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THE HOSPITAL SATURDAY FUND
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005





THE HOSPITAL SATURDAY FUND
A Company Limited by Guarantee No. 30869
Founded in 1873 Incorporated 1890

Officers and Advisers 2004– 2005

<i>President</i>	The Right Honourable The Lord Mayor of London	
<i>Vice-Presidents</i>	The Right Honourable The Earl of Meath The Right Honourable The Lord Provost of Glasgow The Right Honourable The Lord Mayor of Dublin The Right Honourable The Lord Mayor of Belfast Mr K Fleming Roberts MWI	
<i>Life Members</i>	Mr F Barnes Mr T A Botly Miss D O Denton JP Mr L I Fellman Mr P P Groat Miss D M C Harvey Mr J Greenwood Mr D Thomas	Miss I Racher Mrs P Shaw Mr E W Smith Mr W N Smith ACIS FIPPM Mr A F Tierney
<i>Chairman</i>	Dr I J Sawtell MB BS MSc MFOM BA Dip CII	
<i>Vice Chairman</i>	HSBC	
<i>Medical Adviser</i>	Unity Trust Bank Plc	
<i>Bankers</i>	UBS AG	
	Ulster Bank Limited	
	Bank of Ireland	
<i>Solicitors</i>	Iliffes Booth Bennett	
	Campbell Riddell Breeze Patterson	
	Eugene P Kearns	
<i>Auditors</i>	haysmacintyre, Chartered Accountants	
<i>Investment Managers</i>	Carr Sheppards Crosthwaite	
<i>Chief Executive</i>	Mr K R Bradley MCMI	
<i>Head Office</i>	24 Upper Ground LONDON SE1 9PD Telephone: 020 7928 6662 Fax: 020 7928 0446 E-mail: marketing@hsf.eu.com	
<i>National Offices</i>	Olympic House Suite D, 5 th Floor 142 Queen Street GLASGOW G1 3BU Telephone: 0141 221 1711 Fax: 0141 248 3992 E-mail: glasgow@hsf.eu.com	Clare Road Mall Clare Road ENNIS Co. Clare, Ireland Telephone: 065 686 2500 Fax: 065 686 2504 E-mail: info@hsf.eu.com

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 March 2005

BOARD OF DIRECTORS 2004- 2005

Chairman: Mr J Greenwood

Executive:

Mr K R Bradley MCMI

Mr S R Duff

Mr P W Jackson MSc BA(Hons)

Non Executive:

Grp Capt T M Arnot OBE

Mr M J Boyle FCA

Mrs J L Dalton LLB (Hons)

Mr G R M Hind

Mr J Randel

Mr D Thomas

COMMITTEE MEMBERSHIP

Audit:

Mr M J Boyle – Chairman

Grp Capt T M Arnot

Mr J Greenwood

Human Resources:

Mr J Randel – Chairman

Mr K R Bradley

Mrs J L Dalton

Mr J Greenwood

Sales and Marketing:

Mr D Thomas – Chairman

Mr K R Bradley

Mr S R Duff

Mr G R M Hind

INTRODUCTION

The Board of Directors is pleased to present the 131st Annual Report and the audited Financial Statements for the year ended 31 March 2005.

BACKGROUND AND PRINCIPAL ACTIVITIES

The Hospital Saturday Fund, a Company Limited by Guarantee, is a health cash plan organisation. Founded in 1873, the Fund has adapted to the needs of the times, particularly since the National Health Service came into being in 1948. Contributors' interests are represented by Association Members who, in turn, elect the Honorary Officers and Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31 March 2005

CHARITABLE DONATIONS

The Fund continued to support the Hospital Saturday Fund Charitable Trust by donating the sum of £365,000 under Gift Aid.

CONTRIBUTION INCOME AND BENEFIT PAYMENTS

Total contributions (less Insurance Premium Tax) have increased by 5.1% to £15,420,558. Benefits payable (including Personal Injury premiums and helplines) increased by 5.7% to a total of £11,254,471. These benefits represented 73% of contribution income.

FIXED ASSETS

Changes in tangible fixed assets are shown in Note 10 of the financial statements

INVESTMENTS AND RESERVES

The market value of our investments increased from £6,563,409 to £9,645,508. This has arisen due to net additions of £2,495,799 and an unrealised gain of £586,300. The revenue surplus after taxation of £1,504,584 has increased the Fund's reserves to £13,189,085.

BOARD OF DIRECTORS

At the Association Meeting in April 2004 Mr John Greenwood was re-elected to serve for a fifth year as Chairman. Group Captain Tom Arnot was elected as a Non-Executive Director and Mr Graham Hind was re-elected, both for a three year term. At this meeting Mr Derek Sawers retired as a Director, having served for three years. The wide and varied expertise brought to Board meetings and Committee meetings by the Directors, both Executive and Non-Executive, continues to ensure that the organisation is managed efficiently. A further extensive annual review of the risk register was undertaken with the conclusion being reached again that working practices and procedures were entirely satisfactory. Board and Committee business plans were updated to reflect current and future activities.

INVESTOR IN PEOPLE / EXCELLENCE THROUGH PEOPLE

In June 2004 an *Investor in People* reassessment took place and the accreditation was renewed with very complimentary comments by the examiner. He was satisfied beyond any doubt that HSF continued to meet the requirements of the IiP national standard. Training forms an important part of the IiP standard and opportunities have been taken by members of staff to increase their knowledge and enhance their work performance.

Work continued during the year with the preparation for *Excellence Through People* recognition in late 2005.

THE STAFF

HSF has a good record in retaining staff and the Board was pleased to note that the percentage having served for over ten years would increase to 27% in 2005. A special anniversary celebrated in January 2005 was the 30 years' service of Mrs Sylvia Banfield, who became the second member of the current staff to reach this milestone. The number returning to work for HSF after having left increased to seven, making these representative of 13% of the workforce.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31 March 2005

SALES AND MARKETING

The total number of new contributors enrolled throughout the year was 13,700 across the UK and Ireland. This was slightly more than the previous year and the grand total at the year end was nearly 100,000. Just over 60 new companies were taken on which was 20% more than the previous year.

Brochures were updated during the year and now include all information required by the Financial Services Authority. Ongoing staff training has ensured that HSF has continued to be compliant with the Insurance Conduct of Business (ICOB) regulations.

Whilst the contributors who left us during the year were mainly from the lower value schemes, the new ones joined at the higher rates. The percentage of the membership paying £3/€4.25 per week and over continued to increase and is now at 66%. Company Group contributors represent 85% of the membership and Direct contributors 15%.

BEST HEALTH

The cash plan underwritten by HSF for the Benenden Healthcare Society being marketed under the title *Best Health* has continued to grow during the year, enrolling over 3,400 new contributors and making the total nearly 15,000 at the end of March 2005. These figures are in addition to those referred to for HSF in the Sales and Marketing paragraph above.

ANNUAL GENERAL MEETING 2004

Guildhall, London was the venue for this meeting which was held on 12th October. The Lord Mayor Elect of London, Alderman Michael Savory, was elected as President and the Vice Presidents elected were the Earl of Meath, the Lord Provost of Glasgow, the Lord Mayor of Dublin, the Lord Mayor of Belfast and Mr Keith Fleming Roberts. The guest speaker was Julie Spencer-Cingoz, Chief Executive of the British Institute for Brain Injured Children who gave a very informative talk about this national charity with a centre in Bridgwater, Somerset for children with sensory, physical and learning difficulties.

At this meeting the honour of Life Membership of the Association was awarded to Mr Trevor Botly, Mr Peter Groat, Miss Dorothy Harvey, Miss Iris Racher and Mr Archie Tierney. All had served for at least 18 years, and for some of the time as a Director.

CHARITABLE TRUST EVENT IN IRELAND

The health plan was pleased to be able to join with the HSF Charitable Trust in arranging a very different type of event in November 2004. In conjunction with two charities, *Caring for Carers* and *Clarecare*, the Glor Theatre in Ennis, Co Clare (the town where the HSF Ireland office is situated) was hired for the evening by the Charitable Trust and the three performers, including the well known singer, Luka Bloom, gave their services. This enabled all the tickets money to be donated to the two charities. It was a good publicity event for HSF, giving a further opportunity to gain some local awareness.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31 March 2005

NEW NAME

As mentioned last year, although not strictly in that year's activities, a new trading name for the Fund was registered in the UK in April 2004 – *HSF health plan*. Registration in Ireland followed in June 2004. This name has been welcomed by the staff, particularly those in sales, and much more clearly describes the nature of our business.

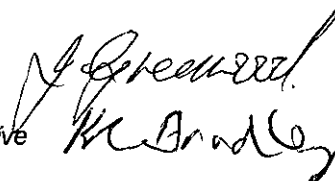
APPRECIATION

The Directors are pleased to have this opportunity to express their grateful thanks for the cooperation and assistance received during the year. Employers who operate payroll deduction facilities and allow recruitment on their premises provide invaluable help and ensure that HSF is able to operate simply and efficiently in a cost effective manner. The personal recommendation which existing contributors give to their work colleagues is also very much appreciated. Hospital staff continue to assist us by providing a vital service in validating our claim forms.

The Directors, both Executive and Non-Executive, are proud of the efficient service provided to contributors by all members of staff throughout the year. Everyone has made a valuable contribution to this year's achievements both in the UK and Ireland. This continues to give the Board confidence for the future of *HSF health plan*.

JOHN GREENWOOD, Chairman

KEITH R BRADLEY, Chief Executive



11th July 2005

HSF Mission Statement

Our Mission is: To be recognised as the number one Health Care Cash Plan provider in the UK and Ireland by offering the best value range of schemes and ensuring a first class service for every contributor.

THE HOSPITAL SATURDAY FUND

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE

ASSOCIATION OF THE HOSPITAL SATURDAY FUND

We have audited the financial statements of The Hospital Saturday Fund for the year ended 31 March 2005 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report 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 United Kingdom 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 directors 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 the company's affairs as at 31 March 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to insurance companies.


haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

11th July 2005

THE HOSPITAL SATURDAY FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	£	2005	£	£	2004	£
Technical account general business							
Earned premiums							
Gross premiums written		15,411,129			14,685,923		
Change in the gross provision for unearned premiums		9,429			(6,757)		
Gross premiums earned				15,420,558		14,679,166	
Less: reinsurance premiums				(843,460)		(876,911)	
Net premiums earned				14,577,098		13,802,255	
Allocated investment return transferred from the non-technical account							
				1,185,664		1,140,316	
Claims incurred							
Gross claims paid	3	(10,388,759)			(9,625,871)		
Change in the gross provision for claims outstanding		4,352			(104,494)		
				(10,384,407)		(9,730,365)	
Net operating expenses	5			(3,254,312)		(3,110,348)	
Investment expenses and charges				(39,966)		(33,770)	
Balance on the technical account for general business				2,084,077		2,068,088	
Non-technical account							
Investment income							
Income from other financial investments		237,480			171,514		
Interest receivable		192,712			206,142		
Realised gains - Other financial investments		169,172			188,899		
Unrealised gains - Other financial investments		586,300			495,765		
Realised gains - Land and buildings		-			77,996		
				1,185,664		1,140,316	
Allocated investment return transferred to the technical account							
				(1,185,664)		(1,140,316)	
Surplus on ordinary activities before tax	4			2,084,077		2,068,088	
Taxation	7			(579,493)		(583,430)	
Surplus for the year after tax				1,504,584		1,484,658	
General fund at 1 April				11,684,501		10,199,843	
General fund at 31 March				13,189,085		11,684,501	

The surplus on ordinary activities before taxation is wholly attributable to continuing activities. The Fund has no recognised gains or losses other than the surplus or deficit for the above years.

THE HOSPITAL SATURDAY FUND

BALANCE SHEET



AS AT 31 MARCH 2005

	Notes	2005		2004	
		£	£	£	£
ASSETS					
Investments					
Land and buildings	8	891,775		911,775	
Other financial investments	9	9,645,508		6,563,409	
			10,537,283		7,475,184
Debtors					
Debtors arising out of direct insurance operations:					
- policyholders		1,315,864		1,018,252	
- other debtors		138,586		134,482	
			1,454,450		1,152,734
Other Assets					
Tangible fixed assets	10	122,593		108,169	
Cash at bank and in hand		3,173,551		5,128,080	
			3,296,144		5,236,249
Prepayments and Accrued Income			99,696		112,289
TOTAL ASSETS			<u>15,387,573</u>		<u>13,976,456</u>
LIABILITIES					
General Fund			13,189,085		11,684,501
Technical Provisions					
Provision for unearned premiums		322,381		312,952	
Provision for claims outstanding		366,946		371,298	
			689,327		684,250
Provisions for Other Risks and Charges					
Provision for deferred taxation	11		574,433		671,757
Creditors					
Other creditors including taxation and social security			934,728		935,948
TOTAL LIABILITIES			<u>15,387,573</u>		<u>13,976,456</u>

Approved by the Directors on 11th July 2005

JOHN GREENWOOD, Chairman

KEITH R BRADLEY, Chief Executive

THE HOSPITAL SATURDAY FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	2005 £	2004 £
Reconciliation of surplus on ordinary activities before tax to net operating cash flows		
Surplus on ordinary activities before tax	2,084,077	2,068,088
Unrealised gains on other financial investments	(586,300)	(495,765)
Realised gains on other financial investments	(169,172)	(188,899)
Realised gains on land and buildings	-	(77,996)
Income from other financial investments and cash	(430,192)	(377,656)
	<u>898,413</u>	<u>927,772</u>
Depreciation	87,098	119,755
(Increase)/decrease in contributions due and other debtors	(289,123)	26,168
(Decrease)/increase in benefit claims and other creditors	(153,120)	156,970
	<u>543,268</u>	<u>1,230,665</u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	543,268	1,230,665
Returns on investments and servicing of finance (Note A)	430,192	377,656
Capital expenditure (Note A)	(81,522)	(50,576)
Taxation	(519,840)	-
	<u>372,098</u>	<u>1,557,745</u>
Cash flows were invested as follows:		
(Decrease)/increase in cash holdings	(1,954,529)	1,732,250
Net investments (Note A)	2,326,627	(174,505)
	<u>372,098</u>	<u>1,557,745</u>
Net cash flow for the period (Note B)		
Cash flow	(1,954,529)	1,732,250
Net investments	2,326,627	(174,505)
	<u>372,098</u>	<u>1,557,745</u>
Movement arising from cash flows	372,098	1,557,745
Changes in market value	735,472	708,308
	<u>1,107,570</u>	<u>2,266,053</u>
Total movement in cash and investments	1,107,570	2,266,053
Investments and cash at 1 April 2004	12,603,264	10,337,211
	<u>13,710,834</u>	<u>12,603,264</u>
Investments and cash at 31 March 2005	13,710,834	12,603,264

THE HOSPITAL SATURDAY FUND

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

A GROSS CASH FLOWS

	2004 £	2004 £
Returns on investments and servicing of finance		
Income received from other financial investments	237,480	171,514
Interest received	192,712	206,142
	<u>430,192</u>	<u>377,656</u>
Capital Expenditure		
Purchases of tangible fixed assets	(81,522)	(56,904)
Sales of tangible fixed assets	-	6,328
	<u>(81,522)</u>	<u>(50,576)</u>
Investments		
Purchases of other financial investments	(3,870,600)	(1,335,935)
Sales of other financial investments	1,543,973	1,121,228
Sale of land and buildings	-	389,212
	<u>(2,326,627)</u>	<u>174,505</u>

B MOVEMENT IN CASH AND INVESTMENTS

	At 1.4.2004 £	Cash flows £	Changes in Market Values £	At 31.3.2005 £
Cash in hand and at bank	5,128,080	(1,954,529)	-	3,173,551
Other financial investments	6,563,409	2,326,627	755,472	9,645,508
Land and buildings	911,775	-	(20,000)	891,775
	<u>12,603,264</u>	<u>372,098</u>	<u>735,472</u>	<u>13,710,834</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES

Except as detailed below, the financial statements have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover disclosures applicable to insurance companies.

Schedule 9A of the Companies Act 1985 sets out the requirements for the format of the accounts of insurance companies and does not include the caption "Income and Expenditure Account". The Board has incorporated an income and expenditure account in order for the accounts to show a true and fair view. Their reason for incorporating this account is that The Hospital Saturday Fund is a mutual insurance company which does not trade with a view to profits or any distribution of profits as dividends to members. Accordingly, to incorporate a profit and loss account would be misleading and would not give a true and fair view.

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention modified to incorporate the revaluation of freehold land and buildings and other financial investments.

(b) Premiums

Earned premiums represent contributions from members for the year, excluding insurance premium tax and including an estimate of amounts due on 31 March and subsequently received.

Provision is made for premiums received, but not earned at the balance sheet date.

All premiums arise in the United Kingdom and Ireland.

(c) Claims Incurred

Claims incurred represent benefits payable to members for the year, and include provision for claims in respect of the period to 31 March settled after that date.

(d) Acquisition Costs

The costs of acquiring new business which are incurred during the financial year, but which relate to a subsequent year are deferred to the extent that they relate to unearned premiums at the balance sheet date. During the current and preceding financial year such costs were not material and therefore are not separately disclosed.

(e) Depreciation

Depreciation is calculated to write off the cost less estimated residual value of assets in equal instalments over their expected useful lives. The rates used are as follows:

Freehold and long leasehold properties	2%
Furniture and equipment	20%
Computer equipment	25%

(f) Translation of Foreign Currency

Transactions in foreign currencies are converted monthly at the relevant month end rates of exchange. At the year end assets and liabilities are converted at the exchange rates ruling at that date. Exchange differences are dealt with through the Income and Expenditure Account.

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES (continued)

(g) Pension Costs

The Fund operates a defined contribution pension scheme providing benefits for certain employees and makes contributions to employees' personal pension plans. The pension cost charge represents contributions payable by the Fund to the defined contribution pension scheme and personal pension plans in respect of the year.

(h) Investments

Land and buildings occupied by the Fund for its own purposes are stated at valuation less depreciation.

Listed investments are included in the balance sheet at mid-market value. Unrealised gains and losses on the revaluation of listed investments are taken to the Income and Expenditure Account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and mid-market value at 31 March 2004.

(i) Deferred Taxation

Full provision is made for deferred tax in respect of all non-permanent timing differences that have originated but not reversed at the balance sheet date.

(j) Leases

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

2. CONTRIBUTION INCOME

The Fund is engaged in only one class of business all of which arises in the United Kingdom and Ireland.

3. CLAIMS INCURRED

	2005 £	2004 £
Hospital	2,179,047	2,207,658
Day case	158,548	202,271
Recuperation	221,525	222,285
Birth Grant	827,475	681,278
Specialists/investigations	755,391	652,611
Optical/dental	4,934,578	4,690,849
Home help	11,460	15,335
Practitioners	749,327	652,945
General Practitioners/Prescriptions/Emergency department	519,147	385,159
Surgical appliances/hearing aids	27,909	19,974
	<u>10,384,407</u>	<u>9,730,365</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

4.	SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX	2005 £	2004 £
	Surplus on ordinary activities before tax is stated after Charging/(crediting):		
	Depreciation - owned assets	87,098	119,755
	Auditors' remuneration - audit	16,920	16,332
	- other	5,506	4,280
	Operating leases - motor vehicles and office equipment	124,585	129,769
	Foreign exchange (gains)/losses	(9,142)	110,197
	Recharge of administrative expenses to The Hospital Saturday Fund Charitable Trust	(19,650)	(18,720)

5.	NET OPERATING EXPENSES	2005 £	2004 £
	Donations	365,244	330,000
	Staff costs	1,906,950	1,728,068
	Other administrative expenses	588,476	691,910
	Sales/marketing expenses	393,642	360,370
		<u>3,254,312</u>	<u>3,110,348</u>

£365,000 (2004: £325,000) of the donations represents amounts paid under Gift Aid to The Hospital Saturday Fund Charitable Trust, a registered charity.

6.	STAFF COSTS	2005 £	2004 £
	Wages and salaries	1,554,085	1,389,792
	Social security costs	179,419	152,359
	Other pension costs	173,446	159,439
	Redundancy costs	-	26,478
		<u>1,906,950</u>	<u>1,728,068</u>
	Staff costs of directors including emoluments for the year	<u>275,752</u>	<u>251,859</u>
	Highest paid director : Emoluments including benefits-in-kind	<u>105,079</u>	<u>92,114</u>

Contributions totalling £42,913 (2004: £38,507) were made to a defined contribution pension scheme in respect of 3 directors (2004: 3 directors).

	Number	Number
The average number of persons employed during the year was:		
Sales	19	19
Administration	34	31
	<u>53</u>	<u>50</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

7. TAXATION

For the years to 31 March 2003 the Fund was treated as mutually trading and accordingly its trading profits were not liable to corporation tax. From 1 April 2003, the Fund has lost its mutual status and its profits then become liable to corporation tax from that date. The Fund is now liable to corporation tax on its surplus for the year less dividends received.

As from 1 April 2002, gains and losses on the Fund's investments are taxed under the Inland Revenue rules for insurance companies. Gains and losses realised on disposals of investments during the year and the unrealised gains and losses on revaluation of the portfolio to market value at the year end are now subject to corporation tax. Unrealised gains in the portfolio as at 31 March 2002 will be liable to corporation tax when realised.

The tax charge in the Income and Expenditure account is made up as follows.

	2005 £	2004 £
Tax due on trading surplus	393,011	401,150
Tax due on investment income	69,414	68,415
Tax due on realised/unrealised investment gains	323,965	486,471
Losses utilised	-	(293,696)
Relief on donations made under Gift Aid	(109,573)	(142,500)
(Decrease)/increase in deferred tax provision	(97,324)	63,590
	<u>579,493</u>	<u>583,430</u>

The tax assessed for the year differs from the standard corporation tax rate in the UK of 30%.

The differences are explained below:

Surplus on ordinary activities before tax	2,084,077	2,068,088
Surplus on ordinary activities before tax multiplied by the Standard tax rate of 30%	625,223	620,426
Effects of:		
Amounts not deductible for tax purposes	5,472	4,823
Depreciation in excess of capital allowances	8,442	20,496
Dividend and distribution income	(59,644)	(44,882)
Realised gains on investments	97,324	257,673
Relief on donations made under Gift Aid	-	(45,000)
Losses utilised	-	(293,696)
(Decrease)/increase in deferred taxation provision (note 11)	(97,324)	63,590
Tax on surplus of ordinary activities	<u>579,493</u>	<u>583,430</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

8. LAND AND BUILDINGS

The Fund owns a freehold property at 24 Upper Ground, London SE1 9PD. The property is used for the Fund's own activities. On 29 May 2002, the Head Office property at 24 Upper Ground, London SE1 9PD was valued on an open market basis by Keith Lumley, Chartered Surveyors at £1,000,000.

	2005 £
At Valuation	
At 1 April 2004	1,000,000
At 31 March 2005	<u>1,000,000</u>
Depreciation	
At 1 April 2004	88,225
Charge for the year	20,000
Disposals	-
At 31 March 2005	<u>108,225</u>
Net book value	
At 31 March 2005	<u>891,775</u>
At 1 April 2004	<u>911,775</u>

The historical cost of freehold property at 31 March 2005 is £802,500 (2004: £822,500).

9. OTHER FINANCIAL INVESTMENTS

	2005 £	2004 £
At market value		
United Kingdom equities	6,048,618	5,062,058
Overseas Unit Trusts and investment funds	1,049,058	462,220
Bonds	1,711,712	1,039,131
UK Unit Trusts and investment funds	836,120	-
	<u>9,645,508</u>	<u>6,563,409</u>

The cost of other financial investments as at 31 March 2005 was £7,474,245 (2004: £4,920,842).

Reconciliation of movement in the year

Balance at 1 April	6,563,409	5,664,038
Additions	3,870,600	1,335,935
Disposals	(1,374,801)	(932,329)
Unrealised gain on investments	586,300	495,765
Balance at 31 March	<u>9,645,508</u>	<u>6,563,409</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

10. TANGIBLE FIXED ASSETS

	Furniture and Equipment £
Cost	
At 1 April 2004	542,579
Additions	81,522
Disposals	(107,182)
At 31 March 2005	<u>516,919</u>
Depreciation	
At 1 April 2004	434,410
Charge for year	67,098
Disposals	(107,182)
At 31 March 2005	<u>394,326</u>
Net book value	
At 31 March 2005	<u>122,593</u>
At 1 April 2004	<u>108,169</u>

11. PROVISION FOR DEFERRED TAXATION

	2005 £	2004 £
At 1 April 2004	671,757	608,167
Transfer (to)/from income and expenditure account (note 7)	(97,324)	63,590
At 31 March 2005	<u>574,433</u>	<u>671,757</u>

As disclosed in note 7 the Fund's investments are now taxed on a mark to market basis under the transitional rules for insurance companies under which the unrealised gains that existed at 31 March 2002 are taxed on a realised basis.

Therefore provision is made for deferred taxation in respect of unrealised gains on investments that existed at 31 March 2002, where those gains have not yet been realised.

12. PENSION COSTS

The Fund operates a defined contribution pension scheme and makes contributions to employees' personal pension plans. The assets of the scheme are held separately from those of the Fund in an independently administered fund. The pension cost charge represents contributions payable for the year by the Fund to the scheme and personal pension plans and amounted to £173,446 (2004: £159,439).

At the balance sheet date, there were no outstanding or prepaid contributions (2004: £Nil).

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

13. OPERATING LEASE COMMITMENTS

At 31 March 2005, the Fund had annual commitments under operating leases which expire as follows:

	2005		2004	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	-	32,941	-	13,976
In the second to fifth years inclusive	29,160	63,227	29,160	71,787
	<u>29,160</u>	<u>96,168</u>	<u>29,160</u>	<u>85,763</u>

14. CONTINGENT ASSETS AND LIABILITIES

No provision has been made for any levy which the Fund may be called upon to pay under the provisions of the Policyholders Protection Act 1975. The maximum amount of any such levy in respect of the current financial year would be £154,100 (2004: £146,800).

15. INSURANCE PREMIUM TAX

Insurance premium tax of £414,695 (2004: £416,800) has been incurred during the year and has already been deducted from gross premiums earned.

16. RELATED PARTY TRANSACTIONS

During the year, the following transactions transpired with The Hospital Saturday Fund Charitable Trust, a charity administered by the Fund.

- annual donation of £365,000 was made (2004: £325,000)
- management fee of £19,650 receivable (2004: £18,720)