

Registered Number 515135

Welsh Hospitals and Health Services

Association

(A company limited by guarantee with no share capital)

Report and financial statements

for the year ended 31 December 2002

WELSH HOSPITALS AND HEALTH SERVICES  
ASSOCIATION  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002

AC1150



# **Welsh Hospitals and Health Services Association**

(A company limited by guarantee with no share capital)

## **Report and financial statements for the year ended 31 December 2002**

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# **Welsh Hospitals and Health Services Association**

(A company limited by guarantee with no share capital)

## **Executive Council Members and Advisers for the year ended 31 December 2002**

### **Executive Council members**

J C Parry  
R F Collier (retired on 20 September 2002)  
A L Davies  
W R H Thomas  
Mrs K M Roberts-Jones  
Mrs J Lovatt  
A Patterson  
W R Roberts (retired on 20 September 2002)  
D W Williams  
N R Thomas  
J Moraghen  
D O Kingdon (resigned on 26 April 2002)  
C M Walker  
Ms A J Pryer  
H L Cooke (Executive Director)  
J P Beynon (Executive Director)

### **Registered office**

60 Newport Road  
Cardiff  
CF24 0YG

### **Registered auditors**

PricewaterhouseCoopers LLP  
31 Great George Street  
Bristol  
BS1 5QD

### **Solicitors**

Edwards Geldard  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

### **Bankers**

National Westminster Bank plc  
117 St Mary Street Branch  
Cardiff  
CF10 1LG

Girobank plc  
Bridle Road  
Bootle  
Merseyside  
GIR 0AA

### **Fund managers**

BWD Rensburg Limited  
Quayside House  
Canal Wharf  
Leeds  
LS11 5PU

**Welsh Hospitals and Health Services Association**  
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**Report of the Executive Council  
for the year ended 31 December 2002**

The members of the Executive Council present their report and financial statements for the year ended 31 December 2002.

**Principal Activities**

The Association continues to act as a voluntary health care contributory scheme providing certain benefits to its contributors. The Association has appointed independent consultants to manage the investment portfolio.

**WHA**

The company trades as "WHA"

**Review of the business**

In the opinion of the Executive Council the state of the Association's affairs is satisfactory and there has been no material change since the balance sheet date. The Association will continue to focus on its principal activity and the Executive Council expect the current level of activity will continue for the foreseeable future.

**Results**

The profit for the year after taxation was £146,912 (2001 (restated): £733,360).

**Charitable donations**

The Association made a charitable donation of £5,000 under the gift aid scheme in the year to Welsh Hospitals and Health Services Charity Fund.

**Investments in non-quoted company**

The Association has an investment of £5,534 fully paid up £1 ordinary shares in BHCA (Services) Limited. This represents 5.54% of the ordinary share capital of that company. The investment of £5,534 has been fully provided for in the financial statements. BHCA (Services) Limited provides clearing house services for contributions payable to members of the British Health Care Association and others.

**Executive Council members**

A list of the Executive Council members including Executive Directors, who held office in the year is disclosed on page 3.

# **Welsh Hospitals and Health Services Association**

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## **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 7 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.



Chief Executive  
Cardiff  
7 March 2003

**Welsh Hospitals and Health Services Association**  
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**Statement of responsibilities of the Executive Council**

The Executive Council is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the income and expenditure of the Company for that period.

The Executive Council members confirm that suitable accounting policies have been used and applied consistently, and reasonable prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002. The Executive Council members also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Executive Council members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company, and hence taking reasonable steps to prevent and detect fraud and other irregularities.



Chief Executive  
Cardiff  
7 March 2003

# **Welsh Hospitals and Health Services Association**

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## **Independent auditors' report to the Members of Welsh Hospitals and Health Services Association**

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cashflow statement and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of the Executive Council and auditors**

The Executive Councils' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of responsibilities of the Executive Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for, and only for, the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown, or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Executive Council's 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Executive Council's report and the statement of responsibilities of the Executive Council.

### **Basis of audit 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 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.

# **Welsh Hospitals and Health Services Association**

(A company limited by guarantee with no share capital)

## **Independent auditors' report to the Members of Welsh Hospitals and Health Services Association**

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol  
7 March 2003



# Welsh Hospitals and Health Services Association

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## Profit and Loss account for the year ended 31 December 2002

Technical account – general business	Note	2002 £	2001 £
<b>Written and earned premiums</b>	1	4,616,562	4,678,444
Claims paid	2	(3,452,567)	(3,239,140)
Change in the provision for claims	2	(21,996)	2,738
<b>Claims incurred</b>		<b>(3,474,563)</b>	<b>(3,236,402)</b>
Net operating expenses	3	(827,168)	(729,892)
<b>Balance on technical account for general business</b>		<b>314,831</b>	<b>712,150</b>

Non technical account	Note	2002 £	2001 (restated) £
<b>Balance on the general business technical account</b>		<b>314,831</b>	<b>712,150</b>
Investment income	4	124,870	271,463
Investment expenses and charges	4	(12,128)	(12,635)
Unrealised losses on investments	4	(360,994)	(332,506)
Other income		73,430	41,843
<b>Profit on ordinary activities before taxation</b>	7	<b>140,009</b>	<b>680,315</b>
Tax on profit on ordinary activities	8	6,903	53,045
<b>Retained profit for the year</b>	12	<b>146,912</b>	<b>733,360</b>

All activities are continuing.

## Statement of Total Recognised Gains and Losses

	2002 £	2001 (restated) £
Profit for the financial year	146,912	733,360
Total recognised gains and losses relating to the financial year	146,912	733,360
Prior year adjustment – deferred tax	23	(96,657)
<b>Total gains recognised since the last annual report</b>	<b>50,255</b>	

# Welsh Hospitals and Health Services Association

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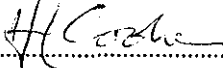
## Balance sheet as at 31 December 2002

Assets	Note	2002 £	2001 (restated) £
<b>Investments</b>			
Freehold land and buildings	9	348,434	356,464
Other financial investments	10	2,807,582	3,241,807
		<b>3,156,016</b>	<b>3,598,271</b>
<b>Debtors</b>			
Arising out of direct insurance operations	11	287,264	333,290
Other debtors	11	22,537	14,116
		<b>309,801</b>	<b>347,406</b>
<b>Other assets</b>			
Tangible assets	9	49,873	45,986
Cash at bank and in hand		4,918,835	4,296,384
		<b>4,968,708</b>	<b>4,342,370</b>
<b>Total assets</b>		<b>8,434,525</b>	<b>8,288,047</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Revenue account	12	7,711,704	7,564,792
		<b>7,711,704</b>	<b>7,564,792</b>
<b>Technical provisions</b>			
Claims outstanding	13	304,258	282,262
<b>Provisions for other risks and charges</b>	14	<b>64,020</b>	<b>133,672</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations	15	132,396	129,870
Other creditors including tax and social security	15	222,147	177,451
		<b>354,543</b>	<b>307,321</b>
<b>Total liabilities</b>		<b>8,434,525</b>	<b>8,288,047</b>


These financial statements were approved by the members of the Executive Council on 7 March 2003 and were signed on their behalf by:

 Chairman

A L Davies

 Chief Executive

H L Cooke

 Vice Chairman

Mrs K M Roberts-Jones

# Welsh Hospitals and Health Services Association

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## Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow operating activities	16	577,628	1,031,455
Returns on investments and servicing of finance			
Interest received		73,429	41,534
Taxation paid		-	(37,560)
Capital expenditure			
Payments to acquire tangible fixed assets		(38,274)	(4,321)
Receipts from sales of tangible fixed assets		10,000	-
Net cash inflow		622,783	1,031,108

### Cashflows were invested as follows:

	2002	2001	
	£	£	
Increase in cash holdings	622,451	1,030,913	
Net Portfolio investments			
Purchase of shares and other variable yield securities and units in unit trusts	258,008	606,828	
Purchase of debt securities and other fixed income securities	128,595	85,482	
Sale of shares and other variable yield securities and units in unit trusts	(263,885)	(503,382)	
Sale of debt securities and other fixed income securities	(115,174)	(104,645)	
Decrease in cash held as part of portfolio investments	(7,212)	(84,088)	
	332	195	
Net investment of cash flows	17	622,783	1,031,108

# **Welsh Hospitals and Health Services Association**

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## **Accounting policies**

### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 1998. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### **Basis of Accounting**

The financial statements are prepared in accordance with applicable Accounting Standards. During the year the company adopted FRS 19: Deferred Tax. The effect on the financial statements is shown in note 23.

### **Premiums**

All policies are written on a monthly basis and premiums are recognised as earned on this basis.

### **Claims outstanding accounting policy**

Provision is made for the estimated cost of settling all claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company and related claims handling expenses. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques generally based upon statistical analyses of historical claims experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce, examples of which could include inflation or a change in the comparative number of days in the year end period for which the number/value of claims experience is being used to project forward in calculating the outstanding provision.

The total costs of claims paid by the company at the balance sheet date is used to project the expected total cost for claims incurred by reference to statistics which show how the total cost of claims paid in previous periods has developed over time. The company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assists in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business and results of the projections.

### **Claims handling provision**

A claims handling provision is established based upon the estimated cost of handling each claim and the estimated number of claims outstanding as at the year end. The cost of handling each claim is calculated based on past experience of the average cost of settling claims.

# Welsh Hospitals and Health Services Association

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## Accounting policies

### Depreciation

Depreciation is calculated to write off the cost of fixed assets, which includes purchase cost together with any incidental cost of acquisition, over the useful life of the asset. Depreciation is charged from the date of acquisition, to the date of disposal. The annual rates of depreciation, which are consistent with prior years, are:

Freehold property	2½% from date of revaluation
Motor vehicles	25% straight line on original cost
Office fixtures, fittings and equipment	20% on written down value
Computer system	20% straight line on original cost

No depreciation is provided on freehold land.

### Investments

Listed investments are stated at closing quoted price on the balance sheet date. Unlisted investments for which no market exists are stated at directors' valuation. Land and buildings are valued at open market valuation. Full valuations are made by independent, professionally qualified valuers every three years. In the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required. The aggregate surplus or deficit on revaluation is taken to the non-technical account.

### Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

### Deferred Taxation

FRS 19 'Deferred Tax' has been adopted in the preparation of these accounts. The Standard requires full provision to be made on all timing differences, which have not reversed by the balance sheet date, except in certain circumstances as detailed in FRS19. Deferred tax assets are recognised only to the extent that it is more likely than not they will be recovered. In adopting FRS19 the company has chosen not to discount deferred tax assets and liabilities. The comparative figures for the prior period have been restated to reflect the impact of FRS19. This change in accounting policy has been reflected by means of a prior year adjustment, the impact of which is set out in note 23.

### Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the revenue account when payable and are based on the advice of actuaries of FPS Group Limited, the Pension Fund Trustees.

# **Welsh Hospitals and Health Services Association**

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## **Accounting policies**

### **Operating leases**

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

### **Consolidated Accounts**

The accounts of Welsh Hospitals and Health Services Charity Fund an unincorporated entity of which the Association is the ultimate controlling party have not been consolidated with those of the Association as the Executive Council considers that the amounts involved are not material.

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**1 Earned premiums**

	2002	2001
	£	£
Works and establishments	3,070,223	3,229,507
Individuals	1,546,339	1,448,937
	4,616,562	4,678,444

All premiums are written and earned in the UK.

**2 Claims incurred**

	2002	2001
	£	£
Claims paid	3,452,567	3,239,140
Outstanding claims carried forward	304,258	282,262
Outstanding claims brought forward	(282,262)	(285,000)
	21,996	(2,738)
Claims incurred	3,474,563	3,236,402

All claims were incurred in the UK.

**3 Net operating expenses**

	2002	2001
	£	£
Ongoing administrative expenses	670,450	729,892
Building refurbishment costs	156,718	-
	827,168	729,892

All operating expenses were incurred in the UK.

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**4 Investment return**

	2002	2001
	£	£
<b>Investment income</b>		
Income from land and buildings	-	7,820
Income from investments	198,433	241,539
(Losses)/gains on realisation of investments	(73,563)	22,104
	124,870	271,463
<b>Investment expenses and charges</b>		
Investment management charges	(12,128)	(12,635)
Unrealised losses on investments	(360,994)	(332,506)
<b>Total investment return</b>	<b>(248,252)</b>	<b>(73,678)</b>

**5 Employee information**

The average number of persons employed by the Association was 12 (2001: 12).

	2002	2001
	£	£
Staff costs were:		
Salaries	234,244	220,386
Social Security costs	23,327	21,998
Pension costs	22,757	21,250
Pension payment to former employee	4,370	4,281
	284,698	267,915



**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**6 Executive Directors' emoluments**

Executive Directors' emoluments for the year totalled £90,910 (2001: £85,471) including benefits.

Retirement benefits are accruing to two Executive Directors by way of the Association's participation in a defined contribution scheme operated by FPS Group Limited. The contributions payable by the Association amounted to £10,273 (2001: £9,473).

**7 Profit on ordinary activities before taxation is stated after charging;**

	2002	2001
	£	£
Depreciation:		
Land and buildings	8,030	8,030
Tangible owned assets	20,353	21,632
Other operating lease rental	956	148
Other costs:		
Fees paid to auditors:		
Audit	29,375	21,219
Other services	7,813	6,681
Donation to WHHS Charity Fund	5,000	10,000
Loss on disposal of owned assets	4,035	-

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**8 Taxation**

	2002	2001 (restated)
	£	£
<b>(a) Analysis of tax charge in the period</b>		
The charge based on the profit for the year comprises:		
United Kingdom Corporation tax		
Charge for the year	30,000	45,000
In respect of prior years	-	(2,748)
	30,000	42,252
Deferred taxation		
(Credit) for the year	(36,903)	(95,297)
<b>Total current tax credit</b>	<b>(6,903)</b>	<b>(53,045)</b>

	2002	2001 (restated)
	£	£
<b>(b) Factors affecting tax charge in period</b>		
Profit on ordinary activities before tax	140,009	680,315
Profit on ordinary activities before tax at 30% (2001: 30%)	42,003	204,095
Effects of:		
Expenses not deductible for tax purposes	5,439	-
Income exempt from UK tax	-	(242,542)
Capital allowances for period in excess of depreciation	3,150	2,200
Short term timing differences	(6,784)	99,752
Income tax credit	(1,419)	-
Tax at marginal rate	(14,798)	(20,914)
Revaluations	2,409	2,409
Adjustments to tax in respect of previous periods	-	(2,748)
<b>Total current tax charge for period</b>	<b>30,000</b>	<b>42,252</b>

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**9 Tangible assets**

	Investments		Tangible assets		
	Freehold land and buildings	Computer system	Office fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2002	365,000	55,113	47,239	41,790	144,142
Additions	-	352	16,182	21,740	38,274
Disposals	-	(19,828)	(19,207)	(23,896)	(62,931)
<b>At 31 December 2002</b>	<b>365,000</b>	<b>35,637</b>	<b>44,214</b>	<b>39,634</b>	<b>119,485</b>
<b>Depreciation</b>					
At 1 January 2002	8,536	42,850	36,748	18,558	98,156
Charge for the year	8,030	6,762	3,557	10,034	20,353
Disposals	-	(19,828)	(15,823)	(13,246)	(48,897)
<b>At 31 December 2002</b>	<b>16,566</b>	<b>29,784</b>	<b>24,482</b>	<b>15,346</b>	<b>69,612</b>
<b>Net book amount</b>					
<b>At 31 December 2002</b>	<b>348,434</b>	<b>5,853</b>	<b>19,732</b>	<b>24,288</b>	<b>49,873</b>
At 31 December 2001	356,464	12,263	10,491	23,232	45,986

The freehold land and buildings were independently valued at £365,000 on 8 December 2000 by Fletcher Morgan, Chartered Surveyors on an existing use basis.

The freehold land and buildings are occupied by the company for its own use.

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**9 Tangible assets (continued)**

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

	2002 £	2001 £
Cost	34,273	34,273
Aggregate depreciation based upon cost	21,349	20,595

**10 Other financial investments**

	2002 Market value £	2002 Cost £	2001 market value £	2001 cost £
Shares and other variable yield securities and units in unit trusts	1,432,921	1,865,605	1,875,794	1,940,528
Debt Securities and other fixed income securities	1,163,347	1,116,591	1,147,487	1,107,687
Deposits with credit institution	211,314	211,314	218,526	218,526
	2,807,582	3,193,510	3,241,807	3,266,741

Included in the carrying values above are amounts in respect of listed investments as follows:

	2002 £	2001 £
Share and other variable yield securities and units in unit trusts	1,432,921	1,875,794
Debt securities and other fixed income securities	1,163,347	1,147,487
	2,596,268	3,023,281

**Welsh Hospitals and Health Services Association**  
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**Notes to the financial statements for the year ended 31 December 2002**

**11 Debtors**

	2002	2001
	£	£
Premium debtors arising out of direct insurance operations	287,264	333,290
Other debtors	22,537	14,116
	309,801	347,406

**12 Reserves**

	Revenue account	Total
	£	£
At 1 January 2002 as previously stated	7,661,449	7,661,449
Prior year adjustment – deferred tax	(96,657)	(96,657)
At 1 January 2002 restated	7,564,792	7,564,792
Profit for the year	146,912	146,912
At 31 December 2002	7,711,704	7,711,704

In accordance with the Memorandum of Association the Company cannot distribute reserves by way of a dividend or in any other manner by way of profit to Members of the Association.

**13 Technical provisions**

	2002	2001
	£	£
Claims outstanding	304,258	282,262

**Welsh Hospitals and Health Services Association**  
(A company limited by guarantee with no share capital)

**Notes to the financial statements for the year ended 31 December 2002**

**14 Provisions for other risks and charges**

	Provision for FSCS levy £	Deferred Tax £	Total £
Provision brought forward 1 January 2002 (restated)	32,749	100,923	133,672
(Credit) to profit and loss account during the year	(32,749)	(36,903)	(69,652)
<b>Provision carried forward 31 December 2002</b>	<b>-</b>	<b>64,020</b>	<b>64,020</b>

	2002		2001	
Deferred taxation	Provided	Unprovided	Provided (restated)	Unprovided (restated)
	£	£	£	£
Accelerated capital allowance	(3,091)	-	57	-
Capital gains / revaluations	94,248	-	96,657	-
Other timings differences	(27,137)	-	4,209	-
	<b>64,020</b>	<b>-</b>	<b>100,923</b>	<b>-</b>

**Welsh Hospitals and Health Services Association**  
(A company limited by guarantee with no share capital)

**Notes to the financial statements for the year ended 31 December  
2002**

**15 Creditors falling due within one year**

	2002	2001
	£	£
<b>Arising out of direct insurance operations</b>		
Premiums paid in advance	132,396	129,870
<b>Other creditors including tax and social security</b>		
Corporation tax payable	73,310	43,310
Insurance premium tax	57,756	58,699
Other creditors	91,081	75,442
	<b>222,147</b>	<b>177,451</b>
	<b>354,543</b>	<b>307,321</b>

# Welsh Hospitals and Health Services Association

(A company limited by guarantee with no share capital)

## Notes to the financial statements for the year ended 31 December 2002

### 16 Reconciliation of profit before tax to net cash inflow from operating activities

	2002	2001
	£	£
Profit before tax	140,009	680,315
Depreciation	28,383	29,662
Loss on disposal of fixed assets	4,034	-
Deposit account interest	(73,429)	(41,534)
Loss / (profit) on disposal of investments	73,563	(22,104)
Unrealised losses on investments	360,994	332,506
Decrease / (increase) in contributions income receivable	46,026	(655)
(Increase) / decrease in other debtors	(8,421)	4,260
Increase / (decrease) in technical provisions	21,996	(2,738)
Increase / (decrease) in direct insurance liabilities	2,526	(1,312)
(Decrease) / increase in provisions	(32,749)	32,749
Increase in other creditors	14,696	20,306
<b>Net cash inflow from operating activities</b>	<b>577,628</b>	<b>1,031,455</b>



# Welsh Hospitals and Health Services Association

(A company limited by guarantee with no share capital)

## Notes to the financial statements for the year ended 31 December 2002

### 17 Movement in cash and portfolio investments

	At 1 January 2002	Cash flow	Changes to market value	Other changes	At 31 December 2002
	£	£	£	£	£
Cash at bank and in hand	4,296,384	622,451	-	-	4,918,835
Shares and other variable yield securities and units in unit trusts	1,875,794	(5,877)	(436,996)	-	1,432,921
Debt Securities & other fixed income securities	1,147,487	13,421	2,439	-	1,163,347
Land and buildings	356,464	-	-	(8,030)	348,434
Deposits with credit institution	218,526	(7,212)	-	-	211,314
	7,894,655	622,783	(434,557)	(8,030)	8,074,851

### 18 Financial commitments

At 31 December 2002 the company had annual commitments under non cancellable operating leases expiring as follows:

	2002	2001
	£	£
Within two to five years	956	956
	956	956

### 19 Pension schemes

The Association participates in a defined contribution scheme operated by FPS Group Limited with assets held in a separately administered fund. The pension costs representing contributions payable by the Association amounted to £22,757 (2001: £21,250). There are no outstanding contributions as at the year end.

### 20 Association status

The Association is a registered company limited by guarantee with no share capital. The liability of each member is limited to £1.

# **Welsh Hospitals and Health Services Association**

(A company limited by guarantee with no share capital)

## **Notes to the financial statements for the year ended 31 December 2002**

### **21 Capital commitments**

Capital commitments outstanding at the year-end are £nil (2001: £Nil).

### **22 Contingent liabilities**

As an authorised insurance company in the United Kingdom, the Association is subject to levies from time to time from the Financial Services Compensation Scheme ("FSCS"). In any financial year the FSCS may impose compensation costs levies of up to 0.8% of relevant net premium income. The FSCS may also impose management expenses levies. In compliance with FRS12, no provision has been made in these financial statements for either 2001 or 2002 as there is no indication as at the year end that such a levy will be raised.

### **23 Prior year adjustment**

The company has adopted FRS 19: Deferred Tax. Previously deferred tax was provided only on assets and liabilities where it was expected that the tax would crystallise in the foreseeable future. Now, under FRS 19 deferred tax is provided on all timing differences which have not reversed by the balance sheet date, except in certain circumstances as detailed in FRS 19. Deferred tax assets are recognised only to the extent that it is more likely than not they will be recovered.

As a consequence of adopting FRS 19, the prior year's financial statements have been restated leading to an increase of £26,856 in the tax credit for the year ended 31 December 2001, which resulted in an increase to retained profit of the same amount. The balance of the prior year adjustment, a charge of £123,513, related to the period prior to 1 January 2001.

The result of the change in policy for the year ended 31 December 2002 is to increase the tax credit by £2,409, resulting in an increase in retained profit of the same amount.

### **24 Welsh Hospitals and Health Services Charity Fund**

During the year WHHSA donated £5,000 (2001: £10,000) to Welsh Hospitals and Health Services Charity Fund, the Trustees of which are members of the Executive Council of the Association. The charity distributes the donation to suitable causes.