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THE HOSPITAL SAVING ASSOCIATION

REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY 1996



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COMPANIES HOUSE 26/02/97

*HSA
Alan Child House
Andover
Hampshire*



HSA Headquarters, Hambleden House, Andover, Hampshire



*The Lord Provost of Edinburgh The Right Hon.
Norman Irons CBE, and his wife Anne, opening
the new HSA Scottish Office, accompanied by HSA
Chairman Ian Adam (right), and Chief Executive
James Young (left) in October 1994.*

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THE HOSPITAL SAVING ASSOCIATION

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NOTICE OF MEETING

Notice is hereby given that the ANNUAL GENERAL MEETING of The Hospital Saving Association will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, London SW1 on Monday, 2nd December 1996, at 12.30 p.m. for the following purposes:

1. To lay the Report of the Executive Council and the Financial Statements for the year ended 31st July 1995, together with the Report of the Auditors before the Members in accordance with Article 48 of the Articles of Association of the Company.
2. To receive and adopt the Report of the Executive Council and the Financial Statements for the year ended 31st July 1996, together with the Report of the Auditors.
3. To elect Honorary Officers of the Association.
4. To elect an Executive Council.
5. To elect a Chairman of the Executive Council.
6. To re-appoint Kidsons Impey as Auditors.
7. To authorise the Executive Council to determine the remuneration of the Auditors.
8. To transact any other business.

Hambleden House
Andover

14th October 1996

By Order of the Executive Council


J. A. Young

General Secretary

THE HOSPITAL SAVING ASSOCIATION

HAMBLEDEN HOUSE, WATERLOO COURT, ANDOVER, HAMPSHIRE SP10 1LQ

(Incorporated in England as a company limited by guarantee No. 183035)

PATRON

HER MAJESTY THE QUEEN

HONORARY OFFICERS

President

THE RIGHT HONOURABLE THE LORD McCOLL OF DULWICH

Deputy President

A A CHILD, MBE, FCII, FPMI

Vice-Presidents

HER GRACE THE DUCHESS OF NORFOLK
THE RIGHT HONOURABLE THE LORD COTTESLOE
THE RIGHT HONOURABLE THE VISCOUNT HAMBLEDEN
THE RIGHT HONOURABLE THE BARONESS MASHAM OF ILTON
MRS MARY FAGAN, JP
THE RIGHT HONOURABLE THE EARL OF BUCHAN
MAJOR GENERAL RALPH CROSSLEY, CB, CBE
DOCTOR A J BLOWERS, CBE, JP, DL

EXECUTIVE COUNCIL

Chairman

I D ADAM, DL

Health Service Members

P BENNER, CB
J P CASHMAN, MA

General Members

P B BELL, FIA
R H CRAWFORD, DFC
J A ELLIOTT
MRS C G LEMON, RGN
MRS V J TICKNER, RGN, RM

Contributor Members

J C DEACOCK, FIPD, FIWO (Vice-Chairman)
M H FORD
H R FULLER
T G HALE
P S HOWARD, MBE
J R V SKELTON
B G SUTHERLAND

CHIEF EXECUTIVE AND GENERAL SECRETARY

J A YOUNG, MA

DEPUTY CHIEF EXECUTIVE AND FINANCE OFFICER

C J E HARVIE, FCA

Registered Office

HAMBLEDEN HOUSE, WATERLOO COURT, ANDOVER, HAMPSHIRE SP10 1LQ

Scottish Office

28 STAFFORD STREET, EDINBURGH, EH3 7BD

Auditors

KIDSONS IMPEY

Solicitors

LE BRASSEUR J TICKLE

Bankers

NATIONAL WESTMINSTER BANK PLC

CHAIRMAN'S REPORT

Competition more intense than we have experienced in our previous 74 years was amongst us in 1995/96 and has the potential to increase. Such is the realignment taking place between banks, insurance companies and building societies together with the financial arms of supermarkets that without doubt it will increase in the years to come.

Next year we will be marking in various ways the 75th Anniversary of the founding of The Hospital Saving Association.

In the 1920's, years of much social deprivation, through the founding of the National Health Service to the present day, the Public's perception of what the State should provide free of charge has always exceeded demand. Now that people are saying "the Welfare State is at the buffers so far as demand is concerned" policy is moving towards enabling the population at large to make provision for themselves to cover gaps appearing in State benefits.

On the following pages of the Report you will read of another very successful year for the HSA in financial terms. Milestones are good to note in our forward progress so Contributory Income exceeding £100 million for the first time is one such mark. The Chief Executive and the staff are to be congratulated on bringing about this expansion. Thus it will not be necessary to increase any charges to our members in our 75th Anniversary Year, rather we will be able to increase some of the most frequently claimed benefits to the advantage of our members.

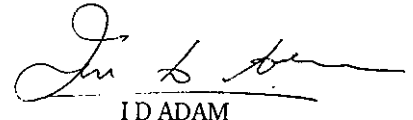
We will continue to hone our Sales Force to be even more effective and endeavour to increase public awareness not only of the benefits of membership but the strength and long term experience of the HSA that lies behind the advantages of membership. It is to be hoped that our 10,000 Honorary Group Secretaries will continue and increase their efforts on our behalf, and once again we thank them all for their tremendous support.

Many professionals in healthcare are aware of and ring the plaudits of the HSA. More must be made aware and we must redouble our efforts to stay well ahead of our competitors.

Our charitable giving has increased necessitating even more attention to the affairs of the Charitable Trust by its Chairman Phillip Howard and I thank him and the other Trustees for their continued attention to detail and giving that requires a lot of thought and care.

Sadly in July we heard of the death of a former member of the Executive Council and friend Bill Smith who until his retirement had been the longest serving member of the Executive Council. Following his wishes a donation was sent to the RNLI in his memory.

There will be much forward planning for the period following our first 75 years but I am sure with the excellent devotion of our staff and Executive Council we will be able to benefit our members and maintain the HSA well into the Millennium. Thank you to all the Executive Council Members and staff for the efforts you have put in in the past year and I hope you share my confidence for the future.



I D ADAM

Chairman

REPORT OF THE EXECUTIVE COUNCIL

The Executive Council have pleasure in submitting their report and the audited Financial Statements for the year ended 31st July 1996.

Principal Activities

The Association operates health care cash benefit plans by means of mutual contributory schemes.

Review of Activities

During the financial year contributory income rose by £15,228,000 to £102,464,000. Over the same period, benefits increased by £8,077,000 to £70,827,000 and selling and administrative expenses increased by £2,136,000 to £19,678,000.

Throughout the year under review, effort was concentrated on maintaining and increasing membership and implementing an option increase programme. During the year 68,279-members were recruited. Membership at the end of the year was 766,379.

The proportion of contributory income returned as benefits was 69% compared with 72% last year. The operating surplus for the year increased as did the reserves, which are at a satisfactory level.

Tangible Fixed Assets

During the year, alterations were made to Alan Child House to provide additional space for the Sales and Telemarketing Departments.

Future Developments

On 1 October 1996, the Association carried out a Scheme Review under which there was an increase in the range and value of benefits offered.

Appropriations

The surplus for the year as shown in the Financial Statements amounted to £15,897,000 from which the Executive Council recommends £100,000 is transferred to the Policyholders Protection Fund and £8,000,000 to Capital Reserve, leaving £7,797,000 as the Surplus for the Year. With the balance brought forward added, £28,813,000 is carried forward.

	£'000
Surplus for the Year before appropriations	15,897
Appropriations - Policyholders Protection Fund	(100)
Capital Reserve	(8,000)
Surplus for the Year after appropriations	7,797
Balance brought forward	21,016
Balance carried forward	28,813

Employees

The Association applies Personnel policies which are based on equal opportunity irrespective of race, sex or disability. Should an employee become disabled, continued employment and training will be offered taking into account what is medically and practically in the best interests of the individual. Special concern and attention is given to the health and safety of employees and to provide a good working environment. Regular meetings with employees' representatives are carried out through a Joint Consultative Committee which consists of Executive Council Members, Officers of the Association and elected representatives of the Association's staff.

Honorary Officers

The present Honorary Officers are shown on page 3.

In accordance with Article 14 of the Articles of Association all Honorary Officers will retire at the Annual General Meeting to be held on 2nd December 1996 and will be eligible for re-election.

REPORT OF THE EXECUTIVE COUNCIL (continued)

Executive Council

The present Members of the Executive Council are shown on page 3.

In accordance with Article 34 of the Articles of Association all members of the Executive Council will retire at the Annual General Meeting and will be eligible for re-election.

Charitable Donations

The Association continued to support The Hospital Saving Association Charitable Trust by providing the sum of £620,000 under Deeds of Covenant and £130,000 under Gift Aid making a total of £750,000 for the year. Other charitable donations totalled £147,000. No political donations were made during the year.

Responsibilities of the Executive Council

The Executive Council is required under Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of The Hospital Saving Association and of the surplus or deficit of the Association for the financial year.

In preparing these financial statements the Executive Council is required to:-

- (a) select suitable accounting policies and apply them consistently;
- (b) make reasonable and prudent judgements and estimates; and
- (c) state whether accounting standards have been followed and give details of any departures.

The Executive Council is also responsible for:-

- (a) keeping proper accounting records;
- (b) safeguarding the Association's assets; and
- (c) taking reasonable steps for the prevention and detection of fraud.

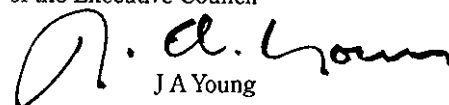
Auditors

A resolution proposing the re-appointment of Kidsons Impey as Auditors to the Association will be put to the Annual General Meeting to be held on 2nd December 1996.

Hambleden House
Andover

14th October 1996

By Order of the Executive Council



J A Young

General Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HOSPITAL SAVING ASSOCIATION

We have audited the Financial Statements on pages 8 to 15 which have been prepared under the accounting policies set out on page 12.

Respective Responsibilities of the Executive Council and of the Auditors

As described on pages 5 and 6, the Executive Council of the Association is 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

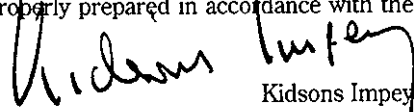
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Association's affairs at 31st July 1996 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
14th October 1996


Kidsons Impey
Registered Auditors
Chartered Accountants

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st JULY 1996

								1996		1995	
								£'000	£'000	£'000	£'000
Income											
Contributions	...	...	...	...	...	2		102,464		87,236	
Investment Income	...	...	...	...	...	3		4,748		3,551	
									107,212		90,787
Expenditure											
Benefits	...	...	...	...	...			70,827		62,750	
Administrative Expenses	...	...	...	...	...	4		19,678		17,542	
Covenants to HSA Charitable Trust	...	...	...	...	...			620		360	
Other Charitable Donations	...	...	...	...	...			277		359	
									91,402		81,011
Surplus of Income over Expenditure									15,810		9,776
Net gain on sales of investments	...	...	...	...	...				1,474		2,257
Surplus on ordinary activities before taxation									17,284		12,033
Taxation on ordinary activities	...	...	...	...	...	5			1,387		1,035
Surplus for the financial year, before appropriations									15,897		10,998
Appropriations											
Policyholders Protection Fund	...	...	...	...	...			100		100	
Capital Reserve	...	...	...	...	...			8,000		8,000	
Surplus for the financial year, after appropriations									8,100		8,100
Balance brought forward									21,016		18,118
Balance carried forward									28,813		21,016

The Association has no recognised gains and losses other than those included above, and therefore, no separate statement of total recognised gains and losses has been presented.

The Notes on pages 12 to 15 form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31st JULY 1996

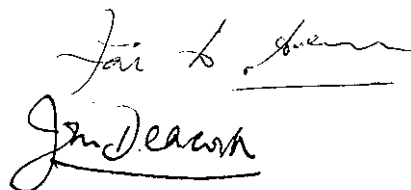
							1996		1995	
							Notes	£'000	£'000	£'000
Fixed Assets										
Tangible assets	...	...	...	...	...	...	7	8,785		8,698
Investments	...	...	...	...	...	...	8	71,652		55,357
								<u>80,437</u>		<u>64,055</u>
Current Assets										
Debtors	...	...	...	...	...	...	9	6,086		5,438
Short Term deposits	...	...	...	...	...	...		21,500		19,000
Cash at bank and in hand	...	...	...	...	...	...		2,569		4,755
								<u>30,155</u>		<u>29,193</u>
Creditors: amounts falling due within one year							10	12,575		10,985
Net Current Assets									17,580	18,208
Total Assets Less Current Liabilities									98,017	82,263
Creditors: amounts falling due after one year							11		104	247
Total Assets less Liabilities									<u>97,913</u>	<u>82,016</u>
Reserves										
Capital reserve	...	...	...	...	...	...	12	68,000		60,000
Policyholders Protection Fund	...	...	...	...	...	...	12	1,100		1,000
Income and expenditure account	...	...	...	...	...	...		28,813		21,016
								<u>97,913</u>		<u>82,016</u>

The Notes on pages 12 to 15 form an integral part of these Financial Statements.

Approved by the Executive Council
14th October 1996

I. D. Adam - Chairman, HSA Executive Council

J. C. Deacock - Vice-Chairman, HSA Executive Council



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st JULY 1996

					1996		1995	
					£'000	£'000	£'000	£'000
Net cash inflow from operating activities	...	...	Notes	(a)		12,562		8,144
Returns on investments:								
Interest received	...	...			1,484		772	
Income from listed investments	...	...			3,168		2,573	
Interest element of finance leases	...	...			(29)		(16)	
Net cash inflow from returns on investments	...	...				4,623		3,329
Taxation paid	...	...				(1,092)		(748)
Investing activities:								
Payments to acquire tangible fixed assets	...	...			(872)		(928)	
Purchase of investments	...	...			(40,659)		(30,790)	
Receipts from sales of investments	...	...			25,839		29,140	
Proceeds of sale of Fixed Assets	...	...			12		2	
Net cash outflow from investing activities	...	...				(15,680)		(2,576)
Financing:								
Capital element of finance lease payments	...	...			(99)		(46)	
Net cash outflow from financing	...	...				(99)		(46)
Increase in cash and cash equivalents	...	...	(b)			314		8,103

Notes to the Cash Flow statement:

(a) Reconciliation of Surplus of Income over expenditure to Net Cash Inflow from operating activities.

					1996		1995	
					£'000	£'000	£'000	£'000
Surplus of Income over Expenditure	...	...	...	...	15,810		9,776	
Investment Income	...	...	...	...	(4,748)		(3,551)	
Profit on sale of fixed assets	...	...	...	...	-		(2)	
Depreciation Charges	...	...	...	...	773		579	
Increase in debtors	...	...	...	...	(552)		(437)	
Increase in creditors	...	...	...	...	1,250		1,763	
Interest payable on finance leases...	...	...	...	...	29		16	
Net Cash inflow from Operating Activities	...	...	...	...	12,562		8,144	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st JULY 1996 (continued)

b)	Analysis of changes in cash and cash equivalents during the year.	£'000
	At 31st July 1995	23,755
	Increase in cash and cash equivalents	314
		<u> </u>
	At 31st July 1996	24,069
		<u> </u>

Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet:-

	1996	1995	Change in
	£'000	£'000	year
			£'000
Cash at bank and in hand	2,569	4,755	(2,186)
Short Term Deposits	21,500	19,000	2,500
	<u> </u>	<u> </u>	<u> </u>
	24,069	23,755	314
	<u> </u>	<u> </u>	<u> </u>

c)	Analysis of changes in financing during the year.	Finance Lease Obligations £'000
	Balance at 31st July 1995	346
	Cash outflows from financing	(99)
		<u> </u>
	Balance at 31st July 1996	247
		<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a) Basis of Accounting

The Financial Statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

b) Depreciation

Depreciation is provided by the Association to write off the cost of tangible fixed assets as follows:

Freehold Land and Buildings	2% p.a. on Buildings
Computer and Office Equipment	25% p.a. or more, according to the estimated life of the asset
Furniture and Fixtures	25% p.a.
Vehicles	25% p.a.

Depreciation is calculated on a straight line basis.

c) Pension Benefits

Pension benefits are funded over the employees' periods of service. The Association's contributions, based on the most recent triennial actuarial valuation of the fund, are made to The Equitable Life Assurance Society.

d) Subsidiary Undertakings

The Accounts present information about The Hospital Saving Association as an individual company. Consolidated Accounts, incorporating HSA Services Limited (registered in England and Wales) have not been prepared as the amounts relating to this entity are not material as far as the Association's accounts are concerned. The Hospital Saving Association Charitable Trust is also not consolidated as The Hospital Saving Association's involvement is of a charitable nature and it does not derive significant direct benefits from the Trust.

2. Contributions

Contributions are shown after deduction of Insurance Premium Tax of £2,537,000.

3. Investment Income

	1996 £'000	1995 £'000
Income from listed investments	1,559	1,358
Income from Government Securities	1,689	1,424
Bank and other interest	1,500	769
	<u>4,748</u>	<u>3,551</u>

4. Administrative Expenses

Include the following:

Staff Costs

Salaries	6,155	5,470
Social Security Costs	600	531
Other pension costs (see note 6b)	543	318
Depreciation of fixed assets - owned	686	533
Depreciation of fixed assets-held under finance leases	87	46
Auditors' remuneration - audit	38	36
- non audit services	115	127
Operating leases - Motor Car Rentals	187	258
Policyholders Protection Fund (see note 12)	-	180
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation		1996	1995
United Kingdom corporation tax at 33.00% (1995 - 33.00%) for the year		£'000	£'000
on unfranked income, less charges	... ..	1,076	767
Tax credit on dividends received	... ..	311	268
		<u>1,387</u>	<u>1,035</u>

6. Employees

- a) The average number of persons employed under a contract of service was 428 (382 in 1995). There are no distinct categories of persons employed.

b) Pensions

The Association operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Association being invested with an insurance company. Contributions to the scheme are charged to the Income and Expenditure Account over employees' working lives with the Association. The contributions are determined by a qualified actuary on the basis of the aggregate funding method. The most recent valuation was as at 5th April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at the rate of 5.5% per annum.

The pension charge for the year was £543,275 (1995 £318,718).

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,369,600 and that the actuarial value of those assets represented 148% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Association and employees were 12.5% and 5% (1995 13.5% and 6%) of earnings respectively.

- c) No fees or emoluments are paid to the Chairman and Members of the Executive Council.

7. Tangible Fixed Assets

							Freehold land and buildings £'000	Computer and office equipment £'000	Furniture and fixtures £'000	Vehicles £'000	Total £'000
Cost:											
At 31st July 1995	...	...	...	...	...	...	8,841	2,335	378	406	11,960
Additions	...	...	...	...	...	...	2	863	7	-	872
Disposals	...	...	...	...	...	...	-	(558)	-	(28)	(586)
At 31st July 1996	...	...	...	...	...	...	<u>8,843</u>	<u>2,640</u>	<u>385</u>	<u>378</u>	<u>12,246</u>
Depreciation:											
At 31st July 1995	...	...	...	...	...	...	1,212	1,694	300	56	3,262
Charge for year	...	...	...	...	...	...	161	472	50	90	773
On Disposals	...	...	...	...	...	...	-	(558)	-	(16)	(574)
At 31st July 1996	...	...	...	...	...	...	<u>1,373</u>	<u>1,608</u>	<u>350</u>	<u>130</u>	<u>3,461</u>
Net book amount at 31st July 1996	...	...	...	...	...	...	<u>7,470</u>	<u>1,032</u>	<u>35</u>	<u>248</u>	<u>8,785</u>
Net book amount at 31st July 1995	...	...	...	...	...	...	<u>7,629</u>	<u>641</u>	<u>78</u>	<u>350</u>	<u>8,698</u>

The net book amount of tangible fixed assets includes £246,881 (1995-£346,124) in respect of assets held under finance leases, for which the depreciation charge for the year was £87,259 (1995-£45,995).

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Investments

						Investments listed on a recognised stock exchange			Unlisted Investments	
						Fixed Interest	Stocks	U.K. Equities	Overseas Equities	Total
						£'000	£'000	£'000	£'000	£'000
Cost:										
At 31st July 1995	...	...	...	...	...	34,438	19,718	1,180	21	55,357
Additions	...	...	...	...	...	30,192	10,467	-	-	40,659
Disposals	...	...	...	...	...	(16,863)	(7,501)	-	-	(24,364)
At 31st July 1996	...	...	...	...	...	47,767	22,684	1,180	21	71,652
Aggregate market value										
at 31st July 1996	...	...	...	...	...	48,601	23,920	1,061	21	73,603

9. Debtors

										1996 £'000	1995 £'000
Contributions receivable	...	...	...	...	...	...	...	...	...	4,614	4,051
Amount due from a subsidiary undertaking	...	...	...	...	...	...	...	...	...	-	47
Other debtors	...	...	...	...	...	...	...	...	...	7	3
Prepayments and accrued income	...	...	...	...	...	...	...	...	...	1,465	1,337
										6,086	5,438

10. Creditors: amounts falling due within one year

										1996 £'000	1995 £'000
Benefit claims (see below)	...	...	...	...	...	...	...	...	...	6,900	5,900
Taxation and Social Security	...	...	...	...	...	...	...	...	...	1,771	1,354
Contributions for next period	...	...	...	...	...	...	...	...	...	2,585	2,440
Accruals	...	...	...	...	...	...	...	...	...	1,011	941
Other Creditors...	...	...	...	...	...	...	...	...	...	157	251
Obligations under finance leases	...	...	...	...	...	...	...	...	...	143	99
Amount due to a subsidiary undertaking	...	...	...	...	...	...	...	...	...	8	-
										12,575	10,985

Benefit claims represent a liability for claims incurred but not notified until after the year end.

11. Creditors: amounts falling due after more than one year

										1996 £'000	1995 £'000
Obligations under finance leases	...	...	...	...	...	...	...	...	...
which will be paid within three years	...	...	...	...	...	...	...	...	...	104	247

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Reserves

	Capital reserve	Policyholders Protection Fund
	£'000	£'000
At 31st July 1995	60,000	1,000
Transfer from Income and Expenditure Account	8,000	100
	<u> </u>	<u> </u>
At 31st July 1996	68,000	1,100
	<u> </u>	<u> </u>

Under the Policyholders Protection Act 1975 the Association may be called upon to pay an amount not exceeding 1% of contributory income towards the unpaid liabilities of other bodies. During 1995/1996 no call was made by the Department of Trade and Industry, (1995 - £180,119). The cost has been included in respect of 1995 under Administrative Expenses (see note 4) in the Income and Expenditure Account.

13. Financial Commitments

	1996	1995
	£'000	£'000
a) Capital expenditure:		
Authorised by the Executive Council up to		
31st July 1996 and still outstanding at		
that date	294	902
	<u> </u>	<u> </u>

b) Leasing:

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st July 1997.

	1996	1995
	£'000	£'000
Expiring		
Within one year	13	32
Within one to five years	84	67
	<u> </u>	<u> </u>
	97	99
	<u> </u>	<u> </u>

THE HOSPITAL SAVING ASSOCIATION

PERFORMANCE 1990-1996

