

# **Trustees of the London Clinic Limited**

A company limited by guarantee and registered  
in England and Wales no. 307579

A registered charity no. 211136

## **Trustees' report and consolidated financial statements**

31 December 2005



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## Trustees' report

### Advisers and principal addresses

**Principal address:** Trustees of the London Clinic Limited  
20 Devonshire Place  
London W1G 6BW

**Auditors:** Deloitte & Touche LLP  
3 Victoria Square  
Victoria Street  
St Albans  
Hertfordshire AL1 3TF

**Bankers:** NatWest Bank plc  
St. James' & Piccadilly Branch  
PO Box 2 DG  
208 Piccadilly  
London  
W1A 2DG

**Solicitors** Linklaters & Alliance  
One Silk Street  
London EC2Y 8HQ

Kennedys  
Longbow House  
14-20 Chiswell Street  
London EC1Y 4TY

RadcliffesLeBrasseur  
Great College Street  
Westminster  
London SW1P 3SJ

## Trustees' Report

The Trustees present their report and audited financial statements for the year to 31 December 2005. Trustees of the London Clinic Limited is a charitable company limited by guarantee.

### Our Mission

Operating as an independent, charitable hospital we dedicate our skills, energies and resources to be the hospital of first choice for patients, specialists and staff.

Fully committed to clinical excellence, we aim to exceed our patients' expectations by embracing the very best aspects of traditional patient care, delivered by highly trained staff adopting best clinical practice and using the latest medical technology.

### Objectives and achievements

The London Clinic is located in the heart of London's medical community on Harley Street. Opened in 1932, it is one of the UK's most established independent hospitals providing fully equipped acute facilities, with an international reputation for the provision of clinical excellence.

#### The London Clinic aims to:

- undertake initiatives which will reinforce the Clinic's standing as a successful, charitable hospital at the forefront of independent healthcare
- excel in every aspect of patient care and strive for clinical excellence
- act at all times with integrity, honesty and respect for the needs of patients, specialists and staff
- value the Clinic's heritage of delivering traditional patient care whilst embracing the very best elements of modern medicine
- attract and retain highly skilled members of staff by providing support and resources to enable all employees to carry out their duties effectively, efficiently and with pride.

The Clinic has 202 beds, of which 58 are used for day care treatment. There are twelve operating theatres, including a three theatre endoscopy suite and a dedicated Minimally Invasive and Day Surgery Unit. The Clinic opened its newest and largest operating theatre in November 2005, which has been purpose built to accommodate the leading technology of robotic-assisted surgery using the da Vinci surgical system. The da Vinci Surgical System is the latest advancement in robotic-assisted technology which enables surgeons to carry out minimally invasive procedures such as laparoscopic radical prostatectomy and provides significant benefits to patients. The Clinic is one of only a small number of UK hospitals with this system.

As a charity, the Clinic is able to continuously invest in the latest medical technology, facilities and clinical and nursing support. This allows the Clinic to undertake highly complex procedures, tests and treatments, for example, the treatment of brain tumours, spinal conditions and liver disorders. The Clinic also provides routine surgery and medicine involving extended specialist clinical teams and support services such as critical care, radiology (including CT and MRI scanning), pathology and physiotherapy (including hydrotherapy).

The consultant led critical care unit provides specialist medical and nurse back-up should emergency support be required. This offers added reassurance to patients being treated at the Clinic and provides a service to a number of local independent hospitals.

One of the Clinic's largest specialities is oncology. The Clinic offers a comprehensive range of cancer services including chemotherapy, stem cell and bone marrow transplantations and palliative care. The Clinic has one of only a small number of transplant facilities in the independent sector. The unit is accredited by the European Group for Blood and Bone Marrow Transplantation (EBMT) and is a harvesting centre for the Anthony Nolan Trust.

The outstanding international reputation of the Clinic continues to attract some of the UK's most renowned consultants, many of whom are prominent leaders in their field. The majority of the consultants working at the Clinic also hold NHS

academic or teaching posts. Facilities are provided for 130 consultants within the Clinic's consulting suites on the main site and at various locations in Harley Street.

For each clinical specialty at the hospital, the Clinic employs nurses who have completed further post registration training. In addition, the Clinic has a number of senior nurses who undertake clinical nurse specialist roles. These include gynaecology, Macmillan Cancer nursing, preoperative assessment and venous thrombosis. The Clinic is proud of its nurse-to-patient ratio which provides the highest standard of personal care. The Clinic also has dedicated resident medical support officers and other specialist research fellows, providing 24-hour support to consultants and nursing teams. In 2005, the Clinic was listed in The Nursing Times 'Top 100 places to work'.

## **Charitable activities**

Since the Clinic was granted charitable status in 1935, the hospital has been committed to reinvesting its financial surplus by helping to improve healthcare for patients. The Clinic provides a significant contribution to healthcare in London by helping to reduce the workload on busy NHS facilities.

## **Advancing medical research**

The Clinic is actively involved in ethically approved medical research to improve standards of healthcare. The Clinic's Ethics Committee has granted approval to a number of trials involving Clinic patients or their records in areas such as leukaemia and prostate cancer. All trials must meet the rigorous criteria set by the Ethics Committee, which ensures appropriate patient information and consent is in place, in accordance with relevant General Medical Council and legal guidelines.

## **Training and education for the NHS**

The Clinic is proud to provide NHS student clinical placements and other NHS and private sector clinical and management staff training. Last year, the Clinic provided placements for:

- 30 nursing students
- 20 students in radiology and 6 in physiotherapy

These placements are provided without charge. The students trained at the Clinic subsequently work in the NHS.

## **Charity partnerships**

The Clinic works in partnership with other charities offering funding for nurses, and providing practical support and making available the use of its specialist facilities to individuals seeking information on cancer or cancer care. A CancerBACUP information service is located in the Clinic. This is available free of charge to those seeking information on cancer or related issues.

A Macmillan nurse, funded by the Clinic, is also on hand to provide emotional and clinical support, information and advice to people living with cancer. Cancer patients and their families can also use a separate oncology counselling service without charge. The majority of cancer patients treated at the Clinic make use of these support services.

The Clinic is also proud to be the only independent hospital to provide bone marrow stem cell collection and a harvesting centre for the Anthony Nolan Trust. The Clinic's highly skilled medical staff are able to use the state of the art facilities to support the Anthony Nolan Trust in providing life saving donors for patients in need of bone marrow transplants. Last year, the Clinic collected approximately 250 donations for the Anthony Nolan Trust.

The Clinic provides charitable and humanitarian discounts. During 2005, such discounts amounted to £807,000 (15 months to 31 Dec 2004: £630,000) for various needy patients.

## **Trustees and Management**

The Trustees of the Charity are the members of the Company 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. An appropriate induction programme is in place for new Trustees.

The Trustees who served during the period were:

**Mr M D Abrahams, CBE, DL** Chairman  
**Mr R A Hambro**  
**The Duchess of Devonshire**  
**Sir Christopher Paine, DM, FRCR, FRCP**  
**Mr R S Ponsonby**  
**Lady Eccles of Moulton**

Mr Hambro is Chairman of the Audit Committee and Mr Abrahams, Mr Ponsonby and Lady Eccles of Moulton are also members of the Committee. The Audit Committee meetings are also attended by the Charity's auditors and the relevant members of the Executive Board.

The Trustees' main responsibility is to protect the long term future of the Charity by ensuring that the Clinic is well managed and financially secure and maintains the highest standards of patient care. The operational management of the Clinic is delegated to an Executive Board. The members of the Board are as follows:

**Mr M P Miller, Chief Executive**  
**Mr A P Barker, Corporate Services Director**  
**Mr A J Beecroft, Capital Planning Director**  
**Ms K K Bullivant, Marketing Director**  
**Ms A C Hallums, Matron/Director of Clinical Services**  
**Ms G Irvine, Human Resources and Training Director**  
**Mr M Roberts, IT Director**  
**Mr S Shah, Chief Financial Officer**  
**Mr P S Wood, Strategy Director**

The Trustees meet quarterly to consider strategic, operational, financial and clinical governance issues presented by the Executive Board. The Executive Board is responsible for advising the Trustees on the strategic direction of the Clinic and for the preparation of annual budgets and business plans in line with the Clinic's agreed strategy. The Clinic's financial performance against operational and capital expenditure budgets are reported monthly to the Trustees.

The Medical Advisory Committee, which comprises a representative group of senior clinicians under the joint chairmanship of a senior clinician and the Chairman of the Board of Trustees, advises the Trustees on clinical matters. Other Trustees are invited to attend the meetings of that Committee along with relevant members of the Executive Board. The Committee reviews all applications by clinicians for admitting rights to the Clinic. The Clinic also holds regular consultant user group meetings to discuss developments and other matters relevant to their speciality.

## Capital investment and future developments

The Clinic is undertaking a major expansion programme to meet increased demand for its services. The Clinic is committed to investing significant amounts over the next five years to develop new facilities in and around its main site spanning Devonshire Place and Harley Street.

Under the development programme, it is intended to create around a further 50 inpatient beds by 2009. In addition, more new operating theatres are planned. The Clinic is also expanding existing clinical and diagnostics services, developing new services and increasing the number of consulting suites to satisfy demand from doctors wishing to work at the Clinic.

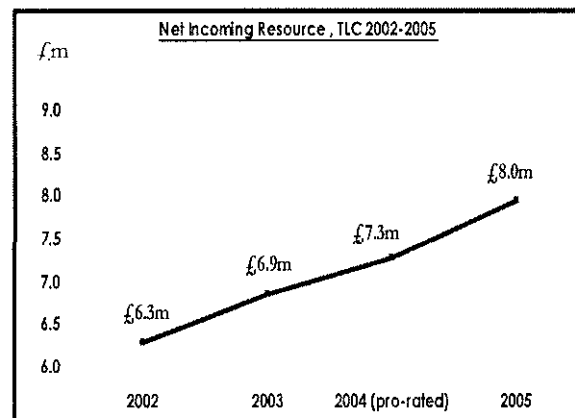
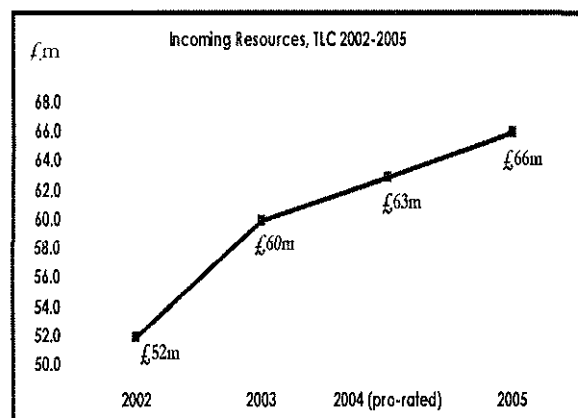
The first phase of the expansion programme will be completed during 2006 at 5 Devonshire Place. This property has been substantially redeveloped to provide 26 state of the art consulting rooms and an Out-Patient Department comprising, Radiology, Cardiology, Health Screening, Endocrinology and Diabetes services. The Clinic plans to acquire the lease of another nearby site, which will involve further expansion of consultation facilities over the next two to three years.

The next phase of the plan, anticipated for completion in 2009, involves the demolition of the buildings at 60 & 62 Marylebone Road and 21 & 22 Devonshire Place. A new hospital will be constructed on the site which will be linked to the

existing Clinic by a corridor under the road. Predominantly, the new facility will become a non-surgical hospital dedicated mainly to the treatment of cancer, with the relocation of Oncology and Haematology services from the existing main site. Additionally, Radiotherapy, which is not currently available at the Clinic, will be provided.

Finally, work on developing new facilities and reconfiguring the existing services in the space freed up on the existing hospital site will also take place over the next few years.

## Operating and financial review



Previous years have been adjusted for FRS 17

### Incoming Resources

The Clinic enjoyed another strong year with incoming resources before investment income and donations for the 12 months to December 2005 of £66.5m (12 months to 31 December 2004: £63.0m), an increase of 5.6% on the previous year. Incoming resources from activities are stated net of charitable and related discounts.

During the year, 7,838 patients were admitted as inpatients and a further 12,084 patients were treated as daycases. The Clinic also treated around 63,000 outpatients. Approximately 94% of patients were UK residents.

### Net incoming resources

Net incoming resources grew by a healthy 9.0% to £8.0m (12 months to 31 December 2004: £7.3m) allowing the Clinic to invest in clinical facilities and services. The Clinic is recognised by all the major providers of private health insurance in the United Kingdom, which account for around 71% of the Clinic's patients.

The Clinic has been successful in increasing revenues and carefully managing its expenditure. However, it is anticipated that pressure on costs will continue throughout 2006. The Clinic's operating costs of £58.8m (12 months to 31 December 2004: £56.3m) have been firmly controlled through the careful management of staff costs, particularly a tight control over agency staff and other costs. As a result of controlling operating costs and above inflation revenue growth the Clinic has experienced a steady improvement in all the key operating margins.

### Fixed Assets

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £85.9m (Dec 2004: £63.5m). During the year, £27.4m was spent to acquire new fixed assets.

### Working capital

Current assets less current liabilities amounted to £4.4m (Dec 2004: £18.7m). The Clinic has achieved significant improvements in the management of its working capital and has, for example, reduced the level of trade debtors by £0.9m. The amount of debt more than 3 months old has declined by a very significant £2.9m. The decline in working capital has been due to the acquisition of property in January 2005 and in connection with the development programme which has resulted in short term investments and cash equivalents declining by £11.3m.

## Liquidity

Cash forecasts identifying the liquidity requirements of the Clinic are produced on a regular basis given the significant increase in investment in operating capacity. These are reviewed regularly by the Executive Board and Trustees to ensure that there is sufficient cash and borrowing facilities in place to meet ongoing and future requirements.

The Clinic has appropriate credit facilities in place with its bankers to fund its existing operations and to finance the purchase of new assets.

## Accounting policies

The principal accounting policies remain unchanged over the last period of accounts and are disclosed in note 2 to the accounts on pages 15-17. The financial statements include for the first time the full adoption of accounting standard FRS 17. In accordance with paragraph 355 of the SORP 2005 the funds of the Charity have been presented with the pension provision equivalent to the deficit reported under FRS 17. In accordance with the guidelines issued by the Charity Commission in May 2005, the Trustees consider that the pension deficit is recoverable from future cashflows.

## Governance and internal control

The Trustees strongly support the principles of corporate governance and aim, where appropriate, to comply with the requirements for listed companies.

The Trustees have overall responsibility for ensuring that the Clinic has appropriate systems of controls, financial and otherwise. The Trustees are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Clinic and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- The Charity is operating efficiently and effectively
- The assets are safeguarded against unauthorised use or disposition
- Proper records are maintained and financial information used for publication is reliable
- The Charity complies with relevant laws and regulations

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- A strategic plan and an annual budget approved by the Trustees
- Regular consideration by the Trustees of financial results, variances from budgets and non-financial performance indicators
- Delegation of authority and segregation of duties
- Identification and management of risks

The Audit Committee meets twice a year to review the Trustees' annual report and the financial statements before their submission to the Board of Trustees and to consider the corporate governance of the Clinic. This includes an annual review of the major risks to which the Clinic is exposed, the effectiveness of its internal controls, the appropriateness of the going concern basis and accounting policies in preparing its financial statements, and its policy on reserves.

The Trustees confirm that the major risks to which the Clinic is exposed have been reviewed and systems and procedures have been established, where required or appropriate, to mitigate those risks. After making enquiries, the Trustees have a reasonable expectation that the Clinic has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



## Clinical governance and quality of care

The Trustees place an over-riding importance on ensuring the highest standards and quality of care are maintained. Clinical governance, including the documentation and audit of clinical policies and practices, is well established. The Clinical Governance Committee, which comprises a group of senior clinicians under the chairmanship of a senior consultant, meets regularly to review issues of clinical quality and its findings and recommendations are reported to the Medical Advisory Committee. The views and advice of all clinicians using the Clinic are also obtained through a number of other forums and committees including regular meetings of each speciality and clinical multi-disciplinary groups.

The Clinic was successfully audited by The Healthcare Commission in February 2005. A further unannounced visit was undertaken in January 2006 and the Clinic was entirely satisfied with the report. The Clinic is also committed to the external audit and accreditation of its services, and has been recognised as an Investor in People (IIP). Its pathology laboratories have also received Clinical Pathology Accreditation (CPA).

The Clinic has ongoing NVQ programmes in place for clinical nursing and non-clinical staff. In conjunction with the IIP organisation, the Clinic has devised and led a programme of self assessment leading to accreditation. This model has now been adopted by IIP and introduced in other organisations nationally. The Clinic is also part of the Quality Improvement Project, a European project involving most of the Independent sector, which provides anonymised clinical outcome data on a small number of indicators benchmarked against the Clinic's peers.

The Clinic is accredited by The British Resuscitation Council to provide Advanced Life Support (ALS) training. Subsidised places are offered to NHS doctors and staff at our training centre. These also include Basic Life Support training places.

The Clinic believes that training and development for all staff is fundamental to its growth and success. Clinical, Management and Mandatory training is provided in-house, staff are supported financially to attend courses and achieve qualifications. In the current year, a new learning laboratory has been built to provide specialist life support training.

## Reserves and reserves policy

The majority of the Charity's unrestricted funds are represented by its investment in the functional fixed assets that comprise the London Clinic.

The reserves policy of the Clinic is reviewed annually in the light of operating and capital expenditure budgets and longer-term financial projections presented to Trustees by the Executive Board. As part of the Clinic's development programme outlined above, the Trustees have established a sub-committee to consider the level and appropriate forms of any funding that are likely to be required. The Clinic maintains sufficient funds to further its charitable objectives.

## Related parties

After making enquiries, the Trustees are aware of no relationships between the Charity or its Trustees and other related parties, which either requires disclosure or which might inhibit the Charity from pursuing independently its own charitable objectives.

## Charity Subsidiaries

The Clinic has two wholly owned subsidiaries, London Clinic Enterprises Ltd and London Clinic Development Ltd. London Clinic Enterprises Ltd was formed to develop a nurse's home. London Clinic Development Ltd was formed for the purpose of leasing property. London Clinic Enterprises Ltd did not trade during the year.

## Auditors

A resolution for the re-appointment of Deloitte & Touche LLP as the Charity's auditors was passed at the Annual General Meeting on 18 July 2006.

These financial statements were approved by The Board of Trustees on 18 July 2006 and were signed on its behalf by:



**Michael D Abrahams, CBE, DL**

Chairman of The Board of Trustees

2 AUGUST 2006

DATE

Registered number 307579 / 31 December 2005

## Statement of Trustees' responsibilities in relation to the financial statements

The Trustees are responsible for preparing the annual report and the financial statements. The Trustees have chosen to prepare accounts for the Charity and the group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the group and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Trustees' report which comply with the requirements of the Companies Act 1985 and Charities Statement of Recommended Practice (SORP 2005).

## Independent Auditors' report to the members of the Trustees of the London Clinic Limited

We have audited the financial statements of Trustees of the London Clinic Limited for the year ended 31 December 2005 which comprise the Consolidated Statement of Financial Activities (incorporating an income and expenditure account), the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditors

As described in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purposes of company law, are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 trustees' remuneration and other transactions is not disclosed.

We read the trustees' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the trustees' report is consistent with the financial statements.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
St Albans

7-8-06

# Consolidated statement of financial activities (incorporating an income and expenditure account)

for 12 months to 31 December 2005

	Note	Unrestricted Funds	Restricted Funds	12 months to 31 Dec 2005	15 months to 31 Dec 2004 (restated)
		£000	£000	Total £000	Total £000
<b>INCOMING RESOURCES</b>					
<b>Voluntary funding</b>					
Donations and gifts		-	9	9	11
<b>Activities to generate funds</b>					
Investment income	8	156	38	194	539
<b>Charitable activities</b>					
Provision of hospital activities		66,498	-	66,498	78,763
<b>Other incoming resources</b>					
Net return on pension scheme assets	19	53	-	53	200
<b>Total incoming resources</b>		<b>66,707</b>	<b>47</b>	<b>66,754</b>	<b>79,513</b>
<b>RESOURCES EXPENDED</b>					
<b>Charitable activities</b>					
Provision of hospital activities		58,656	28	58,684	70,283
<b>Governance costs</b>					
	3	106	-	106	97
<b>Total resources expended</b>		<b>58,762</b>	<b>28</b>	<b>58,790</b>	<b>70,380</b>
<b>NET INCOME FOR THE PERIOD/NET INCOMING RESOURCES BEFORE OTHER UNRECOGNISED GAINS/(LOSSES)</b>		<b>7,945</b>	<b>19</b>	<b>7,964</b>	<b>9,133</b>
<b>OTHER UNRECOGNISED GAINS/(LOSSES)</b>					
Gain on investment assets	8	-	106	106	125
Actuarial (losses)/gains on defined benefit pension scheme	19	(256)	-	(256)	(1,411)
<b>NET MOVEMENT IN FUNDS</b>		<b>7,689</b>	<b>125</b>	<b>7,814</b>	<b>7,847</b>
Total funds at 1 January 2005 as previously stated		83,796	844	84,640	74,602
Prior year adjustment in respect of FRS 17 adoption		(10,455)	-	(10,455)	(8,264)
Total funds at 1 January 2005 (re-stated)		73,341	844	74,185	66,338
<b>TOTAL FUNDS AT 31 DECEMBER 2005</b>		<b>81,030</b>	<b>969</b>	<b>81,999</b>	<b>74,185</b>

All net income relates to continuing activities. There are no material differences between reported net incoming resources and historical net incoming resources on ordinary activities. The comparative figures for the 15 months to 31 December 2004 have been restated due to the full adoption of FRS 17 Retirement Benefits in accordance with the relevant guidelines, see note 19 for more information. The impact on prior year net incoming resources was £780k. The comparatives have also been restated for changes in the format arising from the full adoption of the revised Statement of Recommended Practices (SORP).

The notes on pages 15 to 27 form part of these financial statements.

# Consolidated balance sheet

at 31 December 2005

	Note	31 December 2005		31 December 2004 (restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	6		1,278		1,652
Tangible assets	7		85,901		63,533
Investments	8		911		797
			<u>88,090</u>		<u>65,982</u>
<b>Current assets</b>					
Stocks	10	989		1,175	
Debtors:					
amounts falling due within one year	11	9,892		10,804	
amounts falling due after one year	11	1,410		792	
Investments	12	-		11,300	
Cash at bank and in hand		20		302	
		<u>12,311</u>		<u>24,373</u>	
<b>Current Liabilities</b>					
Creditors:					
amounts falling due within one year	13	(7,934)		(5,715)	
<b>Net current assets</b>			4,377		18,658
<b>Net assets excluding pension liability</b>			<u>92,467</u>		<u>84,640</u>
<b>Defined benefit pension scheme liability</b>	19		(10,468)		(10,455)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	15		<u>81,999</u>		<u>74,185</u>
<b>FUNDS</b>					
<b>RESTRICTED</b>					
Restricted reserve	15	613		594	
Revaluation reserve	15	356		250	
			969		844
<b>UNRESTRICTED</b>					
Unrestricted reserve	15	90,248		82,546	
Revaluation reserve	15	1,250		1,250	
<b>Unrestricted income funds before pension liability</b>		<u>91,498</u>		<u>83,796</u>	
Pension reserve	19	(10,468)		(10,455)	
			81,030		73,341
<b>Total funds</b>			<u>81,999</u>		<u>74,185</u>

The comparative figures as at 31 December 2004 have been restated due to the full adoption of FRS 17 Retirement Benefits. This change has only affected the figures for the defined benefit pension scheme liability and general reserves. See note 19 for more information.

These financial statements were approved by The Board of Trustees on 18 July 2006 and were signed on its behalf by:



**Michael D Abrahams, CBE, DL**

Chairman of The Board of Trustees

2 AUGUST 2006

DATE

# Charity balance sheet

at 31 December 2005

	Note	31 December 2005		31 December 2004 (restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	6		1,278		1,652
Tangible assets	7		86,182		63,819
Investments	8		911		797
			<u>88,371</u>		<u>66,268</u>
<b>Current assets</b>					
Stocks	10	989		1,175	
Debtors:					
amounts falling due within one year	11	9,896		10,807	
amounts falling due after one year	11	1,410		792	
Investments	12	-		11,300	
Cash at bank and in hand		20		302	
		<u>12,315</u>		<u>24,376</u>	
<b>Current Liabilities</b>					
Creditors:					
amounts falling due within one year	13	(7,934)		(5,715)	
<b>Net current assets</b>			<u>4,381</u>		<u>18,661</u>
<b>Net assets excluding pension liability</b>			<u>92,752</u>		<u>84,929</u>
<b>Defined benefit pension scheme liability</b>	19		(10,468)		(10,455)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	15		<u>82,284</u>		<u>74,474</u>
<b>FUNDS</b>					
<b>RESTRICTED</b>					
Restricted reserve	15	613		594	
Revaluation reserve	15	356		250	
			<u>969</u>		<u>844</u>
<b>UNRESTRICTED</b>					
Unrestricted reserve	15	90,533		82,835	
Revaluation reserve	15	1,250		1,250	
<b>Unrestricted income funds before pension liability</b>		<u>91,783</u>		<u>84,085</u>	
Pension reserve	19	(10,468)		(10,455)	
			<u>81,315</u>		<u>73,630</u>
			<u>82,284</u>		<u>74,474</u>

The comparative figures as at 31 December 2004 have been restated due to the full adoption of FRS 17 Retirement Benefits. This change has only affected the figures for the defined benefit pension scheme liability and general reserves. See note 19 for more information.

These financial statements were approved by The Board of Trustees 18 July 2006 and were signed on its behalf by:



**Michael D Abrahams, CBE, DL**

Chairman of The Board of Trustees

2 AUGUST 2006

DATE

Registered number 307579 / 31 December 2005

## Consolidated cash flow statement

for 12 months to 31 December 2005

	Note	12 months to 31 Dec 2005 £000	15 months to 31 Dec 2004 (restated) £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	20	15,471	16,097
<b>RETURN ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received	5	194	539
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>			
Purchase of tangible fixed assets	7	(27,395)	(11,379)
Proceeds on sale of tangible fixed assets		-	24
Purchase of fixed asset investments	8	(8)	(12)
		<u>(27,403)</u>	<u>(11,367)</u>
<b>NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(11,738)	5,269
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Decrease/(Increase) in short term deposits		11,300	(5,000)
<b>(DECREASE)/INCREASE IN CASH</b>		<u>(438)</u>	<u>269</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	31 Dec 2005 £000	31 Dec 2004 £000
(Decrease)/Increase in cash in the period	(438)	269
Cash used to (decrease)/increase liquid resources	(11,300)	5,000
Net funds at 1 January 2005	11,602	6,333
Net funds at 31 December 2005	<u>(136)</u>	<u>11,602</u>

### ANALYSIS OF CHANGE IN NET FUNDS

	At 1 Jan 2005	Cashflow	At 31 Dec 2005
Cash at bank and in hand	302	(282)	20
Bank overdraft	-	(156)	(156)
	<u>302</u>	<u>(438)</u>	<u>(136)</u>
Current asset investments	11,300	(11,300)	-
<b>Total</b>	<u>11,602</u>	<u>(11,738)</u>	<u>(136)</u>

## Notes to the accounts

(forming part of the financial statements)

### 1. Charity status & accounting reference date

The charitable Company is limited by guarantee and does not have a share capital.

Every member undertakes to contribute to the assets of the Charity in the event of it 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 or she ceases to be a member.

The Charity is exempt from the Income and Corporation Taxes Act 1988 on its charitable activities.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Charity's financial statements.

#### Accounting bases

The accounts, incorporating the Statement of Financial Activities (SOFA) have been prepared in accordance with the Statement of Recommended Practices (SORP), "Accounting and Reporting by Charities" published in March 2005 and also applicable UK accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties and investments. The main changes in format of the accounts are as a result of adopting SORP 2005 and relate to the allocation of support costs directly to the relevant heading on SOFA.

#### Basis of consolidation

The group financial statements consolidate the accounts of the parent Company and its subsidiaries made up to 31 December 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated income and expenditure account from the date of acquisition to the date of disposal. In accordance with Section 230 of the Companies Act 1985, the Charity is exempt from the requirement to present its own income and expenditure account.

### (a) Incoming resources

Incoming resources from activities in furtherance of charitable objectives comprise fees for the provision of treatment to patients and other hospital services, and represent the total amounts receivable in the ordinary course of business for goods and services after discounts and value added tax where applicable are included in the Consolidated Statement of Financial Activities (incorporating an income and expenditure account).

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)

### (b) Resources expended

Governance costs are associated with the governance arrangements of the Charity and relate to the general running of the Charity. These costs include audit, legal advice for the Trustees and costs associated with meeting constitutional and statutory requirements such as the cost of Trustees meetings and the preparation of statutory accounts. Support costs are the costs which enable charitable activities to be undertaken. These include finance, human resources, information systems, property management, marketing and legal costs.

All expenditure is accounted for on an accruals basis. Direct charitable expenditure represents the costs of providing hospital services in furtherance of the charitable objectives.

#### Intangible fixed assets - goodwill

In accordance with Financial Reporting Standard No. 10 (Goodwill and intangible assets) goodwill arising on the acquisition of a business is capitalised and amortised over its useful economic life. Useful economic lives are determined on a case by case basis, as disclosed in note 6. Impairment reviews are carried out after the first full year following acquisition and at any other time that the Trustees believe an indication for impairment may have occurred.

#### Tangible fixed assets and depreciation

Expenditure on plant and machinery and on the acquisition, alteration, and reconstruction of buildings is capitalised. Depreciation is charged to write off the cost or valuation less the estimated residual value of fixed assets in equal instalments over their estimated useful economic lives as follows:

Freehold property	-	50 years
Long leasehold property	-	length of lease
Short leasehold improvements	-	20 years
Building refurbishments	-	8 – 20 years
Fixtures and equipment	-	3 – 15 years

No depreciation is provided on construction in progress including sites purchased for redevelopment. Capitalised construction costs include directly attributable fees, expenses and finance charges. The interest rate applied to funds provided for property development is the rate payable on borrowings raised specifically for the development. Interest is capitalised until the property is ready for use if the total capitalised cost is less than the open market value.

In accordance with Financial Reporting Standard No.15 (Tangible fixed assets) the book value of fixed assets at cost or valuation as at 30 September 1999 has been retained and these valuations will not be updated. Subsequent additions are capitalised at cost.

#### Investments

Listed investments are stated at market value as at the balance sheet date. Realised and unrealised gains and losses on investments during the period are shown in the Consolidated Statement of Financial Activities (SOFA) on page 10.

#### Stocks

Stocks, which comprise goods used in the provision of services to patients and other customers, 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 of sale.

#### Leases

All leases the Charity has entered into are classified as operating leases and payments made to them are charged to the Income and Expenditure account on a straight-line basis over the term of the lease.

## Notes (continued)

### Pension and other post retirement benefits

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Defined benefit scheme assets are held separately from those of the Clinic. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The actuarial valuation is obtained at least tri-annually and is updated at each balance sheet date. The resulting defined benefit asset or liability is shown separately on the face of the balance sheet. A pensions reserve has been created within the unrestricted funds in compliance with paragraph 335 of the SORP.

Pension costs for the defined contribution scheme are charged to the accounts on an accrual basis in the accordance with requirements of FRS 17 Retirement Benefits. Details of the Charity's pension schemes are disclosed in note 19 to the accounts. The difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Reserves

The Charity's reserves comprise restricted funds representing donations received for specific purposes and unrestricted funds.

Unrestricted funds comprises the accumulated surpluses and deficits of the Charity, which have not been restricted for any specific purpose, and includes funds invested in the functional fixed assets of the Charity. Restricted funds are funds, which would otherwise form part of the unrestricted general funds of the charity but have been set aside for specific purposes by the Trustees.

The Trustees consider the appropriateness of the reserves from time to time and may reserve funds for special purposes or against future expenditure.

### 3. (a) Net incoming resources before other unrecognised gains/losses

Incoming resources from activities in furtherance of charitable objectives are stated after accounting for charitable and related discounts of £807,000 (15 months to 31 Dec 2004: £630,000).

### (b) Net outgoing resources before other unrecognised gains/losses

Resources expended in the period comprise:

	Direct Charitable (Hospital)	Governance Costs	Support Costs	31 Dec 2005 Total	31 Dec 2004 Total
	£000	£000	£000	£000	£000
Staff costs (note 4)	21,408	34	3,539	24,981	30,190
Depreciation of fixed assets (note 7)	4,857	-	170	5,027	5,823
Amortisation of goodwill (note 6)	374	-	-	374	468
Hire of Plant & Machinery	161	-	-	161	173
Operating leases rentals – buildings	235	-	-	235	309
Audit cost	-	52	-	52	52
Auditors remuneration – non audit	-	-	-	-	8
Provision for diminution in values	-	-	-	-	50
Other operating expenses	25,339	20	2,601	27,960	33,307
Support costs	6,310	-	(6,310)	-	-
	58,684	106	-	58,790	70,380

## Notes (continued)

Auditors' remuneration for non-audit work for the period was £nil (2004: £7,795)

The cost of generating charitable donations for the period was £nil (2004: £nil).

### 4. Staff and Trustees

Staff costs comprise:

	31 Dec 2005 £000	31 Dec 2004 £000
Wages and salaries	20,836	24,956
Social security costs	2,332	2,707
Other pension costs (note 19)	1,813	2,527
	<u>24,981</u>	<u>30,190</u>
Average number of employees during the period	<u>729</u>	<u>730</u>

All staff in 2005 and 2004 were employed in fulfilling the provision of hospital services, which is the sole purpose of the Charity.

The Trustees received no emoluments from the Charity during the period (2004: £nil). The Charity provided medical insurance cover for five Trustees in the period at a cost of £13,929 (2004: £13,019), reimbursed travelling expenses of two Trustees for £6,500 (2004: £4,826), which together totalled £20,429 (15 months to 31 December 2004: £17,845) and is disclosed under the governance costs.

The emoluments of employees earning over £60,000, excluding pension contributions, fell within the following ranges:

	31 Dec 2005 No.	31 Dec 2004 No.
£60,001 - £70,000	3	4
£70,001 - £80,000	1	2
£80,001 - £90,000	3	-
£90,001 - £100,000	-	1
£100,001 - £110,000	2	2
£110,001 - £120,000	2	-
£120,001 - £130,000	-	1
£140,001 - £150,000	1	-
£350,001 - £360,000	-	1
£390,001 - £400,000	1	-
<b>Total</b>	<u>13</u>	<u>11</u>

In the period the provision of money purchase benefits was for five employees (2004: five employees) and the contribution paid was £20,951 (15 months to 31 Dec 2004: £25,440).

Further details of the Charity's pension schemes are given in note 19.

### 5. Interest receivable

	31 Dec 2005 £000	31 Dec 2004 £000
<b>Interest receivable</b>		
Bank balances and short term deposits	<u>194</u>	<u>539</u>

## Notes (continued)

### 6. Intangible fixed assets

#### Goodwill

	31 Dec 2005 £000	31 Dec 2004 £000
<b>Group and Charity</b>		
<b>Cost</b>		
At 1 January 2005 and 31 December 2005	<u>3,738</u>	<u>3,738</u>
<b>Amortisation</b>		
1 January 2005	2,086	1,618
Provided during the year	374	468
31 December 2005	<u>2,460</u>	<u>2,086</u>
<b>Net book value</b>		
At 1 January 2005 and 31 December 2005	<u>1,278</u>	<u>1,652</u>

The goodwill above arose on the purchase of London Clinic Scanning Services and is being amortised over 10 years on a straight-line basis.

### 7. Tangible fixed assets

	Freehold Property £000	Land and buildings Long Leasehold £000	Short leasehold £000	Fixtures & Equipment £000	Construction in progress £000	Total £000
<b>Group</b>						
<b>Cost or valuation</b>						
1 January 2005	2,697	15,859	46,441	14,980	7,755	87,732
Additions	-	-	-	-	27,395	27,395
Transfers	-	82	756	5,290	(6,128)	-
Disposals	-	-	(346)	(2,813)	-	(3,159)
<b>31 December 2005</b>	<u>2,697</u>	<u>15,941</u>	<u>46,851</u>	<u>17,457</u>	<u>29,022</u>	<u>111,968</u>
<b>Depreciation</b>						
1 January 2005	183	693	15,956	7,367	-	24,199
Provided during the year	35	170	2,399	2,423	-	5,027
Disposals	-	-	(346)	(2,813)	-	(3,159)
<b>31 December 2005</b>	<u>218</u>	<u>863</u>	<u>18,009</u>	<u>6,977</u>	<u>-</u>	<u>26,067</u>
<b>NBV at 31 December 2005</b>	<u>2,479</u>	<u>15,078</u>	<u>28,842</u>	<u>10,480</u>	<u>29,022</u>	<u>85,901</u>
NBV at 31 December 2004	<u>2,514</u>	<u>15,166</u>	<u>30,485</u>	<u>7,613</u>	<u>7,755</u>	<u>63,533</u>

## Notes (continued)

### 7. Tangible fixed assets (continued)

	Land and buildings					Total £000
	Freehold Property £000	Long Leasehold £000	Short leasehold £000	Fixtures & Equipment £000	Construction in progress £000	
<b>Charity</b>						
<b>Cost or valuation</b>						
1 January 2005	2,948	15,859	46,441	14,980	7,755	87,983
Additions	-	-	-	-	27,395	27,395
Transfers	-	82	756	5,290	(6,128)	-
Disposals	-	-	(346)	(2,813)	-	(3,159)
<b>31 December 2005</b>	<b>2,948</b>	<b>15,941</b>	<b>46,851</b>	<b>17,457</b>	<b>29,022</b>	<b>112,219</b>
<b>Depreciation</b>						
1 January 2005	148	693	15,956	7,367	-	24,164
Provided during the year	40	170	2,399	2,423	-	5,032
Disposals	-	-	(346)	(2,813)	-	(3,159)
<b>31 December 2005</b>	<b>188</b>	<b>863</b>	<b>18,009</b>	<b>6,977</b>	<b>-</b>	<b>26,037</b>
<b>NBV at 31 December 2005</b>	<b>2,760</b>	<b>15,078</b>	<b>28,842</b>	<b>10,480</b>	<b>29,022</b>	<b>86,182</b>
NBV at 31 December 2004	2,800	15,166	30,485	7,613	7,755	63,819

Included in the land and buildings of the Group and the Charity, is freehold property that was re-valued at the Trustees' 1970 valuation of £216,000 and part of the short-term leasehold property at a professional valuation in 1962 of £1,555,000. The total historic cost of these properties is £47.0 million (2004: £46.2 million).

Included in construction in progress additions in the period are the premises acquired as part of the redevelopment project. Transfers represent completed capital expenditure projects, which have been transferred from construction in progress to relevant fixed asset categories during the period.

Capitalised interest of £407,400(2004: £382,400) is included in the tangible fixed assets. During the year finance costs of £25,000 were incurred in relation to the borrowing commitment, which were fully capitalised under construction in progress. On 7 October 1981 a mortgage debenture between the Charity and its bankers was sealed, creating a charge on all the fixed assets.

## Notes (continued)

### 8. Fixed asset investments

Group and Charity	31 Dec 2005		31 Dec 2004	
	Cost £000	Value £000	Cost £000	Value £000
<b>Listed investments</b>				
<b>UK:</b>				
M & G Securities	555	911	547	797
<b>Unlisted investments</b>				
<b>UK:</b>				
London Radiosurgical Centre	-	-	50	-
Diminution in value	-	-	(50)	-
	-	-	-	-

### The Staff Training & Education Fund

This fund was established for the training and education of staff from all disciplines. The fund is financed by the investment income generated by managed M & G investment, Charifunds and donations from patients. The objectives of the fund are the furtherance of training and education.

### London Radiosurgical Centre (LRC)

The Clinic invested £50,000 in the London Radiosurgical Centre, a business offering Gamma radiosurgery services to NHS and private patients. In the 2004 financial statements, following the appointment of administrator to that company, the Directors made a full provision against the cost of the investment. In 2006 further to advice received from the administrator that there are insufficient funds in order to make a distribution to creditors, the investment has been deemed irrecoverable.

### 9. Subsidiary undertakings

At 31 December 2005, the Charity had 100% interests in the following subsidiary undertakings, which are registered in England and Wales. The subsidiaries did not trade during the period.

Subsidiary undertaking	Nature of business
London Clinic Enterprises Limited	A property development company
London Clinic Development Limited	A property leasing company

### 10. Stock

	Group		Charity	
	31 Dec 2005 £000	31 Dec 2004 £000	31 Dec 2005 £000	31 Dec 2004 £000
Raw materials and consumables	989	1,175	989	1,175
Consignment stock not included in balance sheet	622	465	622	465

## Notes (continued)

### 11. Debtors

	Group		Charity	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors	8,591	9,514	8,591	9,514
Amounts owed by subsidiary undertakings	-	-	4	3
Other debtors	440	480	440	480
Prepayments and accrued income	861	810	861	810
	<u>9,892</u>	<u>10,804</u>	<u>9,896</u>	<u>10,807</u>
<b>Amounts falling due after one year</b>				
Other debtors	<u>1,410</u>	<u>792</u>	<u>1,410</u>	<u>792</u>

### 12. Current Asset Investments

	Group		Charity	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
	£000	£000	£000	£000
<b>Group and Charity:</b>				
Short term deposits	<u>-</u>	<u>11,300</u>	<u>-</u>	<u>11,300</u>

Current asset investments are short-term money market deposits.

### 13. Creditors: amounts falling due within one year

	Group		Charity	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
	£000	£000	£000	£000
Bank loan and overdraft	156	-	156	-
Trade creditors	2,647	2,311	2,647	2,311
Taxation and social security	977	858	977	858
Other creditors	772	165	772	165
Accruals	3,382	2,381	3,382	2,381
	<u>7,934</u>	<u>5,715</u>	<u>7,934</u>	<u>5,715</u>

The financial statements include an estimate relating to the Clinic's ongoing development programme.

### 14. Changes in resources applied for fixed assets for Charity use

	Unrestricted funds	Restricted funds	Total
	£000	£000	
Net movement in funds for the period	7,945	19	7,964
Additions to tangible fixed assets	(27,395)	-	(27,395)
<b>Net movement in funds available for future activities</b>	<u>(19,450)</u>	<u>19</u>	<u>(19,431)</u>

## Notes (continued)

### 15. Reserve movements for year

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	
<b>Group</b>					
1 January 2005 (restated)	250	1,250	594	72,091	74,185
Net incoming resources	-	-	19	7,945	7,964
Other unrecognised gains/(losses)	106	-	-	(256)	(150)
<b>31 December 2005</b>	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>79,780</b>	<b>81,999</b>
<b>Charity</b>					
1 January 2005 (restated)	250	1,250	594	72,380	74,474
Net incoming resources	-	-	19	7,941	7,960
Other unrecognised gains/(losses)	106	-	-	(256)	(150)
<b>31 December 2005</b>	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>80,065</b>	<b>82,284</b>

### 16. Analysis of net assets by fund

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	
<b>Group</b>					
Investments	356	-	555	-	911
Fixed assets	-	1,250	-	85,929	87,179
Current assets	-	-	58	4,319	4,377
<b>Total funds excluding pension provision</b>	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>90,248</b>	<b>92,467</b>
Pension reserve	-	-	-	(10,468)	(10,468)
<b>Total net assets</b>	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>79,780</b>	<b>81,999</b>
<b>Charity</b>					
Investments	356	-	555	-	911
Fixed assets	-	1,250	-	86,210	87,460
Current assets	-	-	58	4,323	4,381
	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>90,533</b>	<b>92,752</b>
Pension reserve	-	-	-	(10,468)	(10,468)
<b>Total net assets</b>	<b>356</b>	<b>1,250</b>	<b>613</b>	<b>80,065</b>	<b>82,284</b>

### 17. Capital commitments

	31 Dec 2005 £000	31 Dec 2004 £000
<b>Group and Charity:</b>		
Committed and contracted	<b>13,528</b>	11,597

The Board of Trustees has approved a 2006 capital expenditure budget of £33.3 million (2005: £23.1 million).



## Notes (continued)

### 18. Operating lease commitments

The Group had operating lease commitments for 2006 related to buildings at the end of the period of £505,900 (2005: £510,825), all these leases, as at the end of both 2004 and 2005, expire after 5 years.

### 19. Pension schemes

The Charity operates two funded defined benefit pension schemes in the United Kingdom based on final pensionable pay, the London Clinic (1974) Retirement Fund and the London Clinic Executive Pension Scheme.

Contributions to the schemes are charged to the income and expenditure account to spread the cost of pensions over employees' estimated working lives with the Charity.

The contributions are determined by a qualified actuary based on triennial valuations using the projected unit method. The most recent actuarial valuation of the 1974 Retirement Fund as at 1 January 2005 showed that the market value of the fund's assets was £31,494k and that the actuarial value of those assets represented 79% of the benefits that had accrued to the members, after allowing for future increases in earnings, or 102% of the minimum funding requirement.

The Charity's contribution to the 1974 Retirement Fund for pre-1 November 1992 members were 15% (2004: 11%) of pensionable salaries. For employees joining the scheme from 1 November 1992 the contribution for the Charity and the employee were 10% (2004: 6%) and 5% (2004: 5%) respectively. With effect from 1 January 2006, the contributions to the 1974 Retirement fund increased to 18% of pensionable salaries for pre-November 1992 members and 13% and 5% of pensionable salaries for the charity and employees respectively for employees joining the scheme after 1 November 1992.

The assumptions that 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 7.5% per annum on equities, 5.0% on bonds, salary increases would average 2.5% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The total pension charge for the schemes for the year was £1,813k (15 months to 31 Dec 2004: £2,527k).

The 1974 Retirement Fund closed to new employees commencing employment after 31 December 2001 and a defined contribution stakeholder scheme was created for new employees joining after that date. Under the projected unit method, which is used to calculate the service cost under Financial Reporting Standard (FRS) 17 "Retirement Benefits", the current service cost will increase as the members of the scheme approach retirement.

The Trustees have decided to present the consolidated results from The London Clinic (1974) Retirement Fund and the London Clinic Executive Pension Scheme under this note.

### Major assumptions

The following assumptions have been used to place a value on the retirement obligations of the Charity.

	2005	2004	2003
Rate of increase in pensionable salaries	2.5%	3.5%	3.5%
Rate of increase in pensions in payment (LPI)	2.5%	2.7%	2.5%
Rate of increase for deferred pensions	2.5%	2.7%	2.5%
Inflation assumption	2.5%	2.7%	2.5%
Discount rate for scheme liabilities	5.1%	5.4%	5.4%

## Notes (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are detailed below.

The Charity's share of the net pension liability recognised in the Charity's balance sheet as at 31 December 2005 is as follows:

Market value of assets	Long term rate of return at 31 Dec 2005	Value at 31 Dec 2005	Long term rate of return at 31 Dec 2004	Value at 31 Dec 2004	Long term rate of return at 30 Sep 2003	Value at 30 Sep 2003
		£000		£000		£000
Equities	7.5%	27,935	7.6%	27,592	8.2%	23,041
Bonds	5.0%	12,104	4.8%	5,266	4.9%	4,842
Other assets	4.5%	2	4.8%	39	4.9%	247
Total fair value of assets		<u>40,041</u>		<u>32,897</u>		<u>28,130</u>
Present value of schemes' liabilities		(50,509)		(43,352)		(36,394)
Net pension liability		<u>(10,468)</u>		<u>(10,455)</u>		<u>(8,264)</u>

### Amounts included in the Consolidated Statement of Financial Activities

	31 Dec 2005 £000	31 Dec 2004 £000	30 Sep 2003 £000
Current service cost	1,670	2,178	1,536
Total operating charge	<u>1,670</u>	<u>2,178</u>	<u>1,536</u>

### Analysis of net return on the schemes

	31 Dec 2005 £000	31 Dec 2004 £000	30 Sep 2003 £000
Expected return on pension scheme assets	2,395	2,658	1,820
Interest on pension scheme liabilities	(2,342)	(2,458)	(2,002)
Net return/(loss)	<u>53</u>	<u>200</u>	<u>(182)</u>

## Notes (continued)

### Amounts included in the recognised gains and losses

	31 Dec 2005 £000	31 Dec 2004 £000	30 Sep 2003 £000
Actual return less expected return on pension scheme assets	3,910	2,311	1,421
Experience losses arising on the scheme liabilities	(580)	(3,132)	(151)
Change in assumptions underlying the present value of scheme liabilities	(3,586)	(590)	1,715
Actuarial (loss)/gain to be recognised in the statement of financial activities	<b>(256)</b>	<b>(1,411)</b>	<b>2,985</b>

### Analysis of movement in the scheme during the year

	31 Dec 2005 £000	31 Dec 2004 £000	30 Sep 2003 £000
Deficit in schemes at the beginning of period	(10,455)	(8,264)	(10,690)
<b>Movement in the period</b>			
Current service cost	(1,673)	(2,178)	(1,536)
Contributions paid	1,863	1,198	1,159
Net return/(loss) from other finance income	53	200	(182)
Actuarial (loss)/ gain in statement of financial activities	(256)	(1,411)	2,985
Deficit in the scheme at the end of period	<b>(10,468)</b>	<b>(10,455)</b>	<b>(8,264)</b>

### A history of experience gains and losses at 31 December 2005

	2005 %	2005 £000	2004 %	2004 £000	2003 %	2003 £000
Difference between actual and expected return on scheme assets		3,910		2,311		1,421
Percentage of period end scheme assets	10%		7%		5%	
Experience gains and losses arising on scheme liabilities		(580)		(3,132)		(151)
Percentage of present value of period end scheme liabilities	1%		(7%)		(0.4%)	
Total amount recognised in the statement of financial activities		(256)		(1,411)		2,985
Percentage of present value of period end scheme liabilities	1%		(3%)		8%	

## Notes (continued)

### 20. Reconciliation of Surplus for the Period to net Cash Flow from Operations

	31 Dec 2005	31 Dec 2004
	£000	£000
Net incoming resources	7,964	9,133
Interest received	(194)	(539)
Depreciation of tangible fixed assets	5,027	5,824
Amortisation of goodwill	374	468
Provision for diminution in value of investment	-	50
(Decrease)/Increase in pension provision under FRS 17	(243)	780
Decrease/(Increase) in stock	186	(29)
Decrease/(Increase) in debtors	294	(643)
Increase in creditors	2,063	1,053
<b>Net cash inflow from operating activities</b>	<b>15,471</b>	<b>16,097</b>

### 21. Post Balance Sheet Event

On 5 May 2006, the Clinic entered into an agreement for sale and lease, with Howard de Walden Estates, relating to certain properties, which will together be developed to provide facilities for cancer treatment.

### 22. Related Party Transactions

No material related party transactions have been undertaken during the period.

### 23. Taxation

Trustees of The London Clinic Limited is a registered Charity and as such is exempt from taxation on its income and gains to the extent they are applied to its charitable purposes.