



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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1996

Company no. 515058

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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Company Registration Number: 515058

A company limited by guarantee not having a share capital

Registered Office: 14 St Cuthbert's Street  
Bedford

Vice President: J L Dickinson, CBE.DL.

Chairman: P Beck, FCCA.

Medical Advisor: Dr M S Harvey

Treasurer: D L Edwards, FCA.

Chief Executive and Secretary: M W H Gilbert, B.Com.

Bankers: The Royal Bank of Scotland plc

Solicitors: C C Bell & Son

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**


**NOTICE OF ANNUAL GENERAL MEETING**

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NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting of members of the Association will be held at 14 St Cuthbert's Street, Bedford on 13 June 1997 at 6.30pm for the following purposes:

- 1 To receive the Minutes of the Forty-Third Annual General Meeting which were confirmed by the Board of Management at its meeting on 14 June 1996 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 1996.
- 3 To receive the Report of the Board of Management for the year ended 31 December 1996.
- 4 To appoint for the ensuing year in accordance with Article 32:
  - i Treasurer of the Association
  - ii Medical Advisor
- 5 To re-elect to the Board of Management the following Member retiring in accordance with Articles 40 and 41.  
  
M Large Esq.
- 6 To elect Mrs J Turley as a Co-opted Member of the Association in accordance with Article 5 and as a Member of the Board of Management.
- 7 To appoint the Auditors and authorise the Board of Management to fix their remuneration.

BY ORDER OF THE BOARD



M W H Gilbert  
Secretary

8 May 1997

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 LIMITED

### 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 1996.

#### Aims and objects 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.

#### Business Review

There was a surplus of income over expenditure for the year after taxation amounting to £240,807.

#### Members of the Board during the year ended 31 December 1996

The Rt. Hon. The Lord Luke of Pavenham		
KCVO. TD. DL.	(died 25.5.1996)	: President
L G Bowles Esq. DL.	(died 1.8.1996)	: Vice President
J L Dickinson Esq. CBE.,DL.		: Vice President
P Beck Esq., FCCA.		: Chairman
K D Lazenby Esq		: Deputy Chairman
D L Edwards Esq. FCA.		: Treasurer
Dr M S Harvey		: Medical Advisor
E F Barcock Esq	(retired 14.6.1996)	
D C Barker Esq. JP. FBS.		
J D Britten Esq. FCIS.		
N H Carver Esq. ACIS. ACMA.	(died 7.3.97)	
D Fensome Esq		
H F J Fowler Esq		
S Gonshor Esq	(retired 12.12.1996)	
M B Large Esq		
K G Rose Esq	(retired 14.6.1996)	

## **PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

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

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

Company law requires the Members of the Board of Management of the Association to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records, for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Overview**

The 1996 results continue to justify the PHS strategy of placing emphasis on Health Care Insurance (HCI) rather than Private Medical Insurance (PMI). Medicaid, the HCI scheme operated by PHS, is now growing in real terms for the first time for many years as a result of this strategy. On the other hand private medicine and its associated insurance remain deeply troubled sectors, the problems of which were highlighted by the report of the Office of Fair Trading in 1996. Although opposed by some insurers, the OFT recommendations were entirely in line with PHS thinking and received the Association's full support.

#### **Staff**

New products, the development of new technology and, worryingly, the increasing bureaucratic burdens imposed by Government represented a high workload in 1996 to which PHS staff responded in their usual enthusiastic and determined fashion. The Board is, as ever, delighted to record its thanks for their efforts.

#### **Charitable donations**

The Association has continued to support the activities of the Medical Charities Trust, donating £5,320 under Gift Aid in 1996 (1995: £5,250). The Trustees report that donations totalling £6,757 (1995: £12,660) were made during the year to NHS hospitals and medical charities.

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

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

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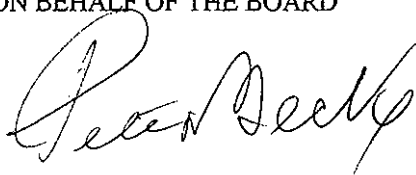
**Interests of Members of the Board**

At no time during the year did any of the Members have a material interest in a significant contract of the Association.

**Auditors**

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

ON BEHALF OF THE BOARD



P BECK

Chairman of the Board  
of Management

8 May 1997

Registered Office:

14 St Cuthbert's Street  
Bedford

Registration No: 515058

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 6 and 7.

**Respective responsibilities of the Board of Management of the Association and of the auditors**

As described on page 3 the Members of the Board of Management are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

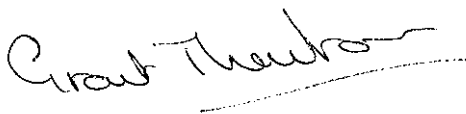
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 Members of the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 of the state of affairs of the Association at 31 December 1996 and of its surplus of income over expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON  
Registered Auditors  
Chartered Accountants  
BEDFORD

9 May 1997.



## **PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. In addition the company has adopted all material recommendations of the revised Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers in December 1995. The principal accounting policies of the company have remained unchanged from the previous year.

The financial statements are drawn up in accordance with 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.

#### **BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the regulations.

The annual basis of accounting has been used and contributions 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 1996.

Premiums exclude insurance premium tax. The amount of this tax due by the company which has not been paid over to Customs and Excise 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 has been calculated on a statistical basis and relates to premiums received but not yet earned.

#### **OUTSTANDING CLAIMS**

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims.

Full provision is made on an individual case basis for the cost of claims paid in the 3 months after the year end but relating to the financial year reported on.

#### **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.

## **PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

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#### **CONTRIBUTIONS TO PENSION FUNDS**

##### **Defined Contribution Schemes**

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

#### **DEPRECIATION**

Depreciation is calculated to write down the cost 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 and long leasehold buildings	-	2% per annum
Short leasehold buildings	-	term of lease
Furniture and equipment	-	20% per annum
Motor vehicles	-	25% per annum

#### **INVESTMENTS AND INVESTMENT INCOME**

Investments are included at market value. The difference between market value and cost has been taken to the revaluation reserve.

Income from investments is included, together with the related tax credit in the non-technical account on an accruals basis. Account is taken of dividend income when the related investment goes "ex-dividend".

#### **DEFERRED TAX**

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Revenue account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the Revenue account on a straight line basis over the lease term.

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

REVENUE ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £	1996 £	1995 £	1995 £
<b>Earned premiums</b>				
Gross premiums written	2,193,469		2,228,033	
Change in gross provision for unearned premiums	4,591		(12,973)	
	<u>          </u>	2,198,060	<u>          </u>	2,215,060
<b>Claims incurred</b>				
Claims paid	1,772,994		1,893,802	
Change in provision for claims	(17,594)		20,340	
	<u>          </u>	1,755,400	<u>          </u>	1,914,142
Rebates		22,592		13,574
Acquisition costs		141,289		123,514
Changes in deferred acquisition costs		(1,247)		798
Administration expenses		252,385		215,126
		<u>          </u>		<u>          </u>
<b>Total balance on technical account for general business</b>		<u>27,641</u>		<u>(52,094)</u>

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 LIMITED**

**REVENUE ACCOUNT (CONTINUED)**

**NON-TECHNICAL ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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	<b>Note</b>	<b>1996 £</b>	<b>1995 £</b>
Balance on the general business technical account		27,641	(52,094)
Investment income	1	312,988	264,462
Investment expenses and charges		(2,808)	(3,817)
Charitable donations		(5,320)	(5,250)
<b>Surplus of income over expenditure on ordinary activities before taxation</b>	3	332,501	203,301
Taxation	4	(91,694)	(52,830)
<b>Surplus of income over expenditure on ordinary activities after taxation, retained</b>	8	<u>240,807</u>	<u>150,471</u>

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

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Surplus of income over expenditure for the financial year	240,807	150,471
Unrealised gain on listed investments	334,646	743,184
Movement on deferred tax provision	(58,682)	(196,978)
Surplus on revaluation of land and buildings	-	16,309
Total recognised gains and losses for the year	<u>516,771</u>	<u>712,986</u>

**NOTES ON HISTORICAL COST INCOME AND EXPENDITURE**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Surplus of income over expenditure on ordinary activities before tax	332,501	203,301
Realisation of revaluation gains of previous years	183,440	169,840
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	409	(3,680)
<b>Historical cost surplus of income over expenditure on ordinary activities before tax</b>	<u>516,350</u>	<u>369,461</u>
Historical cost surplus of income over expenditure retained	<u>416,033</u>	<u>279,413</u>

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

• **PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**BALANCE SHEET**

AT 31 DECEMBER 1996

	Note	1996 £	1995 £
<b>Assets</b>			
<b>Investments</b>			
Land and buildings	5	668,780	681,000
Other financial investments	6	5,356,375	4,377,692
		<u>6,025,155</u>	<u>5,058,692</u>
<b>Debtors</b>			
Debtors arising out of direct insurance operations - policyholders		<u>117,041</u>	<u>106,300</u>
<b>Other assets</b>			
Tangible assets	7	63,246	86,701
Cash at bank and in hand		1,049,757	1,480,568
		<u>1,113,003</u>	<u>1,567,269</u>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs		11,665	10,418
Other prepayments and accrued income		6,927	5,450
		<u>18,592</u>	<u>15,868</u>
<b>Total assets</b>		<u><u>7,273,791</u></u>	<u><u>6,748,129</u></u>

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



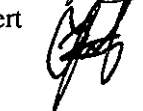
**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**BALANCE SHEET (CONTINUED)**

AT 31 DECEMBER 1996

<b>Liabilities</b>	<b>Note</b>	<b>1996 £</b>	<b>1995 £</b>
<b>Capital and reserves</b>			
General reserve	8	4,224,102	3,808,478
Revaluation reserve	8	1,955,617	1,854,470
		<u>6,179,719</u>	<u>5,662,948</u>
<b>Technical provisions</b>			
Provision for unearned premiums		179,606	184,197
Claims outstanding	9	153,522	172,885
		<u>333,128</u>	<u>357,082</u>
<b>Provisions for other risks and charges</b>	10	638,657	588,598
<b>Creditors</b>			
Creditors arising out of direct insurance operations		14,154	37,903
Other creditors including taxation and social security	11	88,482	84,514
		<u>102,636</u>	<u>122,417</u>
<b>Accruals and deferred income</b>		19,651	17,084
<b>Total liabilities</b>		<u><u>7,273,791</u></u>	<u><u>6,748,129</u></u>

The financial statements were approved by the Board of Management on 8 May 1997

P Beck		-	Chairman
D L Edwards		-	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 LIMITED**

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
<b>Net cash inflow from underwriting activities</b>	12	16,018	46,059
<b>Returns on investments and servicing of finance</b>			
Interest received		78,266	81,330
Interest paid		(2,808)	(3,817)
Income from listed securities		159,812	150,206
Rent received		-	2,359
<b>Net cash inflow from returns on investments and servicing of finance</b>		235,270	230,078
<b>Taxation</b>			
Corporation tax paid		(92,317)	(55,048)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(24,324)	(20,595)
Purchase of investments		(1,080,411)	(348,465)
Sale of investments - proceeds		505,353	340,379
Sale of tangible fixed assets - proceeds		9,600	-
<b>Net cash outflow from investing activities</b>		(589,782)	(28,681)
<b>(Decrease)/increase in cash and cash equivalents</b>	13	(430,811)	192,408

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



**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

**1 INVESTMENT INCOME**

	1996 £	1995 £
Income from land and buildings	5,931	2,359
Listed securities	159,812	150,206
Bank and other interest	78,266	81,330
Gain on realisation of investments	68,979	30,567
	<u>312,988</u>	<u>264,462</u>

**2 BOARD MEMBERS AND EMPLOYEES**

Staff costs during the year were as follows:

	1996 £	1995 £
Wages and salaries	293,847	264,177
Social security costs	24,739	23,056
Other pension costs	6,076	3,791
	<u>324,662</u>	<u>291,024</u>

The average number of employees of the Association during the year was 23 (1995: 21) all of whom were engaged in administration.

Remuneration in respect of Board members was as follows:

	1996 £	1995 £
Management remuneration	<u>9,600</u>	<u>1,300</u>

**3 SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION**

Surplus of income over expenditure before taxation is stated after:

	1996 £	1995 £
Depreciation and amortisation	50,900	53,053
Auditors' remuneration	7,650	7,650
Hire of equipment	3,963	3,956
Vehicle leasing	1,464	-
Hire purchase interest	2,808	3,817
	<u>66,785</u>	<u>68,476</u>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

**4 TAXATION**

The taxation charge is based on the Association's investment income for the year and is made up as follows:

	1996 £	1995 £
Corporation tax at 33% (1995: 33%)	68,000	61,750
Movement on deferred tax provision relating to investments sold in the year	(8,623)	(37,218)
Tax attributable to franked investment income	32,015	31,875
Adjustment re prior years	302	(3,577)
	<u>91,694</u>	<u>52,830</u>

**5 INVESTMENTS: LAND AND BUILDINGS**

	Freehold property £	Long leasehold £	Short leasehold £	Total £
Cost or valuation At 1 January 1996 and 31 December 1996	<u>646,000</u>	<u>35,000</u>	<u>3,000</u>	<u>684,000</u>
Depreciation At 1 January 1996	-	-	3,000	3,000
Charge for the year	11,520	700	-	12,220
At 31 December 1996	<u>11,520</u>	<u>700</u>	<u>3,000</u>	<u>15,220</u>
Net book value at 31 December 1996	<u>634,480</u>	<u>34,300</u>	<u>-</u>	<u>668,780</u>
Net book value at 31 December 1995	<u>646,000</u>	<u>35,000</u>	<u>-</u>	<u>681,000</u>

Freehold property consists of two buildings. One is occupied by the Association with a net book value of £507,646. The second was formerly occupied by the Association and is currently for sale.

The land and buildings were revalued at open market value in December 1995. These valuations were made by Douglas & Co, a firm of independent Chartered Surveyors. In the opinion of the Board these values have not materially altered since then.

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

**5 INVESTMENTS: LAND AND BUILDINGS (CONTINUED)**

If land and buildings had not been revalued they would have been included at the following amounts:

	Freehold property £	Long leasehold £	Short leasehold £
Cost	631,436	10,000	3,000
Accumulated depreciation	(49,429)	-	(3,000)
Net book amount at 31 December 1996	<u>582,007</u>	<u>10,000</u>	<u>-</u>
Net book amount at 31 December 1995	<u>594,636</u>	<u>10,000</u>	<u>-</u>

**6 INVESTMENTS: OTHER FINANCIAL INVESTMENTS**

	1996 £	1995 £
Cost	2,865,978	2,038,501
Revaluation	2,490,397	2,339,191
Market value	<u>5,356,375</u>	<u>4,377,692</u>

All of the above are listed on the UK stock exchange except for £398 (1995: £398) being an unlisted security.

**7 TANGIBLE FIXED ASSETS**

	Motor vehicles £	Furniture and equipment £	Total £
Cost			
At 1 January 1996	70,280	97,816	168,096
Additions	12,300	12,024	24,324
Disposals	(29,460)	-	(29,460)
At 31 December 1996	<u>53,120</u>	<u>109,840</u>	<u>162,960</u>
Depreciation			
At 1 January 1996	35,761	45,634	81,395
Provided in the year	17,896	20,784	38,680
Disposals	(20,361)	-	(20,361)
At 31 December 1996	<u>33,296</u>	<u>66,418</u>	<u>99,714</u>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

**7 TANGIBLE FIXED ASSETS (CONTINUED)**

	Motor vehicles £	Furniture and equipment £	Total £
Net book amount at 31 December 1996	19,824	43,422	63,246
Net book amount at 31 December 1995	34,519	52,182	86,701

The figures stated above for motor vehicles all relate to assets held under finance leases and similar hire purchase contracts.

**8 RESERVES**

	Revaluation reserve £	General reserve £	Total £
At 1 January 1995	1,424,578	3,525,384	4,949,962
Transfer from revenue account	-	150,471	150,471
Unrealised investment gain	743,184	-	743,184
Realised investment gain	(132,623)	132,623	-
Change in deferred tax provision	(196,978)	-	(196,978)
Surplus on revaluation of land and buildings	16,309	-	16,309
At 1 January 1996	1,854,470	3,808,478	5,662,948
Transfer from revenue account	-	240,807	240,807
Unrealised investment gain	334,646	-	334,646
Realised investment gain	(174,817)	174,817	-
Changes in deferred tax provision	(58,682)	-	(58,682)
At 31 December 1996	1,955,617	4,224,102	6,179,719

**9 CLAIMS OUTSTANDING**

	1996 £	1995 £
Notified outstanding	139,727	157,322
Claims handling expenses	13,795	15,563
	153,522	172,885

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

10 PROVISIONS FOR OTHER RISKS AND CHARGES

	Deferred taxation	
	1996	1995
	£	£
At 1 January 1996	588,598	428,838
Movement of unrealised gains	58,682	196,978
Deferred tax relating to investments sold during the year transferred to revenue account	(8,623)	(37,218)
At 31 December 1996	<u>638,657</u>	<u>588,598</u>

The deferred tax provision relates to the unrealised gains on investments and is calculated at 33% (1995: 33%).

11 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1996	1995
	£	£
Social security and other taxes	12,230	9,278
Amounts due under finance leases and similar hire purchase contracts	8,252	15,236
Corporation tax	68,000	60,000
	<u>88,482</u>	<u>84,514</u>

Amounts due under finance lease and similar hire purchase contracts are repayable as follows:

	1996	1995
	£	£
Within one year	7,820	13,258
After one and within two years	432	1,978
	<u>8,252</u>	<u>15,236</u>

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

**12 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Balance on the technical account - general business	28,252	(57,344)
Depreciation	50,900	53,053
(Decrease)/increase in technical provision	(23,954)	33,401
(Increase)/decrease in technical debtor	(10,741)	20,214
(Increase)/decrease in prepayments and accrued income	(2,724)	4,602
Decrease in technical creditors	(27,781)	(12,625)
Increase in accruals and deferred income	2,567	4,758
Profit on sale of tangible assets	(501)	-
<b>Net cash inflow from operating activities</b>	<b>16,018</b>	<b>46,059</b>

**13 CHANGES IN CASH AND CASH EQUIVALENTS**

	1996 £	1995 £
Balance at 1 January 1996	1,480,568	1,288,160
Net cash (outflow)/inflow	(430,811)	192,408
<b>Balance at 31 December 1996</b>	<b>1,049,757</b>	<b>1,480,568</b>

Cash and cash equivalents comprise:

	1996 £	1995 £	1994 £	Change in year	
				1996 £	1995 £
Cash at bank and in hand	1,049,757	1,480,568	1,288,160	(430,811)	192,408

**14 CONTINGENT LIABILITIES**

	1996 £	1995 £
Policyholders Protection Act Levy	22,000	22,000

**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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**15 FINANCIAL COMMITMENTS**

The Association has property rental commitments of £4,000 per annum (1995: £4,000).

**16 PENSION**

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 LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 1996**

	£	1996 £	£	1995 £
<b>MEDICAID</b>				
Subscriptions receivable	1,514,756		1,508,488	
Benefits payable	(966,512)		(983,288)	
	<u>          </u>		<u>          </u>	
Underwriting surplus		548,244		525,200
 <b>MEDICARE</b>				
Subscriptions receivable	660,712		692,998	
Benefits payable	(632,317)		(758,451)	
	<u>          </u>		<u>          </u>	
Underwriting surplus/(deficit)		28,395		(65,453)
 <b>TOTAL UNDERWRITING SURPLUS</b>		<u>576,639</u>		<u>459,747</u>
 <b>ADMINISTRATION COSTS</b>				
Operating costs	94,043		91,982	
Premises and equipment costs	99,782		98,277	
Staffing costs	324,662		292,014	
Sales and marketing costs	26,461		14,786	
Other underwriting costs	5,000		16,510	
	<u>          </u>		<u>          </u>	
Total administration costs		(549,948)		(513,569)
 <b>OPERATING SURPLUS/(DEFICIT)</b>		<u>26,691</u>		<u>(53,822)</u>
 Investment income	238,078		231,536	
Gain on realisation of investments	252,419		200,407	
International insurance commission	556		1,156	
Donation to Medical Charities Trust	(5,320)		(5,250)	
Profit on disposal of assets	501		-	
	<u>486,234</u>		<u>427,849</u>	
 Taxation	(100,317)		(90,048)	
 <b>INVESTMENT SURPLUS</b>		<u>385,917</u>		<u>337,801</u>
 <b>OVERALL SURPLUS ON PREVIOUS BASIS</b>		<u>412,608</u>		<u>283,979</u>
 <b>Adjustments for new Companies Act compliance</b>				
Taxation		8,623		37,218
Changes to claims provision and deferred acquisition costs		3,016		(886)
Gain not through Revenue account		(183,440)		(169,840)
		<u>240,807</u>		<u>150,471</u>
		=====		=====



**PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED****REVENUE ACCOUNT (FOR MANAGEMENT PURPOSES ONLY) (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £	1995 £
<b>Operating costs</b>		
Printing and stationery	13,432	23,461
Postage and telephone	21,560	20,637
Fuel, light and cleaning	14,131	13,546
Travelling expenses	5,519	4,722
Hotels and entertainment	3,879	3,481
Insurance	6,975	7,060
Audit fee	9,259	8,989
Professional charges	15,220	5,155
Sundry expenses	4,068	4,931
	<u>94,043</u>	<u>91,982</u>
<b>Premises and equipment costs</b>		
Rent and rates	17,721	21,442
Maintenance of property	5,624	6,260
Maintenance of equipment	17,599	9,845
Motor vehicle expenses	3,666	3,860
Vehicle leasing	1,464	-
Depreciation and amortisation	50,900	53,053
Hire purchase interest	2,808	3,817
	<u>99,782</u>	<u>98,277</u>
<b>Other underwriting costs</b>		
Insurance Companies Act levy	5,000	10,750
Policyholders Protection Act levy	-	5,760
	<u>5,000</u>	<u>16,510</u>