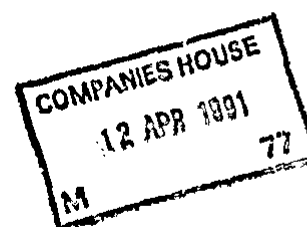


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TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 1990



KPMG PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London EC4V 3PD.

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

GOVERNORS' REPORT

The Board of Governors is empowered by the Articles of Association of the Company to act as the Board of Directors of the Trustees of the London Clinic Limited and has pleasure in issuing the following report:

The Governors during the year were:

The Right Honourable James Ramsden (Chairman)
 The Right Honourable Lord Farnham
 Mr. R.G. Gibbs
 Captain D.W.S. Buchan
 Mr. M.D. Abrahams, M.B.E. (Appointed 7th March, 1990)

The Company continues to be registered as a Charity and its activities have remained those of a private hospital and Clinic, with a total of 176 licensed beds.

During the past twelve months further work has been carried out on the upgrading and refurbishing of patients' rooms and other facilities. The year has seen the completion of a small High Dependency Unit, the first phase of a new Endoscopy Unit, achieved jointly in collaboration with a well-known manufacturer of equipment, and a new Minimal Invasive Therapy unit developed in conjunction with specialists in this new field of surgery and one of the first in the United Kingdom.

The proposed plan to upgrade 35 patients' rooms and services at the west end of the Clinic was deferred.

A number of other projects are planned or already in progress and include the provision of improved management information in order to make better use of existing resources, and the upgrading of certain aspects of the Pathology Department to meet current legislation.

The volume of work and improvements being undertaken are making considerable demands on the Company's resources. However we view this expenditure, which has amounted to £5.6 million approximately over the past three years, as an investment for the future. Together with improved cost containment, benefits should be felt during the coming year.

The following statistical information was recorded for the year ended 30th September, 1990:

	<u>1990</u>	<u>1989</u>
Number of patients admitted	9,188	9,327
Average duration of stay	4.82	4.79
Average daily number of in-patients	121.43	122.89
Operations	9,750	9,547
Pathology units of work	4,076,940	3,704,912
Radiology examinations	16,663	16,757
Endoscopy examinations	1,828	1,865
Physiotherapy treatments	18,493	15,028
Cardiography examinations	3,170	3,237
Diagnostic Unit investigations	886	868

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Governor *J. Ramsden*

Secretary *M. J. J. J.*

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

GOVERNORS' REPORT
 (continued)

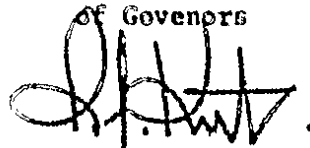
The Company treats all applications for employment on merit alone and does not discriminate against disabled people when considering their applications for suitable positions. Training, where appropriate, is given and career development is available to the same extent as to able-bodied employees. If an employee should become disabled while in the service of the company, he will be retrained, if possible, and found suitable work.

The Company takes a positive view of employee communications and maintains a system of keeping employees informed of developments and progress by consultation in departments.

In the Governors' opinion, the freehold and leasehold land and buildings shown in the balance sheet at a net book value of £1,384,936 had an estimated market value at 30th September, 1990 which was considerably in excess of net book value. Covenants attaching to the leasehold property preclude use other than for hospital, consulting or residential purposes.

A resolution for the reappointment of KPMG Peat Marwick McLintock as auditors is to be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board
 of Governors



Secretary

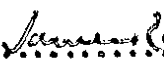
20th March 1991.

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Governor



Secretary...





REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK,
TO THE TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements, which have been prepared on the basis of the accounting policies set out on pages 8 and 9, give, under the modified accounting concept in respect of capital expenditure referred to therein, a true and fair view of the state of the company's affairs at 30th September, 1990 and of the excess of expenditure over income and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

20th March 1991

KPMG Peat Marwick McLintock

Chartered Accountants

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Governor...

[Signature]

Secretary...

[Signature]

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
		£	£
Turnover - charges to patients	3	21,779,762	19,353,694
Cost of sales - costs related directly to charges to patients		(15,780,229)	(13,963,552)
Gross margin		<u>5,999,533</u>	<u>5,390,142</u>
Overhead expenditure	(2,481,047)		(2,869,363)
Administrative expenditure	(2,769,929)		(2,111,229)
	(5,250,976)		(4,980,592)
Recovery of expenditure on consulting suites	423,582		326,060
		<u>(4,827,394)</u>	<u>(4,654,532)</u>
Surplus before financing charges	3	<u>1,172,139</u>	<u>735,610</u>
Other operating income/ (charges):			
Interest payable	6	(371,213)	26,166
Credit card charges		(55,771)	(49,139)
Discounts allowed		(80,895)	(97,789)
Sundry rents		<u>127,917</u>	<u>12,142</u>
		<u>(379,962)</u>	<u>(360,952)</u>
Surplus for the year before special expenditure	4	<u>792,177</u>	<u>374,658</u>
Special expenditure	7	<u>(1,798,757)</u>	<u>(1,779,679)</u>
Deficit on ordinary activities		<u>(1,006,580)</u>	<u>(1,405,021)</u>
Donations	8	<u>750,000</u>	<u>499,895</u>
Deficit for the financial year		<u>(256,580)</u>	<u>(905,126)</u>
Balance brought forward from previous year		<u>(667,808)</u>	<u>237,318</u>
Deficit carried forward		<u>(924,388)</u>	<u>(667,808)</u>

The notes on pages 8 to 14 form part of these financial statements.

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Governor

James Laman

Secretary

James Laman

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

BALANCE SHEET AT 30TH SEPTEMBER, 1990

	<u>Note</u>	£	<u>1990</u>	£	£	<u>1989</u>	£
Fixed assets:							
Tangible assets	9		1,384,936			1,404,820	
Current assets:							
Stocks	10	509,274			478,618		
Debtors	11	3,570,059			2,863,562		
Cash at bank and in hand		34,009			40,698		
			<u>4,113,342</u>		<u>3,382,878</u>		
Creditors: amounts falling due within one year	12	(3,865,009)			(3,324,695)		
Net current assets			<u>248,333</u>		<u>58,183</u>		
Total assets less current liabilities			<u>1,633,269</u>		<u>1,463,003</u>		
Creditors: amounts falling due after more than one year	13		(1,275,216)		(848,370)		
			<u>358,053</u>		<u>614,633</u>		
Capital and reserves:							
Revaluation reserve	9		1,282,441		1,282,441		
Revenue deficit			(924,388)		(667,808)		
			<u>358,053</u>		<u>614,633</u>		

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the Board of Governors
on

20th March 1991.

James Camden }
Michael Mortimer } Governors

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Governor.....

Secretary.....

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER, 1990

	£	1990	£	£	1989	£
SOURCE OF FUNDS						
Surplus for the year before special expenditure		792,177			374,658	
Adjustment for item not involving the movement of funds:						
Amortisation		19,884			19,305	
FUNDS GENERATED FROM OPERATIONS		<u>812,061</u>			<u>393,963</u>	
FUNDS FROM OTHER SOURCES						
Increase in bank loan	450,000			500,000		
Increase/(decrease) in other long term creditors	(23,154)			5,008		
Donations	750,000			499,895		
		<u>1,176,846</u>			<u>1,004,903</u>	
		<u>1,988,907</u>			<u>1,398,866</u>	
APPLICATION OF FUNDS						
Special expenditure		(1,798,757)			(1,779,679)	
INCREASE/(DECREASE) IN WORKING CAPITAL		<u>190,150</u>			<u>(380,813)</u>	
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL						
Stocks		30,656			117,064	
Debtors		706,497			431,054	
Creditors due within one year		264,211			(549,016)	
Movement in net liquid funds:						
Bank overdraft	(804,525)			(375,781)		
Cash at bank and in hand	(6,689)			(4,134)		
		<u>(811,214)</u>			<u>(379,915)</u>	
		<u>190,150</u>			<u>(380,813)</u>	

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Governor...

Secretary...

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

SAMARITAN FUND

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1990

	£	<u>1990</u>	£	£	<u>1989</u>	£
Interest receivable on deposit account		252			211	
Donations		1,092			10	
		<hr/>			<hr/>	
			1,344			221
Grant from fund			-			(500)
			<hr/>			<hr/>
Balance carried forward to balance sheet			1,344			(279)
			=====			=====

BALANCE SHEET
AT 30TH SEPTEMBER, 1990

	<u>1990</u>	<u>1989</u>
	£	£
Cash at bank	4,936	3,592
	=====	=====
Balance brought forward	3,592	3,871
Balance from income and expenditure account	1,344	(279)
	<hr/>	<hr/>
	4,936	3,592
	=====	=====

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Governor...

Secretary...

James J. Lawrence
J. H. B...

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

1. STATUS OF THE COMPANY

The Company is limited by guarantee and does not have a share capital. Every member of the Company undertakes to contribute to the assets of the Company in the event of it being wound up while he is a member, or within one year after he ceases to be a member, such amount as may be required, not exceeding £1 for the payment of the debts and liabilities contracted before he ceases to be a member. The Company is a registered Charity and, as such, is exempt from Income and Corporation Taxes under the provisions of the Income and Corporation Taxes Act 1988.

2. ACCOUNTING POLICIES

(a) Accounting bases

These financial statements have been prepared under the historical cost convention adjusted by the valuation of properties referred to in note 9 below. This is in accordance with the Companies Act 1985 except as stated in 2(b) below. These financial statements have also been prepared in compliance with the Statement of Recommended Practice No 2 "Accounting by Charities" except that special expenditure is written off as incurred for the reasons described in note 2(b) below.

(b) Special expenditure

Expenditure on plant and machinery and alterations and reconstructions of existing buildings is written off to the income and expenditure account in the year in which the expenditure is incurred. Lease and hire-purchase payments are treated consistently with this policy.

The Company has reviewed this accounting policy in relation to the financial statements for the year ended 30th September, 1990. It has been decided not to change the existing accounting policy. It is not practical to estimate the full financial effects in the current year of not capitalising and depreciating special expenditure.

(c) Donations

Donations include both general donations and amounts received specifically for the purchase of assets. The gross cost of these assets is included within special expenditure. Where such donations are received in advance of the purchase of the asset, the donation is included within deferred income and released when the asset is purchased.

(d) Amortisation

Provision for amortisation of the short-term leasehold property is calculated on a sinking fund basis over the term of the lease expiring in 2025, charging an increasing amount to the income and expenditure account each year.

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Governor...

Secretary...

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - (continued)

(e) Depreciation

No provision for depreciation has been made on freehold property.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value.

(g) Pension funding

Contributions to pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company (see note 15).

3. TURNING OVER

Turnover attributable to different classes of business and surplus and deficit attributable to each class is as follows:

	<u>Turnover</u>		<u>Surplus/(deficit)</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£	£	£	£
Nursing floors	10,446,210	10,568,955	(1,688,545)	(1,149,410)
Special departments	11,333,552	8,784,739	2,860,684	1,885,020
	<u>21,779,762</u>	<u>19,353,694</u>	<u>1,172,139</u>	<u>735,610</u>
	*****	*****	*****	*****

Turnover from nursing floors is shown net of a discount to insurance companies on room fees, amounting to £748,223 in 1990 (1989: £592,959).

4. RESULT FOR THE YEAR

The result for the year is stated after charging:

	<u>1990</u>	<u>1989</u>
	£	£
Amortisation of leasehold property	19,884	19,305
Auditors' remuneration	16,500	15,000
Medical and other equipment - lease payments	22,689	6,065
- hire purchase payments	287,587	187,441
Governors' remuneration (fees)	6,136	6,000
	*****	*****

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Governor... *[Signature]*
Secretary... *[Signature]*

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEES

- (a) The average number of employees employed by the Company during the year was as follows:

	<u>1990</u>	<u>1989</u>
Management	7	7
Administration	35	34
Nursing and medical staff	350	347
Ancillary staff	408	391
	<u>800</u>	<u>779</u>
	---	---

- (b) The aggregate payroll costs of these persons were as follows:

	<u>1990</u>	<u>1989</u>
	£	£
Wages and salaries	10,857,460	9,461,398
Social security costs	1,267,007	993,447
Other pension costs	557,031	525,076
	<u>12,681,498</u>	<u>10,979,921</u>
	-----	-----

- (c) The number of employees whose emoluments, excluding pension contributions, fell within the following ranges were:

	<u>Number of employees</u>	
	<u>1990</u>	<u>1989</u>
£30,001 - £35,000	6	1
£35,001 - £40,000	2	-
£40,001 - £45,000	2	-

6. INTEREST PAYABLE

	<u>1990</u>	<u>1989</u>
	£	£
Interest payable in respect of bank loans and overdrafts repayable within five years	371,213	226,166
	-----	-----

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Governor... *[Signature]*

Secretary... *[Signature]*

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

7. SPECIAL EXPENDITURE

	<u>1990</u> £	<u>1989</u> £
Building including furniture and fittings	1,217,890	1,587,184
Equipment:		
Medical	574,759	143,396
Computer	6,108	49,099
	<u>1,798,757</u> *****	<u>1,779,679</u> *****

8. DONATIONS

In 1990, donations were received amounting to £750,000 (1989: £499,895), including an amount of £250,000 donated for the purpose of acquiring a scanner system. The amounts paid in respect of this equipment are included within special expenditure.

9. FIXED ASSETS

	<u>1990</u> £	<u>1989</u> £
Freehold property at Governors' valuation in 1970: 5/12 St. Mark's Square, Camden	216,454	216,454
Short-term leasehold property at professional valuation in 1962: 145/147 Harley Street and 18/20 Devonshire Place	1,555,000	1,555,000
Amortisation	(386,518)	(366,634)
	<u>1,168,482</u>	<u>1,188,366</u>
	<u>1,384,936</u> *****	<u>1,404,820</u> *****

On 7th October 1981, a mortgage debenture between the Company and National Westminster Bank Plc was sealed, creating a charge on all the fixed assets.

The revaluation surplus of the above valuations is retained in the revaluation reserve.

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Governor.....

Secretary.....

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

10. STOCKS

	<u>1990</u> £	<u>1989</u> £
Raw materials and consumables	509,274 =====	478,618 =====

11. DEBTORS

	<u>1990</u> £	<u>1989</u> £
Trade debtors - amounts due from patients	3,273,486	2,722,003
Other debtors	163,718	76,181
Prepayments and accrued income	132,855	65,378
	<u>3,570,059</u> =====	<u>2,863,562</u> =====

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1990</u> £	<u>1989</u> £
Bank loans and overdrafts (secured)	1,997,999	1,193,474
Other loans	28,043	28,043
Trade creditors	925,053	900,390
Taxation and social security	336,600	318,856
Other creditors	328,950	135,394
Accruals and deferred income	248,364	748,538
	<u>3,865,009</u> =====	<u>3,324,695</u> =====

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Governor..

Secretary..

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TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1990</u> £	<u>1989</u> £
Bank loans and overdrafts (secured)	1,200,000	750,000
Other loans	32,091	47,745
Accruals and deferred income	43,125	50,625
	<u>1,275,216</u> *****	<u>848,370</u> *****

The loan and overdraft are secured by a floating charge with National Westminster Bank Plc and interest is chargeable at 1½% above the LIBOR.

14. COMMITMENTS

Special expenditure commitments:

	<u>1990</u> £	<u>1989</u> £
Committed and contracted for	84,000	192,000
Authorised but not contracted for	665,000	-
	<u>749,000</u> *****	<u>192,000</u> *****

Special expenditure will be financed under the the Clinic's normal banking facility and by use of a secured loan facility of £1,500,000 with National Westminster Bank Plc. The secured loan facility will reduce by £75,000 per quarter from 31st December, 1990.

Lease and hire purchase commitments:

		<u>1990</u> £	<u>1989</u> £
Within 1 year	- lease	21,697	21,578
	- hire purchase	238,585	199,148
Within 2 to 5 years	- lease	83,396	75,643
	- hire purchase	203,955	154,046
		<u>547,633</u> *****	<u>450,415</u> *****

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Governor... *[Signature]*...

Secretary... *[Signature]*...

TRUSTEES OF THE LONDON CLINIC LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

15. PENSION SCHEME

The Company operates two defined benefit pension schemes based on final pensionable pay. The benefits provided by the Trustees of the London Clinic (1975) Retirement Plan are fully insured by the Sun Alliance and London Insurance Company plc. The assets of the Trustees of the London Clinic (1974) Retirement Fund are held separately from those of the Company, being invested with the Sun Alliance and London Insurance Company plc. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company. The contributions to the 1974 Retirement Fund are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1st November, 1987. 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 7½% per annum and that present and future pensions would increase at the rate of 3% per annum.

The pension charge for the period was £557,031 (1989: £525,076).

The most recent actuarial valuation of the 1974 Retirement Fund as at 1st November, 1987, showed that the market value of the scheme's assets was £4,775,000 and that the actuarial value of those assets represented 110% of the benefits that had accrued to the members, after allowing for expected future increases in earnings. The contributions of the Company to the 1974 Retirement Fund are 10.8% of pensionable salaries. Employees do not make contributions to this scheme. The employer's contribution rate may be varied on the recommendation of the actuary, depending on the results of the valuation at 1st November, 1990 which is currently in progress.

The contributions of the Company and employees to the 1975 Retirement Plan are 10% and 6% respectively.

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Governor.....

Secretary.....