

**The Hospital
Saturday Fund**



ANNUAL REPORT

and

FINANCIAL STATEMENTS

For the year ended
31st March 2004





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

Officers and Advisers 2003– 2004

<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 Miss D O Denton JP Mr L I Fellman Mrs P Shaw Mr E W Smith Mr W N Smith ACIS FIPPM	
<i>Chairman</i>	Mr J Greenwood	
<i>Vice Chairman</i>	Mr D Thomas	
<i>Medical Adviser</i>	Dr I J Sawtell MB BS MSc MFOM BA Cert CII	
<i>Bankers</i>	HSBC Unity Trust Bank Plc 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 31st March 2004

BOARD OF DIRECTORS 2003- 2004

Chairman: Mr J Greenwood

Executive:

Mr K R Bradley MCMI

Mr S R Duff

Mr P W Jackson MSc BA(Hons)

Non -Executive:

Mr M J Boyle FCA

Mrs J L Dalton LLB (Hons)

Mr G R M Hind

Mr J Randel

Mr D L Sawers ACII CIP

Mr D Thomas

Mr D L Sawers retired from the Board on the 19th April 2004 and was replaced by Group Captain T M Arnot OBE.

COMMITTEE MEMBERSHIP

Audit:

Mr M J Boyle – Chairman

Mr J Greenwood

Mr D L Sawers

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 130th Annual Report and the audited Financial Statements for the year ended 31st March 2004.

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 31st March 2004

CHARITABLE DONATIONS

The Fund continued to support the Hospital Saturday Fund Charitable Trust by donating the sum of £325,000 under Gift Aid.

CONTRIBUTION INCOME AND BENEFIT PAYMENTS

Total contributions (less Insurance Premium Tax) have increased by 10.6% to £14,679,166. Benefits payable (including Personal Injury premiums and helplines) increased by 11.4% to a total of £10,649,009. These benefits represented 72.5% 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 by £495,765 to £6,563,409. The revenue surplus after taxation of £1,484,658 has increased the Fund's reserves to £11,684,501.

BOARD OF DIRECTORS

At the Association Meeting in April 2003 Mr John Greenwood was re-elected to serve for a fourth year as Chairman. Mrs Jane Dalton and Mr John Randel were elected as Non-Executive Directors for a three year term. At this meeting Mrs 'Ande' Warner retired as a Director, having served for twelve years, and Mr Adrian Rees retired after three years' service. The wide and varied expertise brought to Board meetings and Committee meetings by the Directors, both Executive and Non-Executive, has ensured that the organisation has continued to be managed efficiently. An annual review of the risk register was undertaken with the conclusion being reached that working practices and procedures continued to be entirely satisfactory.

INVESTOR IN PEOPLE / EXCELLENCE THROUGH PEOPLE

During the year preparatory work began for a further *Investor in People* assessment in the summer of 2004. The original recognition in 2001 sets standards which we believe we have since maintained. Board and Committee business plans have been updated in order to reflect current and future activities.

It is intended to seek recognition with *Excellence Through People* during the year 2004/05.

THE STAFF

HSF has a good record in retaining staff and the Board was pleased to note that 20% have served for over ten years. This percentage is expected to increase again in 2005 when several others reach their 10th Anniversary.

Special mention is made this year of Mr Paul Clare, Staff Training and Development Manager, who was 'loaned' to HM Forces for six months in order to serve as a Captain with the Territorial Army in Iraq. His safe return in December in 2003 was a great relief, and he has now received two commendations for distinguished service.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31st March 2004

SALES AND MARKETING

The total number of new contributors enrolled throughout the year was 13,600 across the UK and Ireland. This was less than the previous record year but was nevertheless a significant number and brought the grand total at the year end to 104,000. Nearly 50 new companies were taken on which was slightly less than the previous year.

A brand new scheme was launched in Ireland in October 2003 called *The One Scheme*. It comprised a range of four different plans each offering 100% reimbursement of costs. Unlike the other schemes which cover the whole family these, as the title demonstrates, are for one person.

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 to 64%.

IRELAND OFFICE

The new HSF Ireland Office in Ennis, the County Town of Clare, opened in June 2003, and the official opening ceremony was performed by the Mayor of Ennis, Councillor Tommy Brennan on 20th October 2003. In brilliant sunshine he cut the ribbon across the door and unveiled a plaque, along with a Guard of Honour provided by the Eire Og Youth Gaelic Football and Hurling Team, wearing their HSF sponsored shirts. An enjoyable reception then followed in a local hotel when some HSF Charitable Trust cheques were presented to local charities.

BEST HEALTH

The cash plan underwritten by HSF for the Benenden Healthcare Society being marketed under the title *Best Health* has continued to grow rapidly during the year, enrolling over 7,500 new contributors and making a total of 12,500 at the end of March 2004.

ANNUAL GENERAL MEETING 2003

Guildhall, London was the venue for this meeting which was held on 7th October. The Lord Mayor Elect of London, Alderman Robert Finch 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 K Fleming Roberts. The guest speaker was the well known actress, writer and party cake maker, Jane Asher, who came in her capacity as President of the National Autistic Society. Her close involvement in the work of the Society and her knowledge of autism generally came over strongly in her very interesting address which was well received by the audience. Jane Asher was accompanied by her husband, Gerald Scarfe, the political cartoonist, and both of them spent a long time after the meeting talking to guests.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31st March 2004

NEW NAME

Just outside the year covered by this report, in April 2004, a new trading name for the Fund was registered – *HSF health plan*. Registration in Ireland followed in June 2004. For some time the Directors had been giving consideration to a name which was a more appropriate description of the type of business and *HSF health plan* was chosen after a competition amongst members of staff. The official name of the company is still *The Hospital Saturday Fund*.

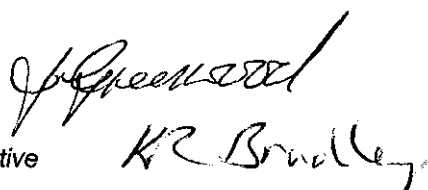
APPRECIATION

The Directors take this opportunity to express their grateful thanks for the cooperation and assistance received during the year. This comes in many ways, but employers who operate payroll deduction facilities and allow recruitment on their premises provide the greatest help and ensure that HSF is able to operate simply and efficiently in a very cost effective manner. The personal recommendation which existing contributors give to their work colleagues is also highly valued. Hospital staff continue to provide a much appreciated and vital service by 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 and for the hard work which has made a valuable contribution to this year's achievements both in the UK and Ireland. This gives the Board confidence for the future of *HSF health plan*.

JOHN GREENWOOD, Chairman

KEITH R BRADLEY, Chief Executive



16th July 2004

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 2004 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.

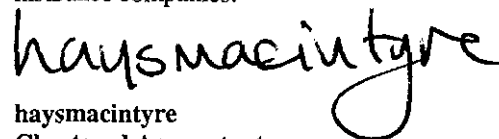
Basis of audit opinion

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 2004 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

16th July 2004

Fairfax House
15 Fulwood Place
London
WC1V 6AY

THE HOSPITAL SATURDAY FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004		2003	
		£	£	£	£
Technical account general business					
Earned premiums					
Gross premiums written		14,685,923		13,280,753	
Change in the gross provision for unearned premiums		(6,757)		(9,010)	
Gross premiums earned			14,679,166		13,271,743
Less: reinsurance premiums			(876,911)		(796,177)
Net premiums earned			13,802,255		12,475,566
Allocated investment return transferred from the non-technical account			1,140,316		(1,351,216)
Claims incurred	3				
Gross claims paid		(9,625,871)		(8,680,251)	
Change in the gross provision for claims outstanding		(104,494)		30,011	
			(9,730,365)		(8,650,240)
Net operating expenses	5		(3,110,348)		(2,877,476)
Investment expenses and charges			(33,770)		(29,705)
Balance on the technical account for general business			2,068,088		(433,071)
Non-technical account					
Investment income					
Income from other financial investments		171,514		166,198	
Interest receivable		206,142		97,780	
Realised gains/(losses) - Other financial investments		188,899		(232,160)	
Unrealised gains/(losses) - Other financial investments		495,765		(1,383,034)	
Realised gains - Land and buildings		77,996		-	
			1,140,316		(1,351,216)
Allocated investment return transferred to the Technical account			(1,140,316)		1,351,216
Surplus/(deficit) on ordinary activities before tax	4		2,068,088		(433,071)
Taxation	7		(583,430)		100,131
Surplus/(deficit) for the year after tax			1,484,658		(332,940)
General fund at 1 April			10,199,843		10,532,783
General fund at 31 March			11,684,501		10,199,843

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 2004


	Notes	£	2004 £	£	2003 £
ASSETS					
Investments					
Land and buildings	8	911,775		1,277,343	
Other financial investments	9	6,563,409		5,664,038	
			7,475,184		6,941,381
Debtors					
Debtors arising out of direct insurance operations:					
- policyholders		1,018,252		1,081,399	
- other debtors		134,482		138,873	
			1,152,734		1,220,272
Other Assets					
Tangible fixed assets	10	108,169		155,164	
Cash at bank and in hand		5,128,080		3,395,830	
			5,236,249		3,550,994
Prepayments and Accrued Income			112,289		70,919
TOTAL ASSETS			<u>13,976,456</u>		<u>11,783,566</u>
LIABILITIES					
General Fund			11,684,501		10,199,843
Technical Provisions					
Provision for unearned premiums		312,952		306,196	
Provision for claims outstanding		371,298		266,804	
			684,250		573,000
Provisions for Other Risks and Charges					
Provision for deferred taxation	11		671,757		608,167
Creditors					
Other creditors including taxation and social security			935,948		402,556
TOTAL LIABILITIES			<u>13,976,456</u>		<u>11,783,566</u>

Approved by the Directors on 16th July 2004

JOHN GREENWOOD, Chairman



KEITH R BRADLEY, Chief Executive



THE HOSPITAL SATURDAY FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	2004 £	2003 £
Reconciliation of surplus/(deficit) on ordinary activities before tax to net operating cash flows		
Surplus/(deficit) on ordinary activities before tax	2,068,088	(433,071)
Unrealised (gains)/losses on other financial investments	(495,765)	1,383,034
Realised (gains)/losses on other financial investments	(188,899)	232,160
Realised gains on land and buildings	(77,996)	-
Income from other financial investments and cash	(377,656)	(263,978)
	<u>927,772</u>	<u>918,145</u>
Depreciation	119,755	175,276
Decrease/(increase) in contributions due and other debtors	26,168	(344,889)
Increase in benefit claims and other creditors	156,970	199,253
	<u>1,230,665</u>	<u>947,785</u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	1,230,665	947,785
Returns on investments and servicing of finance (Note A)	377,656	263,978
Capital expenditure (Note A)	(50,576)	(68,930)
	<u>1,557,745</u>	<u>1,142,833</u>
Cash flows were invested as follows:		
Increase/(decrease) in cash holdings	1,732,250	(19,454)
Net investments (Note A)	(174,505)	1,162,287
	<u>1,557,745</u>	<u>1,142,833</u>
Net cash flow for the period (Note B)		
Cash flow	1,732,250	(19,454)
Net investments	(174,505)	1,162,287
	<u>1,557,745</u>	<u>1,142,833</u>
Movement arising from cash flows	1,557,745	1,142,833
Changes in market value	708,308	(1,615,194)
	<u>2,226,053</u>	<u>(472,361)</u>
Total movement in cash and investments	2,226,053	(472,361)
Investments and cash at 1 April 2003	10,337,211	10,809,572
	<u>12,603,264</u>	<u>10,337,211</u>
Investments and cash at 31 March 2004	12,603,264	10,337,211

THE HOSPITAL SATURDAY FUND

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

A GROSS CASH FLOWS

	2003 £	2003 £
Returns on investments and servicing of finance		
Income received from other financial investments	171,514	166,198
Interest received	206,142	97,780
	<u>377,656</u>	<u>263,978</u>
Capital Expenditure		
Purchases of tangible fixed assets	(56,904)	(68,930)
Sales of tangible fixed assets	6,328	-
	<u>(50,576)</u>	<u>(68,930)</u>
Investments		
Purchases of other financial investments	(1,335,935)	(2,798,186)
Sales of other financial investments	1,121,228	1,635,899
Sale of land and buildings	389,212	-
	<u>174,505</u>	<u>(1,162,287)</u>

B MOVEMENT IN CASH AND INVESTMENTS

	At 1.4.2003 £	Cash flows £	Changes in Market Values £	At 31.3.2004 £
Cash in hand and at bank	3,395,830	1,732,250	-	5,128,080
Other financial investments	5,664,038	214,707	684,664	6,563,409
Land and buildings	1,277,343	(389,212)	23,644	911,775
	<u>10,337,211</u>	<u>1,557,745</u>	<u>708,308</u>	<u>12,603,264</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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 2004

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 personal pension plans in respect of the year.

(h) Investments

Land and buildings occupied by the Fund for its own purposes are stated at cost or 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 Technical Account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and mid-market value at 31 March 2003.

(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

	2004 £	2003 £
Hospital	2,207,658	1,988,038
Day case	202,271	163,761
Recuperation	222,285	226,295
Birth Grant	681,278	627,658
Specialists/investigations	652,611	543,068
Optical/dental	4,690,849	4,237,970
Home help	15,335	18,056
Practitioners	652,945	552,591
General Practitioners/Prescriptions/Emergency department	385,159	281,107
Surgical appliances/hearing aids	19,974	11,696
	<u>9,730,365</u>	<u>8,650,240</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2004

4.	SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAX	2004	2003
		£	£
	Surplus/(deficit) on ordinary activities before tax is stated after		
	Charging/(crediting):		
	Depreciation - owned assets	119,755	175,276
	Auditors' remuneration - audit	16,332	14,617
	- other	4,280	5,593
	Operating leases - computer equipment	-	-
	- others	129,769	97,235
	Foreign exchange losses/(gains)	110,197	(233,260)
	Recharge of administrative expenses to The Hospital Saturday Fund Charitable Trust	(18,720)	(18,000)
5.	NET OPERATING EXPENSES	2004	2003
		£	£
	Donations	330,000	151,002
	Staff costs	1,728,068	1,758,532
	Other administrative expenses	691,910	659,138
	Sales/marketing expenses	360,370	308,804
		<u>3,110,348</u>	<u>2,877,476</u>
£325,000 (2003: £150,000) of the donations represents amounts paid under Gift Aid to The Hospital Saturday Fund Charitable Trust, a registered charity.			
6.	STAFF COSTS	2004	2003
		£	£
	Wages and salaries	1,389,792	1,434,655
	Social security costs	152,359	151,847
	Other pension costs	159,439	156,347
	Redundancy costs	26,478	15,683
		<u>1,728,068</u>	<u>1,758,532</u>
	Staff costs of directors including emoluments for the year	<u>259,623</u>	<u>238,737</u>
	Highest paid director : Emoluments including benefits-in-kind	<u>92,114</u>	<u>87,517</u>
Contributions totalling £38,507 (2003: £34,811) were made to a defined contribution pension scheme in respect of 3 directors (2003: 3 directors).			
		Number	Number
	The average number of persons employed during the year was:		
	Sales	19	19
	Administration	31	32
		<u>50</u>	<u>51</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2004

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/(credit) in the Income and Expenditure account is made up as follows.

	2004 £	2003 £
Tax due on trading surplus	401,150	-
Tax due on investment income	68,415	29,334
Tax due on realised/unrealised investment gains	486,471	161,528
Losses utilised	(293,696)	(190,862)
Relief on donations made under Gift Aid	(142,500)	-
Increase/(decrease) in deferred tax provision	63,590	(100,131)
	<u>583,430</u>	<u>(100,131)</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/(deficit) on ordinary activities before tax	2,068,088	(433,071)
Surplus/(deficit) on ordinary activities before tax multiplied by the standard tax rate of 30%	620,426	(129,921)
Effects of:		
Amounts not subject to corporation tax	-	(275,444)
Amounts not deductible for tax purposes	4,823	-
Depreciation in excess of capital allowances	20,496	-
Indexation allowance	(32,777)	(19,249)
Dividend and distribution income	(44,882)	(49,859)
Realised/unrealised gains on investments	290,450	180,777
Relief on donations made under Gift Aid	(45,000)	-
Losses carried forward against future profits	-	293,696
Losses utilised	(293,696)	-
Increase/(decrease) in deferred taxation provision	63,590	(100,131)
Tax on surplus/(deficit) of ordinary activities	<u>583,430</u>	<u>(100,131)</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2004

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.

	London £	Dublin £	Total £
At Cost/Valuation			
At 1 April 2003	1,000,000	356,250	1,356,250
Disposals	-	(356,250)	(356,250)
At 31 March 2004	1,000,000	-	1,000,000
Comprising:-			
Cost	-	-	-
Valuation	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
Depreciation			
At 1 April 2003	68,225	10,682	78,907
Charge for the year	20,000	3,562	23,562
Disposals	-	(14,244)	(14,244)
At 31 March 2004	88,225	-	88,225
Net book value			
At 31 March 2004	911,775	-	911,775
At 1 April 2003	931,775	345,568	1,277,343

The total historical cost of freehold property at 31 March 2004 is £822,500 (2003: £1,038,138). During the year the Fund disposed of the freehold premises in Dublin.

9. OTHER FINANCIAL INVESTMENTS

	2004 £	2003 £
At market value		
United Kingdom equities	5,062,058	4,250,235
European Unit Trusts	273,551	212,093
Bonds	1,039,131	1,008,823
US Unit Trusts	188,669	192,887
	6,563,409	5,664,038

The cost of other financial investments as at 31 March 2004 was £4,920,842 (2003: £3,818,286).

Reconciliation of movement in the year

Balance at 1 April	5,664,038	6,116,945
Additions	1,335,935	2,798,186
Disposals	(932,329)	(1,868,059)
Unrealised gain/(loss) on investments	495,765	(1,383,034)
Balance at 31 March	6,563,409	5,664,038

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2004

10.	TANGIBLE FIXED ASSETS	Furniture and Equipment £	
	Cost		
	At 1 April 2003	814,050	
	Additions	56,904	
	Disposals	(328,375)	
	At 31 March 2004	542,579	
	Depreciation		
	At 1 April 2003	658,886	
	Charge for year	96,193	
	Disposals	(320,669)	
	At 31 March 2004	434,410	
	Net book value		
	At 31 March 2004	108,169	
	At 1 April 2003	155,164	
11.	PROVISION FOR DEFERRED TAXATION	2004 £	2003 £
	At 1 April 2003	608,167	708,298
	Transfer from/(to) income and expenditure account	63,590	(100,131)
	At 31 March 2004	671,757	608,167

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 £159,439 (2003: £156,347).

At the balance sheet date, there were no outstanding or prepaid contributions (2003: £Nil).

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2004

13. OPERATING LEASE COMMITMENTS

At 31 March 2004, the Fund had annual commitments under operating leases which expire as follows:

	2004		2003	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	-	13,976	-	17,579
In the second to fifth years inclusive	29,160	71,787	2,750	57,635
	<u>29,160</u>	<u>85,763</u>	<u>2,750</u>	<u>75,214</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 £146,800 (2003: £132,700).

15. INSURANCE PREMIUM TAX

Insurance premium tax of £416,800 (2003: £403,662) 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 £325,000 was made (2003: £150,000)
- management fee of £18,720 receivable (2003: £18,000)

At 31 March 2004, the Fund owed the Charitable Trust £Nil (2003: £132,000)