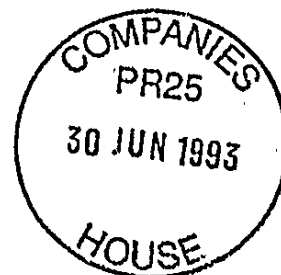


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PROVINCIAL HOSPITAL SERVICES  
ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1992

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1992

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Company Registration Number: 515058

A company limited by guarantee not having a share capital

Affiliated to : The British Hospitals Contributory Schemes Association (1948)

Registered Office: Provident House  
44 Harpur Street  
Bedford

Patron: H R H Prince Philip, The Duke of Edinburgh

President: The Rt Hon The Lord Luke of Pavenham,  
KCVO.TD.DL.

Vice Presidents: L G Bowles, DL  
J L Dickinson, CBE.DL.

Chairman: P Beck, FCCA

Deputy Chairman: E F Barcock

Honorary Medical Advisor: Dr W B Whowell

Honorary Treasurer: D L Edwards, FCA.

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

Bankers: The Royal Bank of Scotland plc

Solicitors: C G Bell

Auditors: Grant Thornton  
Chartered Accountants

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1992

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PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of members of the Association will be held at the Milton Room, Lindham Court, Starey Close, Milton Ernest, Beds on Friday 4 June 1993 at 6.30pm for the following purposes:

- 1 To receive the Minutes of the Thirty-Ninth Annual General Meeting which were confirmed by the Board of Management at its meeting on 10 September 1992 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 1992.
- 3 To receive the Report of the Board of Management for the year ended 31 December 1992.
- 4 To appoint co-opted members of the Association in accordance with Article 5 (8 members have been appointed under this Section).
- 5 To appoint for the ensuing year in accordance with Article 32:
  - i A President of the Association
  - ii Vice-Presidents of the Association
  - iii An Honorary Treasurer of the Association
  - iv An Honorary Medical Advisor
- 6 The following nominated members of the Board of Management, being eligible, offer themselves for re-election in accordance with Articles 40 and 41:

Mr W G Andrews and Mr S Gonshor
- 7 To appoint the Auditors and authorise the Board of Management to fix their remuneration.

BY ORDER OF THE BOARD

  
H V H Gilbert  
Secretary

13 May 1993

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

---

The Board has pleasure in presenting its annual report for the year ended 31 December 1992.

### 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 objects 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.

### Members of the Board at 31 December 1992

The Rt. Hon. The Lord Luke of Pavenham

KCVO. TD. DL

L G Bowles Esq, DL

J L Dickinson Esq CBE., DL

P Beck Esq FCCA

E F Barcock Esq

D L Edwards Esq FCA

Dr W B Whowell

W G Andrews Esq, HRSR. T.Eng

D C Barker Esq JP. FBS

J D Britten Esq FCIS

N H Carver Esq ACIS. ACHA

J A N Dyke Esq

H F J Fowler Esq (Solicitor)

S Gonshor Esq

T Hall Esq

K G Rose Esq (Solicitor)

P Tuli Esq JP

: President  
: Vice President  
: Vice President  
: Chairman  
: Deputy Chairman  
: Honorary Treasurer  
: Honorary Medical Advisor

### Overview

The 1992 accounts represent a substantial improvement in the Association's trading position, a noteworthy achievement given the background of serious economic recession together with high levels of claims inflation both in the field of private medical insurance and in the insurance sector as a whole. Many factors have contributed to this successful year; shrewd reading of market conditions, prudent underwriting and actuarial policy, forceful renegotiation of existing group schemes and sensible, but not insensitive, claims controls. Despite this success, much remains to be done. New business sales results during the year were disappointing and claims levels in medical insurance remain highly volatile.

## PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

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

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#### Overview (continued)

During the year, the Association successfully concluded long running negotiations for the purchase of a new Head Office in Bedford. When fully refurbished and extended the new building will provide more than double the existing office space and it is expected to be ready for occupation during the autumn of 1993. In many ways, this major building project represents the embodiment of the Association's achievements in recent years and its confidence in the future.

The first full year of the new Medicaid Hospital Cash Scheme produced very satisfactory results. The claims rate of this scheme will require careful monitoring as the recent dentists' dispute will probably have the effect of increasing the value of dental claims. However, it may also have the effect of increasing the desirability of dental insurance and may, therefore, prove to have both positive and negative influences on the Medicaid scheme.

There has been a great improvement in the financial position of Medicare, the Association's Private Medical Insurance during 1992. Claims inflation has been particularly high in this sector in recent years and the improvement in results has been largely due to an accurate interpretation of the reasons behind the increasing value of claims. In April 1992 PHS became the first provident association to be admitted to the Association of Medical Expenses Insurers (AMEI) and it is, perhaps, a recognition of the Association's forthright views on market conditions that PHS was offered the Vice-Chairmanship of AMEI for 1993.

Administrative expenditure rose by 9.2%, in line with the Association's budget forecasts when allowance is made for one-off unbudgeted expenditure relating to the purchase of the new Head Office. Investment income was slightly down on the previous year, largely as a result of the fall in interest rates during 1992, a trend which was partially compensated by an increase in dividend income.

#### Medical Charities Trust Fund

The Association has continued to support the activities of the Medical Charities Trust, donating £5,250 in 1992. The Trustees report that donations totalling £4,572 were made during the year to NHS hospitals and medical charities.

#### Staff

Staff turnover remains very low as the Association continues to develop an experienced and able team. It says much of PHS staff that they continue to work with a high level of skill and enthusiasm in an environment of almost constant change and the Board is delighted to record both its thanks and appreciation for their efforts.

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 members have a material interest in a significant contract of the Association.

Assets

The Association's freehold property in Bedford and long leasehold property in Sheringham were independently valued in 1988. The valuations have been incorporated into these accounts as outlined in note 5 on pages 11 and 12.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385(2) of the Companies Act 1985.



P BECK

Chairman of the Board  
of Management

13 May 1993

Registered Office:

Provident House  
44 Harpur 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 15 in accordance with Auditing Standards.

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985, as applicable to insurance companies.

*Grant Thornton*

GRANT THORNTON

Registered Auditor  
Chartered Accountants  
49 Hill Street  
Bedford  
MK40 3LB

13 May 1993



PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1992

	Note	£'000	1992 £'000	£'000	1991 £'000
Subscriptions receivable		2,487		2,417	
Benefits payable		(1,911)		(2,062)	
		-----		-----	
Underwriting surplus			576		355
Administration	2	466		426	
Insurance Companies Act Levy		10		9	
		---	(476)	-----	(435)
			100		(80)
Investment income	3	272		273	
Gain on realisation of investments		168		41	
Amount provided against investments		(23)		-	
		-----	417	---	314
			---		---
Surplus of income over expenditure before taxation			517		234
Taxation	4		(118)		( 61)
			---		---
			399		173
Donation to Medical Charities Trust			(5)		(5)
			---		---
Surplus of income over expenditure for the year transferred to general reserve	9		394		168
			=====		=====

The notes on pages 9 to 15 form part of these financial statements.

# PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

## BALANCE SHEET

AT 31 DECEMBER 1992

	Note	1992 £'000	1991 £'000
Fixed assets	5	558	262
Investments	6	1,724	1,650
		-----	-----
		2,282	1,912
Current assets			
Debtors	7	134	206
Cash at bank and in hand		1,223	1,110
		-----	-----
		1,357	1,316
Creditors: amounts falling due within one year	8	(477)	(460)
		-----	-----
Net current assets		880	856
Total assets less current liabilities		3,162	2,768
		=====	=====
Represented by			
Reserves	9	3,162	2,768
		=====	=====

These financial statements were approved by the Board of Management on 13 May 1993.

P Beck

Chairman

D L Edwards

Honorary Treasurer

M W R Gilbert

Chief Executive

The notes on pages 9 to 15 form part of these financial statements

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1992

	Note	1992 £'000	1991 £'000
Net cash inflow/(outflow) from underwriting activities	10	153	(77)
		---	--
Return on investments and servicing of finance			
Interest received		115	124
Income from listed securities		156	148
Rent received		1	1
		---	---
Net cash inflow from returns on investments and servicing of finance		272	273
		---	---
Taxation			
UK corporation tax paid		(73)	(97)
		--	--
Investing activities			
Purchase of tangible fixed assets		(305)	(1)
Purchase of investments		(156)	(216)
Sale of investments - proceeds		227	177
		---	---
Net cash outflow from investing activities		(234)	(40)
		---	---
Donation to Medical Charities Trust		(5)	(5)
		---	--
Increase in cash and cash equivalents	11	113	54
		==	==

The notes on pages 9 to 15 form part of these financial statements.

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1992

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1 Accounting policies

The financial statements have been prepared under the historical cost convention except that the freehold and long leasehold properties are shown at the revalued amounts.

The financial statements are drawn up in accordance with S258 of, and Schedule 9 to, the Companies Act 1985.

The financial statements incorporate the recommendations of Statement of Recommended Practice "Accounting for Insurance Businesses" to the extent that they are applicable.

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.

The principal accounting policies of the Association are set out below. The policies have remained unchanged from the previous year. Freehold and long leasehold buildings were revalued at 31 December 1988.

1.1 Subscriptions and Benefits to subscribers

Subscriptions and Benefits to subscribers are the adjusted amounts receivable and payable respectively relating to 1992.

1.2 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% pa
Short leasehold property	40% pa
Furniture and equipment	20% pa

1.3 Investments and investment income

Investments are included at cost less amounts written off.

Investment income comprises dividends received during the accounting period and interest receivable on listed and unlisted investments.

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1992

1 Accounting policies (continued)

1.4 Deferred tax

Deferred taxation is the taxation attributable to timing differences between profits or losses computed for taxation purposes and results as stated in the financial statements.

Deferred tax is provided for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated on the rates at which it is estimated that the tax will be paid.

2 Administration

The charge for administration includes the following:-

	1992 £'000	1991 £'000
Depreciation and amortisation	9	7
Audit fee	7	6
Hire of equipment	2	3
Vehicle leasing	24	23
	<u>      </u>	<u>      </u>

No member of the Board of Management received any remuneration from the Association during the year.

3 Investment income

	1992 £'000	1991 £'000
Listed securities	156	148
Bank and other interest	115	124
Rent received	1	1
	<u>---</u>	<u>---</u>
	<u>272</u>	<u>273</u>

# PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1992

### 4 Taxation

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

	1992 £'000	1991 £'000
Corporation tax at 33% (1991 34%/33%)	79	42
Tax attributable to franked investment income	39	27
Adjustment re prior years	-	(8)
	<u>118</u>	<u>61</u>

### 5 Fixed assets

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 1992	210	60	3	20	293
Additions at cost	290	-	-	15	305
	<u>500</u>	<u>60</u>	<u>3</u>	<u>35</u>	<u>598</u>
Disposals at cost	-	-	-	(12)	(12)
	<u>500</u>	<u>60</u>	<u>3</u>	<u>23</u>	<u>586</u>
At 31 December 1992	<u>500</u>	<u>60</u>	<u>3</u>	<u>23</u>	<u>586</u>
<b>Depreciation</b>					
At 1 January 1992	8	3	3	17	31
Provided in the year	3	1	-	5	9
	<u>11</u>	<u>4</u>	<u>3</u>	<u>22</u>	<u>40</u>
Disposals	-	-	-	(12)	(12)
	<u>11</u>	<u>4</u>	<u>3</u>	<u>10</u>	<u>28</u>
At 31 December 1992	<u>11</u>	<u>4</u>	<u>3</u>	<u>10</u>	<u>28</u>
Net book amount at 31 December 1992	<u>489</u>	<u>56</u>	<u>-</u>	<u>13</u>	<u>558</u>
Net book amount at 31 December 1991	<u>202</u>	<u>57</u>	<u>-</u>	<u>3</u>	<u>262</u>

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 1992

5 Fixed assets (continued)

The gross amount of land and buildings on which depreciation is to be provided is as follows:

	£
Freehold buildings	140,000
Long leasehold	60,000
Short leasehold	3,000

The figures stated above for cost or valuation include valuations as follows:-

	Freehold property £	Long leasehold property £
1988 valuation	<u>210,000</u>	<u>60,000</u>

If freehold property and long leasehold property had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Freehold property £	Long leasehold property £
Cost and net book value	16,000	10,000
At 1 January 1992	290,000	-
Additions	-----	-----
At 31 December 1992	<u>306,000</u>	<u>10,000</u>

No provision has been made in the deferred taxation account for the estimated corporation tax payable on disposal at this valuation, because, in the opinion of the board, no taxation liability is likely to arise.

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1992

6 Investments

	1992 £'000	1991 £'000
Cost:		
Listed investments	<u>1,724</u>	<u>1,650</u>

The aggregate market value of the listed investments at 31 December 1992 was £3,494,809 (1991 £3,220,864).

7 Debtors

	1992 £'000	1991 £'000
Subscriptions outstanding	124	179
Other debtors and prepayments	10	27
	<u>134</u>	<u>206</u>

8 Creditors: amounts falling due within one year

	1992 £'000	1991 £'000
Current taxation	79	34
Other creditors	16	12
Subscriptions in advance	228	199
Outstanding claims	154	215
	<u>477</u>	<u>460</u>

9 Reserves

	Revaluation reserve £'000	General reserve £'000	Total £'000
At 1 January 1992	244	2,524	2,768
Transferred from revenue account	-	394	394
	<u>244</u>	<u>2,918</u>	<u>3,162</u>



PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1992

10 Net cash inflow/(outflow) from underwriting activities

	1992 £'000	1991 £'000
Operating surplus/(deficit)	100	(80)
Depreciation	9	7
(Increase)/decrease in debtors	72	(65)
Increase/(decrease) in creditors (excluding taxation)	(28)	61
	<u>153</u>	<u>(77)</u>

11 Changes in cash and cash equivalents

	1992 £'000	1991 £'000
Balances at 1 January 1992/91	1,110	1,056
Net cash inflow	113	54
	<u>1,223</u>	<u>1,110</u>

Cash and cash equivalents comprise:

	1992 £'000	1991 £'000	1990 £'000	Change in year 1992 £'000	1991 £'000
Cash at bank and in hand	1,223	1,110	1,056	113	54

12 Contingent liabilities

	1992 £'000	1991 £'000
Deferred taxation calculated on the property revaluations at 33% (1991 33%)	<u>81</u>	<u>81</u>

PROVINCIAL HOSPITAL SERVICES ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1992

13 Insurance Companies Act 1974

a) Order under Section 56:-

The Secretary of State, in exercise of his power under Section 56 of the Act of 1974 and with the consent of the Company, has directed that insurance business carried on by the company providing a sum on the birth of a child shall be treated as general business for the purposes of certain provisions of the Act of 1974 and the Act of 1975.

b) Order under Section 57:-

The Company has been granted a concession that Sections 26A and B of Insurance Companies Act 1974 shall apply as if the amount prescribed by or determined in accordance with Regulations 4 and 9 were one fifth of the general business premium income.

14 Financial commitments

Operating lease payments amounting to £16,877 are due within one year. The commitments to make the payments included in this sum expire as follows:-

	1992 £'000
In one year or less	10
Between two and five years	7
	---
	<u>17</u>

The company has property rental commitments of £8,000 per annum.

The company has capital commitments as follows:

	1992 £'000	1991 £'000
Contracted for but not provided in these financial statements	-	14
Authorised by the Board of Management but not contracted for	284	-
	---	---
	<u>284</u>	<u>14</u>