of its surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Board of Management is consistent with the financial statements.

*Grant Thornton UK LLP*

**GRANT THORNTON UK LLP**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**  
Central Milton Keynes

14 15 March 2008

## **PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **BASIS OF PREPARATION**

The financial statements are prepared under the historical cost convention except that investments are revalued at market value annually and the freehold property is shown at its revalued 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 Section 255 and Schedule 9A of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, 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 November 2007, as amended December 2006 (the "ABI SORP")

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)**

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#### **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 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Earned premiums</b>			
Gross premiums written		<b>1,543,534</b>	1,516,716
Change in gross provision for unearned premiums		<b>3,559</b>	8,939
		<b>1,547,093</b>	1,525,655
<b>Claims incurred</b>	<b>1</b>		
Claims paid		<b>(1,549,317)</b>	(1,532,881)
Change in provision for claims		<b>16,588</b>	(30,763)
		<b>(1,532,729)</b>	(1,563,644)
<b>Operating costs</b>			
Acquisition costs		<b>(239,688)</b>	(185,355)
Changes in deferred acquisition costs		<b>4,301</b>	5,064
Administration expenses		<b>(363,430)</b>	(341,088)
		<b>(598,817)</b>	(521,379)
<b>Total balance on technical account for general business</b>		<b>(584,453)</b>	(559,368)

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 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
Balance on the general business technical account		<b>(584,453)</b>	(559,368)
Investment income	2	<b>1,303,451</b>	744,104
Investment charges		<b>(31,358)</b>	(25,625)
Unrealised net (losses)/gains on investments		<b>(1,058,753)</b>	518,542
Charitable donations		<b>(10,000)</b>	(10,000)
<b>(Deficit)/Surplus of income over expenditure on ordinary activities before taxation</b>	4	<b>(381,113)</b>	667,653
Taxation	5	<b>(13,355)</b>	(20,353)
<b>(Deficit)/Surplus for the financial year</b>	8	<b>(394,468)</b>	647,300
<b>Appropriation</b>			
Transfer from/(to) unrealised investment reserve	8	<b>1,058,753</b>	(518,542)
<b>Retained surplus</b>		<b>664,285</b>	128,758

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

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**BALANCE SHEET AT 31 DECEMBER 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	6	<u>8,232,592</u>	<u>8,718,940</u>
<b>Debtors</b>			
Debtors arising out of direct insurance operations - policyholders		24,530	35,541
Other debtors		<u>12,431</u>	<u>-</u>
		<u>36,961</u>	<u>35,541</u>
<b>Other assets</b>			
Tangible assets	7	831,879	550,036
Cash at bank and in hand		<u>813,065</u>	<u>770,912</u>
		<u>1,644,944</u>	<u>1,320,948</u>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs		19,621	15,320
Other prepayments and accrued income		<u>22,617</u>	<u>24,748</u>
		<u>42,238</u>	<u>40,068</u>
<b>Total assets</b>		<u><u>9,956,735</u></u>	<u><u>10,115,497</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 2007 (CONTINUED)**

	Note	2007 £	2006 £
<b>Liabilities</b>			
<b>Capital and reserves</b>			
General reserve	8	7,766,575	7,102,290
Unrealised investment reserve	8	1,620,776	2,679,529
Revaluation reserve	8	267,100	-
		<u>9,654,451</u>	<u>9,781,819</u>
<b>Technical provisions</b>			
Provision for unearned premiums		126,655	130,214
Claims outstanding	9	99,618	116,206
		<u>226,273</u>	<u>246,420</u>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		-	16,437
Other creditors including taxation and social security	10	28,885	31,922
		<u>28,885</u>	<u>48,359</u>
<b>Accruals and deferred income</b>		<u>47,126</u>	<u>38,899</u>
<b>Total liabilities</b>		<u><u>9,956,735</u></u>	<u><u>10,115,497</u></u>

The financial statements were approved by the Board of Management on 13 March 2008

H F J Fowler



Deputy Chairman

Mrs J V Turley



Treasurer

M W H Gilbert



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 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Net cash outflow from operating activities</b>	<b>11</b>	<b>(312,159)</b>	<b>(184,661)</b>
<b>Taxation</b>		<b>(28,831)</b>	<b>(37,245)</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(40,969)	(21,757)
Proceeds on sale of tangible fixed assets		4,500	11,259
<b>Net cash outflow from capital expenditure</b>		<b>(36,469)</b>	<b>(10,498)</b>
<b>Net cash outflows</b>	<b>12</b>	<b>(377,459)</b>	<b>(232,404)</b>
<b>Cashflows were invested as follows</b>			
Increase in cash holdings		42,153	83,314
<b>Net portfolio investments</b>			
Purchases		2,472,170	1,538,016
Sales		(2,891,782)	(1,853,734)
<b>Net investment of cash flows</b>		<b>(377,459)</b>	<b>(232,404)</b>

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 2007**

**1 CLAIMS INCURRED**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Claims paid	<b>(1,396,707)</b>	<b>(1,345,389)</b>
Claims handling expenses paid	<b>(152,610)</b>	<b>(187,492)</b>
	<b>(1,549,317)</b>	<b>(1,532,881)</b>
Change in provision for claims handling costs	<b>3,966</b>	<b>(4,927)</b>
Change in claims provision	<b>12,622</b>	<b>(25,836)</b>
	<b>16,588</b>	<b>(30,763)</b>
Total	<b>(1,532,729)</b>	<b>(1,563,644)</b>

**2 INVESTMENT RETURN**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Investment Income</b>		
Listed securities	<b>271,516</b>	<b>272,472</b>
Bank and other interest	<b>39,918</b>	<b>21,028</b>
Gain on realisation of investments	<b>992,017</b>	<b>450,604</b>
	<b>1,303,451</b>	<b>744,104</b>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**3 BOARD MEMBERS AND EMPLOYEES**

Staff costs during the year were as follows

	2007 £	2006 £
Wages and salaries	344,454	331,693
Social security costs	34,412	31,776
Other pension costs	73,351	65,548
	<u>452,217</u>	<u>429,017</u>

The average number of employees of the Association during the year was 15 (2006 16) all of whom were engaged in administration, except for 2 employees (2006 2) who were engaged in selling

Emoluments in respect of Board Members were £26,042 (2006 £27,409) None of the Board Members participated in the Association's pension schemes

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

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

	2007 £	2006 £
Depreciation	26,226	41,473
Auditors' remuneration (including irrecoverable VAT)		
- audit services	13,219	15,569
- other services	3,290	5,401
	<u>42,735</u>	<u>62,443</u>



**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**5 TAXATION**

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

	2007 £	2006 £
UK Corporation tax at 19% (2006 19%)	(12,431)	3,045
Tax attributable to franked investment income	16,400	19,009
Adjustment in respect of prior periods	9,386	(1,701)
Total current tax and tax charge for the year	<u>13,355</u>	<u>20,353</u>

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

	2007 £	2006 £
(Deficit)/surplus before tax	<u>(381,113)</u>	<u>677,653</u>
(Deficit)/surplus before tax multiplied by standard rate of UK corporation tax of 19% (2006 19%)	(72,411)	126,854
Effect of		
Expenses not deductible for tax	2,316	2,681
Capital allowances in excess of depreciation	(1,334)	641
Movement in short term timing differences	-	(9,012)
Increase in/(utilisation of) tax losses	96,748	(81,516)
Dividends tax treatment	(21,350)	(17,220)
Adjustment to tax charge of prior years	9,386	(1,701)
Marginal rate relief	-	(375)
Rounding	-	1
Current tax charge for the year	<u>13,355</u>	<u>20,353</u>

The company has unrelieved tax losses carried forward of approximately £1,360,000 (2006 £850,000)  
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 2007**

**6 INVESTMENTS OTHER FINANCIAL INVESTMENTS**

	2007 £	2006 £
Cost	6,611,876	6,039,471
Excess of market value over cost	1,620,716	2,679,469
Market value	<u>8,232,592</u>	<u>8,718,940</u>

All of the investments are listed on the UK stock exchange except for £398 (2006 £398) which is an unlisted security

**7 TANGIBLE FIXED ASSETS**

	Freehold property £	Furniture and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2007	535,000	127,912	62,941	725,853
Additions	-	16,922	24,047	40,969
Disposals	-	(47,946)	(19,848)	(67,794)
Surplus on revaluation	235,000	-	-	235,000
At 31 December 2007	770,000	96,888	67,140	934,028
Depreciation				
At 1 January 2007	32,100	97,047	46,670	175,817
Provided in the year	-	19,356	6,870	26,226
Eliminated on disposals	-	(47,946)	(19,848)	(67,794)
Eliminated on revaluation	(32,100)	-	-	(32,100)
At 31 December 2007	-	68,457	33,692	102,149
Net book amount at 31 December 2007	<u>770,000</u>	<u>28,431</u>	<u>33,448</u>	<u>831,879</u>
Net book amount at 31 December 2006	<u>502,900</u>	<u>30,865</u>	<u>16,271</u>	<u>550,036</u>

The freehold property was revalued at open market value in December 2007. The valuation was made by a firm of independent chartered surveyors.

If the freehold property had not been revalued it would have been included at a cost of £615,436 (2006 £615,436) with a net book amount of £487,375 (2006 £499,683).

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**8 RESERVES**

	<b>General reserve £</b>	<b>Unrealised investment reserve £</b>	<b>Revaluation reserve £</b>	<b>Total £</b>
<b>2007</b>				
Balance at 1 January 2007	7,102,290	2,679,529	-	9,781,819
Revaluation of property	-	-	267,100	267,100
Retained surplus/(deficit) for the financial year	664,285	(1,058,753)	-	(394,468)
At 31 December 2007	<u>7,766,575</u>	<u>1,620,776</u>	<u>267,100</u>	<u>9,654,451</u>
<b>2006</b>				
Balance at 1 January 2006	6,973,532	2,160,987	-	9,134,519
Retained surplus for the financial year	128,758	518,542	-	647,300
At 31 December 2006	<u>7,102,290</u>	<u>2,679,529</u>	<u>-</u>	<u>9,781,819</u>

**9 CLAIMS OUTSTANDING**

	<b>2007 £</b>	<b>2006 £</b>
Notified outstanding claims	89,687	102,309
Claims handling expenses	9,931	13,897
	<u>99,618</u>	<u>116,206</u>

**10 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	<b>2007 £</b>	<b>2006 £</b>
Corporation tax	-	3,045
Social security and other taxes	28,885	28,877
	<u>28,885</u>	<u>31,922</u>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**11 NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2007 £	2006 £
(Deficit)/surplus of income over expenditure before taxation	(381,113)	667,653
Depreciation	26,226	41,473
(Profit)/loss on disposal of fixed assets	(4,500)	82
Realised and unrealised investment losses/(gains)	66,736	(969,146)
Change in debtors	8,841	49,833
Change in technical provisions	(20,147)	21,824
Change in creditors	(8,202)	3,620
Net cash outflow from operating activities	<u>(312,159)</u>	<u>(184,661)</u>

**12 MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING**

	2007 £	2006 £
Net cash inflow for year	42,153	83,314
Cash outflow from portfolio investments	(419,612)	(315,718)
Movements arising from cashflows	(377,459)	(232,404)
Changes in market values	(66,736)	969,146
Total movement in portfolio investments net of financing	(444,195)	736,742
Portfolio at 1 January 2007	9,489,852	8,753,110
Portfolio at 31 December 2007	<u>9,045,657</u>	<u>9,489,852</u>

**13 MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING**

	At 1 January 2007 £	Cash flow £	Change in market values £	At 31 December 2007 £
Cash in hand and at bank	770,912	42,153	-	813,065
Portfolio investments	8,718,940	(419,612)	(66,736)	8,232,592
	<u>9,489,852</u>	<u>(377,459)</u>	<u>(66,736)</u>	<u>9,045,657</u>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**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

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**REVENUE ACCOUNT (FOR MANAGEMENT PURPOSES ONLY)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>MEDICAID</b>				
Subscriptions receivable	869,663		838,546	
Benefits payable	(678,653)		(641,327)	
Underwriting surplus		191,010		197,219
<b>MEDICARE</b>				
Subscriptions receivable	677,430		687,109	
Benefits payable	(705,432)		(729,898)	
Underwriting deficit		(28,002)		(42,789)
<b>TOTAL UNDERWRITING SURPLUS</b>		<b>163,008</b>		<b>154,430</b>
<b>ADMINISTRATION COSTS</b>				
Operating costs (note 1)	93,104		98,935	
Premises and equipment costs (note 2)	115,317		117,932	
Staffing costs	489,897		452,833	
Sales and marketing costs	57,410		44,235	
Total administration costs		(755,728)		(713,935)
<b>OPERATING DEFICIT</b>		<b>(592,720)</b>		<b>(559,505)</b>
Investment income	311,434		293,500	
Gain on realisation of investments	992,017		450,604	
Donation to Medical Charities Trust	(10,000)		(10,000)	
Investment charges	(31,358)		(25,625)	
	1,262,093		708,479	
Taxation	(13,355)		(20,353)	
<b>INVESTMENT SURPLUS</b>		<b>1,248,738</b>		<b>688,126</b>
<b>OVERALL SURPLUS ON OPERATIONS</b>		<b>656,018</b>		<b>128,621</b>
<b>Adjustments for Companies Act compliance</b>				
Unrealised (losses)/gains on investments and investment properties through revenue account (appropriated to Unrealised investment reserve)		(1,058,753)		518,542
Changes to claims handling and deferred acquisition costs provisions		8,267		137
<b>ADJUSTED (DEFICIT)/SURPLUS</b>		<b>(394,468)</b>		<b>647,300</b>

**THIS PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS**

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION**

**NOTES TO THE REVENUE ACCOUNT (FOR MANAGEMENT PURPOSES ONLY)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>1 Operating costs</b>		
Printing and stationery	13,264	18,694
Postage and telephone	17,002	22,735
Travelling expenses	2,911	1,204
Hotels and entertainment	4,493	3,304
Insurance	7,007	3,828
Audit fee	13,219	15,569
Professional charges	18,733	18,313
Sundry expenses	4,595	5,103
Bank charges	11,880	10,185
	<u>93,104</u>	<u>98,935</u>
<b>2 Premises and equipment costs</b>		
Rent and rates	15,673	15,712
Maintenance of property	6,893	5,733
Maintenance of equipment	6,574	8,973
IT support and maintenance	43,301	25,082
Fuel, light and cleaning	17,915	12,503
Motor vehicle expenses	3,235	8,374
Depreciation and amortisation	26,226	41,473
(Profit)/loss on sale of fixed assets	(4,500)	82
	<u>115,317</u>	<u>117,932</u>

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