

Trustees of the London Clinic Limited

Registered number 307579

**Trustees' report and consolidated
financial statements**

30 September 2000



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Trustees' report

Governing instrument and objects

Trustees of the London Clinic Limited is a company limited by guarantee, No. 307579, and is registered as a charity, No. 211136, under a Trust Deed dated 28 November 1935.

The objects of the company, as stated in the Memorandum of Association dated 28 November 1935 as amended, are:

- a) "To carry on all or any of the businesses of proprietors or managers of Clinics or Nursing Homes, Hospitals or other establishments for the treatment of patients and others by the provision of medical attention, nursing, massage, and all forms of medical and chemical methods and appliances".
- b) "To apply the Monies of the Trust and generally to subscribe or guarantee money for any charitable object or purpose and in particular (but without derogating from the generality of the foregoing or extending the scope thereof to objects or purposes which are not in law charitable objects or purposes) the erection, building, equipping, installing, repairing and maintaining of operating theatres, hospitals, nursing homes, convalescent homes and medical laboratories, the promotion of the medical and allied sciences and medical and scientific research work of all kinds, the dissemination of information on medical and allied scientific subjects, the founding, maintaining or increasing of medical and allied scholarships, classes, schools, colleges, universities and lectureships, the provision gratuitously or otherwise, as may be thought proper, of ambulances and hospital, nursing home, convalescent home and clinic accommodation and treatment for persons in need thereof and of medicines, drugs, medical and surgical preparations, appliances and apparatus, restoratives and sustenance for any such persons during sickness, illness or convalescence".

The company has operated the London Clinic, a 191-bed independent hospital in central London of international repute, as a charity institution since its foundation. The company and its subsidiary are together referred to in this report as "The Clinic" and in the consolidated financial statements as "the Group".

Trustees and management of the Charity

The Trustees of the charity are the members of Trustees of the London Clinic Limited and form the Board of Trustees which is empowered by the Articles of Association of the Company to act as its Board of Directors. Trustees are nominated and elected by the Board of Trustees.

Trustees' report

Trustees and management of the Charity *(continued)*

The Trustees of the charity are that served during the year and those appointed subsequently are:

Mr M D Abrahams, CBE, DL*	(Chairman)
The Right Honourable Lord Farnham+	(until his death on 22 March 2001)
Mr R S Ponsonby*	
The Right Honourable the Lord Biffen of Tanat, DL	
The Marchioness of Hartington	
Mr R A Hambro	(appointed on 20 December 2000)
Sir Christopher Paine, DM, FRCR, FRCP	

* Member of the Audit Committee.

+ Chairman of the Audit Committee.

The Trustees are sad to report the death of Lord Farnham on 22 March 2001. Lord Farnham served as a Trustee for over 21 years during a period of considerable change for The London Clinic. His insight and guidance will be greatly missed.

Following the death of Lord Farnham, the Trustees will be appointing a new Chairman of the Audit Committee as soon as possible.

Responsibility for the day to day management of The Clinic is delegated by the Trustees to an Executive Board which comprises the Chief Executive, Matron, the Directors of Corporate Affairs, Estates, Finance, Human Resources, Marketing and Operations. The Trustees meet quarterly to consider strategic, operational, financial and clinical governance issues based on information presented to them by the Executive Board. The Executive Board is also responsible for advising the Trustees on the strategic direction of The Clinic and for the preparation of annual business and operational plans in line with the Trustees' agreed strategy. Throughout the year the Trustees review The Clinic's progress against budgets and related capital expenditure programmes.

Corporate governance

The Clinic is not a public listed company and is therefore exempt from the requirements of the Combined Code on Corporate Governance issued by the London Stock Exchange. However, the Trustees support the principles of corporate governance set out in the Code and, in the spirit of the Code and the Guidance published by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales, have implemented internal control and risk management systems that are, in their opinion, appropriate to The Clinic. The major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to manage those risks.

The Trustees acknowledge their responsibility for The Clinic's systems of internal control and the framework for this control. Whilst any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss, the Trustees place a strong emphasis on adherence to The Clinic's control framework. The Trustees have conducted a thorough review of internal controls together with issues of clinical governance

which are considered in more detail in the section below.

The Audit Committee meets twice a year to review the Annual Report and financial statements prior to submission to the Board of Trustees, and particularly the effectiveness of The Clinic's internal controls and the appropriateness of the going concern basis in preparing the financial statements.

Clinical governance

The Trustees welcome the Government's emphasis on the quality of patient care that is the primary motivation behind their clinical governance programme. Although this initiative has been developed primarily for NHS Trusts, the implementation of clinical quality and risk management strategies to ensure the highest standards of patient care applies equally to the independent health sector. A structure of policy setting and monitoring is now well established at The Clinic with the aim of continuous improvement in the quality of patient care. Issues of clinical quality are analysed regularly in detail by the Clinical Effectiveness Committee, comprising a group of senior clinicians, and any findings and recommendations are reported to The Clinic's Medical Advisory Committee for further consideration. Members of the Executive Board participate in these discussions and appraise the Trustees regularly of all relevant issues.

Going concern

After making enquiries, the Trustees have reasonable expectations that The Clinic has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Trustees continue to adopt the going concern basis in preparing the financial statements.

Creditor payment policy

It is The Clinic's policy to pay suppliers promptly and it fully supports the Government's initiative to encourage and promote this practice. The Clinic's policy in relation to all of its suppliers is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Clinic does not follow any code or standard on payment practice.

The number of days' purchases outstanding for payment by The Clinic at the year-end was 29 days.

Millennium and Euro Issues

The Clinic established a Millennium Committee, reporting quarterly to the Board of Trustees, to assess the impact of the millennium on The Clinic's facilities, and to prepare a detailed contingency plan.

Due to The Clinic's extensive recent programme of systems and equipment replacement, minimal additional costs were incurred to ensure that its computers and other equipment continued to function in the new millennium. Total costs in the region of £90,000 were incurred in 2000 for additional computer equipment, software upgrades and other costs, of which the majority comprise revenue expenditure. It was pleasing to note that there were no disruptions to The Clinic's equipment and operations arising from the millennium issues.

The implications of the introduction of the Euro are difficult to predict because of the uncertainty over whether and when the UK will join the single currency and its transition plan. The Clinic will continue to consider the likely impact of the Euro over the forthcoming year.

Trustees' report

Advisers and principal address

Principal address:	The London Clinic 20 Devonshire Place London W1G 6BW
Auditors:	KPMG PO Box 695 8 Salisbury Square London EC4Y 8BB
Bankers:	NatWest Bank plc Mayfair Corporate Business Centre PO Box 2354 65 Piccadilly London W1A 2PP
Solicitors	Allen & Overy One New Change London EC4M 9QQ Kennedys Longbow House 14-20 Chiswell Street London EC1Y 4TY Linklaters & Alliance One Silk Street London EC2Y 8HQ

Trustees' report

Operating review

The Clinic has a total of 191 licensed beds, of which 53 are for day care treatment, 8 full operating theatres and 3 Endoscopy suites.

During the year, significant progress was made with the capital expenditure programme. The refurbishment of both the Radiology Department and the Pathology Laboratories were completed in December 2000.

The hospital is committed to supporting a fellow charity, the Anthony Nolan Bone Marrow Trust. During the year 180 patients were treated. The prices applied were significantly below the normal list price and in revenue terms accounted for £153,000 out of our total £230,000 in charitable discounts. Under the Diamond Jubilee Scheme The Clinic treated 5 patients free of charge during the year.

Our recruitment policy ensures that disabled persons are given every opportunity to be considered equally with able-bodied applicants both in relation to appointment and promotion. The Clinic takes a positive view of employee communications and maintains a system of keeping employees informed of development and progress by consultation in departments.

Review of financial position

Patient activity was 8% higher than the previous year with over 19,000 patient admissions resulting in total income of £44.5m (1999: £38.6m) and net incoming resources of £5.6m (1999: £5.4m).

In conformity with our charitable status, the net incoming resources have been applied solely towards refurbishing and equipping The Clinic, which is housed in a listed building. During the year, £8.1m (1999: £10.7m) was spent on capital expenditure including £2.1m (1999: £1.3m) on state-of-the-art medical equipment.

In the Trustees' opinion the land and buildings shown in the balance sheet at a net book value of £34.5m (1999: £24.4m) had an estimated market value at 30th September 2000 considerably in excess of this. Covenants attaching to the leases preclude the use of the property other than as a clinic, nursing home, consulting rooms, hostel and offices of a charitable organisation.

Trustees' report

Reserves

As at 30 September 2000, the General Fund in unrestricted revenue reserves amounted to £49.8m of which £45.6m represents fixed assets currently held by The Clinic with the remaining £4.2m representing reserves available for other purposes.

In 1997, the Trustees established a designated fund to meet the potential cost of a premium on the early renewal of the lease, which has 25 years before expiry. The Trustees have not increased the designated fund in the year ended 30 September 2000.

Restricted reserves represent donations received by The Clinic for specific purposes and sufficient reserves are maintained to meet these purposes.

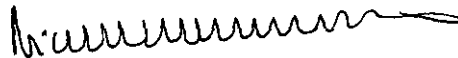
Auditors

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

For and on behalf of the board

Mr MD Abrahams, CBE DL

Chairman of the Trustees



28th March 2001

Statement of Trustees' responsibilities

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the surplus or deficit for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

kpmg

PO Box 695
8 Salisbury Square
London

Report of the auditors to the members of Trustees of the London Clinic Limited *(Limited by Guarantee)*

We have audited the financial statements on pages 9 to 29.

Respective responsibilities of trustees and auditors

As described on page 1, the trustees, who are also the directors of Trustees of the London Clinic Limited for the purposes of company law, are responsible for preparing the trustees' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable Group'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 affairs of the charitable company and the group as at 30 September 2000 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

NP mb

KPMG

*Chartered Accountants
Registered Auditors*

28 March 2001

Consolidated income and expenditure account

for the year ended 30 September 2000

	Note	2000 £000	1999 £000
Turnover		44,550	38,593
Operating expenses		(39,133)	(34,053)
Operating surplus	4	5,417	4,540
Profit on disposal of fixed assets		91	323
Surplus before interest and tax		5,508	4,863
Interest receivable	7	324	521
Interest payable	7	(208)	(11)
Retained surplus	17	5,624	5,373

All operations of the Group are continuing.

There were no recognised gains or losses other than the surplus for the year and the unrealised gains / losses on investment assets dealt with in the consolidated statement of financial activities on page 10.

The notes on pages 14 to 29 form part of these financial statements.

Consolidated statement of financial activities

for the year ended 30 September 2000

	Note	Unrestricted funds General funds	Designated funds	Restricted Funds	Total 2000	Total 1999
Income and expenditure		£000	£000	£000	£000	£000
Incoming resources						
Gross fees for treatment of patients		44,773	-	-	44,773	38,799
Charitable discounts	3	(230)	-	-	(230)	(210)
Net fees for treatment of patients		44,543	-	-	44,543	38,589
Donations and gifts		-	-	7	7	4
Net investment income	7	73	32	11	116	510
Profit on disposal of fixed assets		91	-	-	91	323
Net loss of trading subsidiary	11	(7)	-	-	(7)	(6)
Total incoming resources		44,700	32	18	44,750	39,420
Resources expended						
Direct charitable expenditure		(36,445)	(139)	(11)	(36,595)	(31,833)
Management and administration		(1,996)	-	-	(1,996)	(1,772)
Fundraising and publicity		(535)	-	-	(535)	(442)
Total resources expended	4	(38,976)	(139)	(11)	(39,126)	(34,047)
Net incoming resources before transfers		5,724	(107)	7	5,624	5,373
Other recognised gains and losses for the year						
Unrealised gains/(losses) on investment assets	11	1	-	9	10	(16)
Net movement		5,725	(107)	16	5,634	5,357
Fund balances brought forward		45,314	3,726	215	49,255	43,898
Fund balances carried forward	17	51,039	3,619	231	54,889	49,255

All net incoming resources arise from continuing activities. There are no material differences between reported net incoming resources and historical net incoming resources on ordinary activities.

As all subsidiary results are included in net loss of trading subsidiary, no separate statement of financial activities is presented for the Company.

The notes on pages 14 to 29 form part of these financial statements.

Consolidated balance sheet

at 30 September 2000

	Note	2000 £000	1999 £000
Fixed assets			
Intangible assets	9	3,241	3,615
Tangible assets	10	42,026	37,725
Investments	11	286	267
		<u>45,553</u>	<u>41,607</u>
Current assets			
Stocks	12	895	853
Debtors: due within one year	13	6,616	7,432
Due after one year	13	639	900
Cash at bank and in hand		9,018	5,204
		<u>17,168</u>	<u>14,389</u>
Creditors: amounts falling due within one year	14	<u>(7,609)</u>	<u>(6,305)</u>
Net current assets		<u>9,559</u>	<u>8,084</u>
Total assets less current liabilities		<u>55,112</u>	<u>49,691</u>
Creditors: amounts falling due after one year	15	<u>(223)</u>	<u>(436)</u>
Net assets		<u><u>54,889</u></u>	<u><u>49,255</u></u>
Funds			
<i>Revaluation reserve</i>			
Restricted funds		78	69
Unrestricted funds		1,250	1,249
	17	<u>1,328</u>	<u>1,318</u>
<i>Revenue reserve</i>			
Restricted funds		153	146
Unrestricted funds: General fund		49,789	44,065
Designated funds	5	3,619	3,726
	17	<u>53,561</u>	<u>47,937</u>
Total Funds		<u><u>54,889</u></u>	<u><u>49,255</u></u>

The notes on pages 14 to 29 form part of these financial statements.

These financial statements were approved by the Board of Trustees on 28th March 2001 and were signed on its behalf by:

Mr MD Abrahams, CBE DL

Chairman of the Trustees



Company balance sheet

at 30 September 2000

	Note	2000 £000	1999 £000
Fixed assets			
Intangible assets	9	3,241	3615
Tangible assets	10	39,425	35,254
Investments	11	286	267
		<u>42,952</u>	<u>39,136</u>
Current assets			
Stocks	12	895	853
Debtors: due within one year	13	6,595	7,804
Due after one year	13	639	900
Cash at bank and in hand		9,018	5,204
		<u>17,147</u>	<u>14,761</u>
Creditors: amounts falling due within one year	14	<u>(4,754)</u>	<u>(4,188)</u>
Net current assets		<u>12,393</u>	<u>10,573</u>
Total assets less current liabilities		<u>55,345</u>	<u>49,709</u>
Creditors: amounts falling due after more than one year	15	<u>(223)</u>	<u>(436)</u>
Net assets		<u><u>55,122</u></u>	<u><u>49,273</u></u>
Funds			
<i>Revaluation reserve</i>			
Restricted funds		78	69
Unrestricted funds		1,250	1,249
		<u>1,328</u>	<u>1,318</u>
<i>Revenue reserve</i>	17		
Restricted funds		153	146
Unrestricted funds: General fund		50,022	44,083
Designated funds	5	3,619	3,726
		<u>53,794</u>	<u>47,955</u>
Total Funds	17	<u><u>55,122</u></u>	<u><u>49,273</u></u>

The notes on pages 14 to 29 form part of these financial statements.

These financial statements were approved by the Board of Trustees 28th March 2001 and were signed on its behalf by:

Mr MD Abrahams, CBE DL

Chairman of the Trustees



Consolidated cash flow statement

for the year ended 30 September 2000

	Note	2000 £000	1999 £000
Net cash inflow from operations	21	11,107	7,380
Return on investments and servicing of finance			
Interest received		324	521
Interest paid		(181)	(181)
Interest on finance leases		(27)	(11)
Net cash inflow from returns on investment and servicing of finance		116	329
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(3,349)
Purchase of tangible fixed assets		(8,094)	(10,196)
Proceeds on sale of tangible fixed assets		280	2,908
Purchase of fixed asset investments		(9)	(54)
Net cash outflow from investing activities		(7,823)	(10,691)
Net cash inflow / (outflow) before financing		3,400	(2,982)
Financing			
Capital element of finance lease obligations		(213)	(69)
Net cash outflow from financing		(213)	(69)
Increase / (decrease) in cash and cash equivalents	22	3,187	(3,051)

Notes

(forming part of 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 its being wound up while he or she is a member, or within one year after he or she 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 the Income and Corporation Taxes Act 1988 on its charitable activities.

2 Accounting policies

Accounting bases

These financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention adjusted by the revaluation of properties and investments referred to in notes 10 and 11 below. In accordance with the transitional provisions of Financial Reporting Standard No 15 (Tangible Fixed Assets), the Trustees have opted to make use of the transitional provisions contained in the standard and will retain the existing book value of revalued properties. Details of previous revaluations are given in note 10. The Statement of Recommended Practice ("SORP") for Accounting by Charities issued in October 1995 has been adopted.

Basis of consolidation

The Group financial statements consolidate the accounts of the parent Company and its subsidiary made up to 30 September. In accordance with Section 230(4) of the Companies Act 1985, the Trustees of the London Clinic Limited is exempt from the requirement to present its own income and expenditure account. The excess of income over expenditure for the financial year dealt with in the Financial Statements of Trustees of the London Clinic Limited is disclosed in note 17 to the financial statements.

Incoming resources

Gross fees for treatment of patients represent the total amount receivable by the Company in the ordinary course of business for goods supplied, for services rendered and facilities made available, after trade discounts and value added tax where applicable.

Charitable discounts represent benevolent discounts over and above ordinary trade discounts at the discretion of the Trustees.

Donations and gifts are accounted for on receipt. Gifts of equipment and investments are included at estimated cost or market value as donations and additions to fixed assets or investments as appropriate.

Notes (continued)

2 Accounting policies (continued)

Resources expended

Direct charitable expenditure relates to the provision of healthcare in accordance with the Company's charitable objects.

Intangible fixed assets - goodwill

In accordance with FRS 10 (Goodwill and intangible assets), goodwill arising on the acquisition of a business is capitalised and amortised over its useful economic life, which is determined on a case by case basis. Impairment reviews are carried out after the first full year following acquisition and at any other time that the Trustees believe an impairment may have occurred. Goodwill in London Clinic Scanning Services (LCSS) is depreciated on a straight line basis over 10 years.

Fixed assets and depreciation

Expenditure on plant and machinery and alterations to and reconstructions of existing buildings has been capitalised and depreciation is provided by the Company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold improvements	-	remaining life of lease
Freehold development property	-	50 years
Medical equipment	-	5 years
X-ray equipment	-	10 years
Engineering equipment	-	15 years
Motor vehicles	-	4 years
Cosmetic refurbishments	-	8 years
Structural refurbishments	-	20 years
Other assets	-	5 years

No depreciation is provided on freehold development property and capital projects in progress whilst under construction. Cost capitalised includes costs of acquisitions and development to date, including directly attributable fees, expenses and finance charges. The interest rate applied to funds provided for property development is the actual rate payable on borrowings raised specifically for the development. Interest is capitalised until the property is in a state for operating, letting or selling provided that the total capitalised cost is less than the open market value.

During the year the Company has implemented FRS 15 - Tangible Fixed Assets. Under the transitional rules of this standard, the book value of assets as at 30 September 1999 has been retained and these valuations will not be updated. Subsequent additions are capitalised at cost.

Investments

Investments are stated in the balance sheet at their market value as at the balance sheet date. All movements in value arising from investment changes or revaluations during the year are shown in the Consolidated Statement of Financial Activities.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost means purchase price less trade discounts. Net realisable value means estimated selling price less trade discounts and all costs to be incurred in marketing, selling and distribution.

Notes (continued)

2 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income and expenditure account, and the capital element, which reduces the outstanding obligation for future instalments.

Pension funding

Contributions to pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' estimated working lives with the Company (see note 19).

Reserves

The Company's reserves have been allocated by the Trustees to separate funds for future application:

Restricted funds: Restricted funds represent donations received for specific purposes.

Unrestricted funds:

General fund: These resources arise from the accumulated surpluses and deficits on the provision of healthcare and fundraising activities. Funds invested in fixed assets, which are not available for other purposes, have been disclosed in unrestricted funds.

Designated funds: The Trustees may at their discretion set aside funds for specific purposes which would otherwise form part of the general unrestricted funds of the Company.

3 Charitable Discounts

Turnover is stated net of the following charitable discounts:

	2000 £000	1999 £000
Anthony Nolan Fund	153	80
Doctors	51	47
Humanitarian	6	20
Professional	9	23
Oncology	-	29
Diamond Jubilee Fund	11	11
	<hr/>	<hr/>
	230	210
	<hr/>	<hr/>

Notes (continued)

4 Expenditure

	Direct Charitable Expenditure £000	Management and administration £000	Fundraising and publicity £000	Total 2000 £000	Total 1999 £000
Staff costs (note 6)	14,957	1,407	108	16,472	15,795
Other operating charges	17,592	516	426	18,534	15,056
Amortisation and depreciation	3,591	12	1	3,604	3,005
Amortisation of goodwill	374	-	-	374	123
Hire of plant and machinery	81	-	-	81	38
Auditors' remuneration	-	30	-	30	30
Auditors' remuneration for non audit work	-	31	-	31	-
	<u>36,595</u>	<u>1,996</u>	<u>535</u>	<u>39,126</u>	<u>34,047</u>

The operating surplus of £5,417,000 (1999: £4,540,000) is stated after charging the above items of expenditure.

Additional auditors' remuneration of £6,000 (1999: £6,000) has arisen in the trading subsidiary. During the year auditors' remuneration for non-audit work of £34,000 (1999: £15,000) has been capitalised in freehold development property in addition to that disclosed above.

The company paid £6,356 (1999: £5,565) in respect of medical insurance cover for the Trustees. Expenses of £4,026 (1999: £4,562) were reimbursed during the year for the Trustees.

No emoluments were received by the Trustees.

5 Designated funds

The income funds of The Clinic include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific reasons :

	Balance at 1 October 1999 £000	Charitable expenditure £000	Balance at 30 September 2000 £000
Leasehold premium fund	3,000	-	3,000
Recruitment, retention and training of Clinical and Nursing staff fund	726	(107)	619
	<u>3,726</u>	<u>(107)</u>	<u>3,619</u>

Leasehold premium fund

This represents funds set aside to meet the costs of a leasehold premium The Clinic may wish to offer when the leasehold on the main Clinic premises is renegotiated.

Notes (continued)

5 Designated funds (continued)

Recruitment, retention and training of Clinical and Nursing staff fund

In 1997, this fund was established following the receipt of a VAT refund. The Trustees have set aside this income as a recruitment, retention and training fund for Nurses and Clinical Staff.

6 Employees

	2000	1999
Administration	51	51
Nursing and medical staff	359	337
Ancillary staff	237	241
	<hr/>	<hr/>
	647	629
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	14,287	13,693
Social security costs	1,360	1,272
Other pension costs (note 19)	825	830
	<hr/>	<hr/>
	16,472	15,795
	<hr/>	<hr/>

In addition £56,000 (1999: £nil) of redundancy costs were incurred during the year.

Employees earning over £40,000 can be analysed as follows:

	2000	1999
	No.	No.
£40,001 - £50,000	9	8
£50,001 - £60,000	4	2
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£90,000 - £100,000	1	-
£190,001 - £200,000	-	1
£200,000 - £210,000	1	-

Notes (continued)

7 Net investment income

	2000		1999	
	£000	£000	£000	£000
Interest receivable on bank balances and short term deposits received during the year	324		521	
		324		521
Interest payable and similar charges:				
Bank overdraft	(181)		(181)	
Less: interest capitalised	-		181	
Finance lease interest	(27)		(11)	
		(208)		(11)
		116		510

8 Changes in resources applied for fixed assets for charity use

	Unrestricted funds		Restricted Funds	Total 2000	Total 1999
	General fund	Designated Funds	£000	£000	£000
	£000	£000			
Net movement in funds	4,919	(107)	16	4,828	5,357
Net fixed asset expenditure (note 10)	(8,094)	-	-	(8,094)	(8,142)
Net movement in funds for future activities	(3,175)	(107)	16	(3,266)	(2,785)

Notes (continued)

9 Intangible assets

Goodwill

	2000	1999
	£000	£000
Group and Company		
<i>Cost</i>		
At beginning of year	3,738	-
Additions (note 20)	-	3,738
	<hr/>	<hr/>
At end of year	3,738	3,738
	<hr/>	<hr/>
<i>Amortisation</i>		
At beginning of year	123	-
Provided during the year	374	123
	<hr/>	<hr/>
At end of year	497	123
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 September 2000	3,241	3,615
	<hr/>	<hr/>
At 30 September 1999	3,615	-
	<hr/>	<hr/>

Goodwill relates to the purchase of London Clinic Scanning Services (see note 20). The goodwill is being amortised over 10 years on a straight-line basis.

Notes *(continued)*

10 Fixed assets

Group

	Land and buildings					
	Freehold development property £000	Short leasehold £000	Medical Equipment £000	Capital Projects £000	Other assets £000	Total £000
Cost or valuation						
At beginning of year	2,471	28,184	8,549	7,666	4,468	51,338
Additions	157	-	2,080	4,873	984	8,094
Transfers	-	(18)	(3)	-	21	-
Transfers from capital projects	-	11,565	-	(11,565)	-	-
Disposals	-	-	(637)	-	(280)	(917)
At end of year	2,628	39,731	9,989	974	5,193	58,515
Amortisation and depreciation						
At beginning of year	-	6,212	5,206	-	2,195	13,613
Provided during the year	27	1,614	1,428	-	535	3,604
Disposals	-	-	(660)	-	(68)	(728)
At end of year	27	7,826	5,974	-	2,662	16,489
Net book value						
At 30 September 2000	2,601	31,905	4,015	974	2,531	42,026
At 30 September 1999	2,471	21,972	3,343	7,666	2,273	37,725

Leased assets of £262,000 (1999: £340,000) are included in the net book value of medical equipment and other assets for the Group and Company. Depreciation for the year on these assets was £78,000 (1999: £75,000).

Part of the freehold property is included in cost or valuation at the Trustees' valuation in 1970 of £216,000. Part of the short-term leasehold property is included in cost or valuation at a professional valuation in 1962 of £1,555,000. The total historic cost of these properties is £34.1 million (1999: £23.1 million).

Included in the freehold development property at 30 September 2000 was capitalised interest of £314,000 (1999: £314,000).

In accordance with the transitional provisions of FRS 15, fixed assets are held at book value as at 30 September 1999 together with additions at cost less disposals since that date.

Notes (continued)

10 Fixed assets (continued)

Company

	Land and buildings Short leasehold £000	Medical equipment £000	Capital Projects £000	Other assets £000	Total £000
Cost or valuation					
At beginning of year	28,184	8,549	7,666	4,468	48,867
Additions	-	2,080	4,873	984	7,937
Transfers	(18)	(3)	-	21	-
Transfers from capital projects	11,565	-	(11,565)	-	-
Disposals	-	(637)	-	(280)	(917)
At end of year	39,731	9,989	974	5,193	55,887
Amortisation and depreciation					
At beginning of year	6,212	5,206	-	2,195	13,613
Provided during the year	1,614	1,428	-	535	3,577
Disposals	-	(660)	-	(68)	(728)
At end of year	7,826	5,974	-	2,662	16,462
Net book value					
At 30 September 2000	31,905	4,015	974	2,531	39,425
At 30 September 1999	21,972	3,343	7,666	2,273	35,254

Part of the short-term leasehold property is included in cost or valuation at a professional valuation in 1962 of £1,555,000. The total historic cost of these properties is £35.0 million (1999: £23.5 million).

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

In accordance with the transitional provisions of FRS 15, fixed assets are held at book value as at 30 September 1999 together with additions at cost less disposals since that date.

Notes (continued)

11 Fixed asset investments

	Diamond Jubilee fund - listed investments	London Radiosurgical Centre	Other listed Investments	Total
	£000	£000	£000	£000
Group and Company				
Cost or valuation				
At beginning of year	209	50	8	267
Additions	9	-	-	9
Revaluations	9	-	1	10
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	227	50	9	286
	<hr/>	<hr/>	<hr/>	<hr/>

Diamond Jubilee Fund

During 1992, the 60th Anniversary of the London Clinic, the Board initiated an appeal to a broad range of potential donors to establish a fund aimed at providing free treatment to a limited number of patients each year who were permanently resident in London, were uninsured and suffering from conditions which impair lifestyle. It was agreed that the fund would be permanent and that any capital sum raised would be invested with only the interest used for the above purposes together with an equal contribution from The Clinic's funds.

Within cash is an amount of £4,000 (1999: £5,000) which relates to this fund. During the year £11,000 (1999: £11,000) was used to treat patients.

London Radiosurgical Centre

This is a business offering Gamma Radiosurgery based at 152, Harley Street. The centre was established by agreement between Neurotechnologies International (a US company which already owns and manages several Gamma knife centre in the United States), the Royal London Hospitals Trusts and The London Clinic. The centre is staffed by a team from The Royal London and the Bart's Hospitals, responsible for both NHS and private patients.

Other listed investments

These represent shares in Woolwich Plc acquired at market value in 1997 at no cost to the Company. They are valued at the market value of the investment, which is listed on the London Stock Exchange.

Notes (continued)

11 Fixed asset investments (continued)

Subsidiary undertaking

Investments in subsidiary undertakings (£100) comprise the whole of the ordinary share capital of London Clinic Enterprises Limited, a company incorporated in England and Wales and acquired by Trustees of the London Clinic Limited on 10 June 1996. In the opinion of the Trustees, the investments in the Company's subsidiary undertaking are worth at least the amounts at which they are included in the balance sheet.

London Clinic Enterprises Limited was incorporated to carry out business as a general company for any trade or business whatsoever and its main activity during the year was redevelopment of the Company's Nurses' Hostel. During the year the subsidiary company incurred minor administration expenses and bank interest.

12 Stocks

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Raw materials and consumables	895	853	895	853

13 Debtors

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Debtors: amounts falling due within one year				
Trade debtors	5,573	6,109	5,573	6,109
Amounts owed by subsidiary undertaking	-	-	-	418
Other debtors	600	672	579	652
Prepayments and accrued income	443	651	443	625
	<u>6,616</u>	<u>7,432</u>	<u>6,595</u>	<u>7,804</u>
Debtors: amounts falling due after one year				
Prepayment of pension fund contributions	639	744	639	744
Deferred marketing costs	-	156	-	156
	<u>639</u>	<u>900</u>	<u>639</u>	<u>900</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank overdraft	2,052	1,425	-	-
Trade creditors	2,389	2,437	2,389	2,437
Taxation and social security	526	518	526	518
Other creditors	745	370	283	370
Obligations under finance leases	234	234	234	234
Accruals and deferred income	1,663	1,321	1,322	629
	<u>7,609</u>	<u>6,305</u>	<u>4,754</u>	<u>4,188</u>

The bank overdraft is secured on the development property.

15 Creditors: amounts falling after more than one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Obligations under finance leases	223	436	223	436
	<u>223</u>	<u>436</u>	<u>223</u>	<u>436</u>

16 Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Within one year	240	240	240	240
Between two and five years	239	480	239	480
	<u>479</u>	<u>720</u>	<u>479</u>	<u>720</u>
Less: finance charges allocated to future periods	(22)	(50)	(22)	(50)
	<u>457</u>	<u>670</u>	<u>457</u>	<u>670</u>

Notes (continued)

17 Reserve movements for year

	Revaluation reserve Restricted funds £000	Unrestricted funds £000	Revenue reserve Restricted funds £000	Unrestricted funds £000	Total £000
Group					
As at 1 October 1999	69	1,249	146	47,791	49,255
Net incoming resources for the financial year	-	-	7	5,617	5,624
Unrealised gains/(losses) on investment assets	9	1	-	-	10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserve at 30 September 2000	78	1,250	153	53,408	54,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Company					
As at 1 October 1999	69	1,249	146	47,809	49,273
Net incoming resources for the financial year	-	-	7	5,832	5,839
Unrealised gains/(losses) on investment assets	9	1	-	-	10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserve at 30 September 2000	78	1,250	153	53,641	55,122
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the revaluation reserve of £1,250,000 is the revaluation of the following properties:

	£000
Freehold property at Governors' valuation in 1970 5/12 St Marks Square	216
Short-term leasehold property at professional valuation in 1962 145/147 Harley Street and 18/20 Devonshire Place	1,066
Woolwich Shares	(32)
	<hr/>
	1,250
	<hr/>

Notes (continued)

18 Commitments (Company and Group)

	2000 £000	1999 £000
<i>Capital commitments:</i>		
Committed and contracted for	1,820	5,487

The Company has given a guarantee and other undertakings, as part of the Group banking arrangements, to its subsidiary undertaking which has a bank overdraft at 30 September 2000 of £2,051,000 (1999: £1,425,000).

Consignment stock

At 30 September 2000, the Company held consignment stock on sale or return of £300,000 (1999: £300,000).

19 Pension scheme

The Company operates a funded defined benefit pension scheme based on final pensionable pay. During the year ended 30 September 1996 the funds of the Trustees of the London Clinic (1975) Retirement Fund were merged into the Trustees of the London Clinic (1974) Retirement Fund ("the 1974 Retirement Fund"). The assets of the 1974 Retirement Fund are held separately from those of the Company, being invested with the Sun Alliance and London Insurance Company plc and Fidelity Pensions Management. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' estimated 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 1 November 1999. 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 between 5.5% and 7.5% per annum, that salary increases would average 3% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The pension charge for the period was £825,000 (1999: £830,000).

The most recent actuarial valuation of the 1974 Retirement Fund as at 1 November 1999, showed that the market value of the fund's assets was £31,116,000 and that the actuarial value of those assets represented 117% of the benefits that had accrued to the members, after allowing for expected future increase in earnings. The contributions of the Company to the 1974 Retirement Fund, for the pre 1 November 1992 members are 11.9% of the pensionable salaries. The contributions of the Company and employees joining the scheme from 1 November 1992 are 6.9% and 5% respectively.

Notes (continued)

20 Acquisition of business

On 1 June 1999, the company purchased London Clinic Scanning Services, a medical scanning business. The impact of the acquisition on the consolidated net assets of the Group is:

	2000		Fair value adjustment – revaluation	1999
	Fair value £000	Book value £000	£000	Fair value £000
<i>Assets acquired</i>				
Fixed assets	-	-	350	350
Finance lease liabilities	-	-	(739)	(739)
	<u>-</u>	<u>-</u>	<u>(389)</u>	<u>(389)</u>
Goodwill (see note 9)	-			3,738
	<u>-</u>			<u>3,349</u>
Total consideration – satisfied by cash	-			3,349
	<u>-</u>			<u>3,349</u>

The fair value of the equipment was based on a valuation from the lessor.

21 Reconciliation of surplus for financial year to net cash inflow from operations

	2000 £000	1999 £000
Operating surplus (net incoming resources before transfers)	5,624	5,373
Less: net investment income	(116)	(510)
Amortisation and depreciation	3,604	3,005
Amortisation of goodwill	374	123
Profit on sale of fixed assets	(91)	(323)
Increase in stock	(42)	(177)
Decrease/(increase) in debtors	1,077	(1,377)
Increase in creditors	677	1,266
	<u>11,107</u>	<u>7,380</u>
Net cash inflow from operations	11,107	7,380

Notes *(continued)*

22 Analysis of the balance of cash and cash equivalents shown in the balance sheet

	Overdraft £000	Cash £000	Total £000
Balance at 1 October 1998	(3,677)	10,507	6,830
Net cash inflow/(outflow)	2,252	(5,303)	(3,051)
	<hr/>	<hr/>	<hr/>
Balance at 1 October 1999	(1,425)	5,204	3,779
Net cash inflow/(outflow)	(627)	3,814	3,187
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2000	(2,052)	9,018	6,966
	<hr/>	<hr/>	<hr/>

Out of the total cash at bank and in hand of £9,018,000, £7,384,000 (1999: £3,897,000) of short term deposits were held by the Group and the Company at the year end.