

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 2007

FRIDAY



ADKPB39J

A46

19/09/2008

127

COMPANIES HOUSE

Contents

Trustees' report	3 - 11
Statement of Trustees' responsibilities	12
Report of the independent auditors	13
Consolidated statement of financial activities	14
Consolidated balance sheet	15
Charity balance sheet	16
Consolidated cash flow statement	17
Notes to the accounts	18 - 29

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 208 Piccadilly London W1A 2DG
Solicitors	Linklaters & Alliance One Silk Street London EC2Y 8HQ RadcliffesLeBrasseur Great College Street Westminster London SW1P 3SJ Withers 16 Old Bailey London EC4M 7EG

Trustees' Report

The Trustees present their report and audited financial statements for the group for the year to 31 December 2007. Trustees of the London Clinic Limited ("the London Clinic" or "the Clinic") is a charitable company limited by guarantee.

Purpose and Mission

Operating as a charity, free from the demands of shareholders, we are dedicated to achieving excellence in every area of our work and we attract staff and specialists who share our exceptionally high standards. By combining the very best aspects of traditional care from highly trained staff with the latest medical and surgical technology, we provide our patients with the finest possible individual care.

Principal charitable objectives

The principal objectives of Trustees of the London Clinic Limited, which derive from the objects set out in its Memorandum of Association, are to provide medical care to patients and the sick, to promote and advance medical and scientific research work and good clinical practice and to fund the provision of medical scholarships and training facilities.

Charitable activities and achievements

The London Clinic was opened in 1932 and is located in the heart of London's medical community on Harley Street and has been a charity since 1935. The Clinic has been providing the finest possible medical care for more than 75 years. It is one of the UK's most respected hospitals, a fully equipped acute facility that has earned a long standing international reputation for clinical excellence.

The Clinic's charitable status allows its entire surplus to be reinvested back into the charity, continuously allowing facilities and patient care services to be updated. As well as attracting London's leading Consultants, the Clinic is respected for the outstanding quality of its personal care to patients.

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.

As a charity, the Clinic is able to invest continuously in the latest medical technology, facilities, 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).

Unlike many independent hospitals, the Clinic is able to provide Level 2 and Level 3 critical care ensuring that the highest qualities of acute intensive care facilities are always available. This avoids patients being transferred out to the NHS if their conditions deteriorate. Critical care backup is also made available to other London independent hospitals.

In 2007, the Clinic invested over £1m in an upgraded version of one of its state of the art surgical robots. The new robot enables surgeons to perform more complex, minimally invasive procedures, including gastric bypasses, various Gynaecological procedures, Nephrectomies, Colorectal, Liver and Radical Prostatectomies. The new system integrates 3D HD Endoscopy and state of the art robotic technology to virtually extend the surgeon's eye and hands into the surgical field.

The Clinic has recently opened a new specialist Eye Centre. The new centre has been developed to provide patients with the latest medical equipment for the examination and treatment of eye disorders. The Centre has 18 consultant Ophthalmologists who are supported by multi-disciplinary expert teams.

One of the Clinic's largest specialties 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 the few transplant facilities in the independent sector. The unit is accredited by the European Group for Blood and Bone Marrow Transplantation (EBMT). The Clinic's specialist 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 transplants. In 2007, the Clinic collected over 200 donations for the Anthony Nolan Trust.

In 2007, the Clinic launched its new brachytherapy service. Low dose rate (LDR) brachytherapy is a proven, cost-effective treatment for early, localised prostate cancer. It is minimally invasive and involves implanting tiny radioactive seeds through fine needles into the prostate to destroy the cancer cells. Its side effect profile offers patients less risk of impotence and incontinence compared to other treatment options.

The Clinic makes the use of its specialist facilities available to individuals seeking information on Cancer and Cancer care. A Cancerbackup information service, funded by the Clinic, is located in the hospital. This is available free of charge to those, whether patients or otherwise, 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 services. Complementary therapies such as reflexology and massage are also available free of charge to Cancer patients.

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 158 consultants and specialists within the Clinic's consulting suites at various locations in Harley Street and Devonshire Place.

For each clinical specialty, 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 Breast, Gynaecology, Macmillan Cancer nursing and preoperative assessment. The Clinic is proud of its high nurse to patient ratio, which provides the patient with the highest standard of nursing care. The Clinic also has dedicated resident medical support officers providing 24 hour cover in addition to specialist research fellows and nursing teams.

The London Clinic Liver Centre has continued to expand during the year. The centre combines the expertise of internationally renowned specialists with the latest facilities, treatments and equipment. The specialised tests and treatments available at the Liver Centre include new Fibroscan technology, which was the first of its kind available in the UK. This test complements the use of liver biopsy in the assessment of liver function disturbances and possible liver disease. The Centre has facilities for emergency admissions and consultations, liver facilities in the critical care unit and a dedicated patient helpline. The Centre is anticipating working towards undertaking liver transplant surgery in 2008. The shortage of suitable cadaver organs has led to the development of liver lobe transplantation from living donors. This means the patients suffering from liver failure do not have to wait for a liver transplant, reducing the number of patients on the national transplantation waiting list. Living related transplantation is a therapeutic procedure available only in a few specialist centres, including in the near future the Clinic.

The London Clinic has a fully equipped clinical skills laboratory for staff supporting ongoing programme training in clinical skills. All training courses are also open to healthcare staff from the NHS and other hospitals on a cost recovery basis.

The Clinic funds NHS trainees by providing 56 clinical student placements amounting to 350 student weeks per annum facilitated by specially trained Clinic staff. This generates a net cost benefit of around £70k to the NHS. The nurse placement scheme won a Quality Standard Award for Best Placement of the Year in 2007.

Research at the Clinic which advances science and medicine takes place involving clinical trials across a large number of specialties. In addition, the Clinic's charitable status has allowed it to develop expertise in new technologies and treatments which have gone on to have general application elsewhere. An example relates to the development of endoscopic procedures where advanced techniques developed at the Clinic are now the established form of treatment. Many important educational or teaching activities have resulted from care at the Clinic. Examples include the use of photo-dynamic therapy and the use of endoscopic ultrasound guided fine needle aspiration and biopsy.

The London Clinic has recently been formally recognised by the Department of Health as one of two national demonstration centres for best practice for Venous Thromboembolism (VTE). The comprehensive VTE assured service has been developed over the last two years.

The Clinic treated over 100,000 patients in 2007. The Clinic delivers dialysis treatment as an alternative to the NHS. The Clinic also provides exceptional Chemotherapy and Cancer care and a large range of scanning services thus relieving the severe pressure which exists for these services in the NHS.

The Clinic also provides charitable and humanitarian discounts. In 2007, such discounts amounted to £1.6m (2006 £1.1m) for various patients. The Clinic provides specialist care for Armed Forces personnel and their families at a special discount referred from the King Edward VII (Sister Agnes) Hospital in the event it is unable to treat those patients.

The Clinic and The New Victoria Medical Foundation have teamed up to jointly fund the medical care of patients in need of treatment for conditions, which though not life threatening are regarded as significantly impairing their

quality of life. This scheme is available to uninsured patients who are able to benefit from the medical facilities and expertise available at The Clinic.

Further information on the achievements of the Clinic's objectives is shown under the review of capital investment and future developments and in the operating and financial review.

The key objectives for 2008 remain the development of the Cancer Centre, to invest further in medical equipment and to introduce new services to patients. The Clinic will also seek to maintain and improve upon its financial returns and operating margins to ensure that it is able to continue to invest in new facilities and services for patients.

75th Anniversary

In 2007, the Clinic celebrated 75 years of inspired care and service to the community. During the year, the Clinic sponsored the Caudwell Xtreme Everest Research project which placed a research team on the summit of Mount Everest and made the first ever measurement of the level of oxygen in human blood at 8400m. This was the centrepiece of an extensive and continuing programme of research into hypoxia (low oxygen levels) and human performance at extreme altitude aimed at improving the care of the critically ill and other patients.

The Clinic's contribution helped to support the medical laboratory at the primary testing site in Kathmandu and subsidised research volunteers who underwent a series of tests at several laboratories along the route to Base Camp. These tests include exercise testing on a bike, measuring oxygen levels in the brain, and testing brain function at altitude. The data gathered from this research will help doctors in intensive care understand how people react to low levels of oxygen.

As part of the anniversary celebrations, the Clinic commissioned a commemorative book 'A History of The London Clinic'. The book explores the technological, socioeconomic and cultural influences that have mapped and directed the Clinic's course of inspiring clinical excellence over the years.

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 and training programme is created to meet the individual needs of new Trustees.

The Trustees receive no remuneration for their services to the Clinic and during the period were:

Mr Michael D Abrahams CBE DL, Chairman

Chairman of Kingston Communications PLC, Ferrexpo plc, the Prudential Staff Pension Scheme and various other public companies. Deputy Chairman of Prudential plc until May 2000.

The Duchess of Devonshire DL

Chatelaine of Chatsworth in Derbyshire, where she is closely involved in all aspects of the House and wider Estate.

Lady Eccles of Moulton

Member of the House of Lords since 1990. Chairman of Ealing, Hammersmith & Hounslow Health Authority until 2000. Director of Times Newspaper Holdings Limited and Opera North. A Trustee of York Minster Trust.

Mr Manish Chande

Chief Executive of Mountgrange Capital plc, an investment company specialising in the property sector. He co-established Trillium Group and was Chief Executive prior to its acquisition by Land Securities. He has assisted in a number of important historic buildings restorations in central London.

Mr Richard A Hambro

Chairman of J O Hambro Investment Management Ltd, I Hennig & Co, Money Portal Plc, Newmarket Racecourses Trust and various other companies. Director of The Burdett Trust for Nursing, The Institute of Cancer Research, Macmillan Cancer Support and Bowel Cancer UK.

Sir Christopher Paine DM FRCP FRCP

Cancer specialist in Oxford until 1995. Past-President of the Royal College of Radiologists, the Royal Society of Medicine and the British Medical Association.

Mr Rupert S Ponsonby

Director of R&R Teamwork Ltd, Media Relations.

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 Executive Board are as follows

Mr Malcolm Miller, Chief Executive

Mr Andrew Barker, Corporate Services Director

Mr Anthony Beecroft, Capital Planning Director

Ms Karen Bullivant, Marketing Director

Ms Amanda Hallums, Matron/Director of Clinical Services

Ms Gillian Irvine, Human Resources and Training Director

Mr Michael Roberts, Information Technology Director

Mr Sanjay Shah, Chief Financial Officer

Mr Paul Wood, Strategy Director

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 specialty.

The members of the Medical Advisory Committee are

Mr S St Clair Carter, FRCS

Mr D Abrahams, CBE, DL

Mr F Afshar, FRCS

Dr P Amoroso, FRCA

Mr D J Brazier, FRCOphth

Mr G B Brookes, FRCS

Professor J Cobb, MCh (Oxon), FRCS

Dr P Ettlinger, MRCP

Dr P D Fairclough, MD FRCP

Dr J Goldstone, FRCA

Professor S Halligan, MBBS, MD, FRCP

Professor R S Kirby, MD, FRCS(Urol)

Dr W J Marshall, MA, FRCPATH

Professor J P Monson, MD, FRCPI

Professor J Northover, MS, FRCS

Mr D A Ross, FRCS (Plast)

Professor J H Shepherd, FRCS

Dr M L Slevin, FRCP

The chairs of the user groups are

Dr P Amoroso, FRCA

Dr J Goldstone, FRCA

Dr J Teare, MD FRCP

Professor A Wright, LL.M. DM, FRCS

Professor R Nicholls, MA, FRCS

Dr P Ettlinger, MRCP

Mr M Setchell, CVO, FRCS, FRCOG

Mrs D V Nield, FRCS (Ed)

Mr F Afshar, FRCS

Dr P Harper, FRCP

Mr C Migdal, MD, FRCS, FRCOphth

Mr J Nixon, MA, ChM (Edn), FRCS

Professor G M Besser, DSc, MD, FRCP, FMedSci

Mr D Ross, FRCS (Plast)

Mr R G Springall, ChM, FRCS

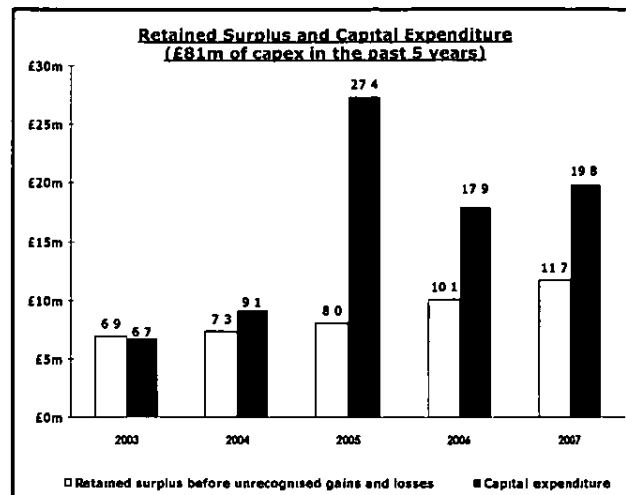
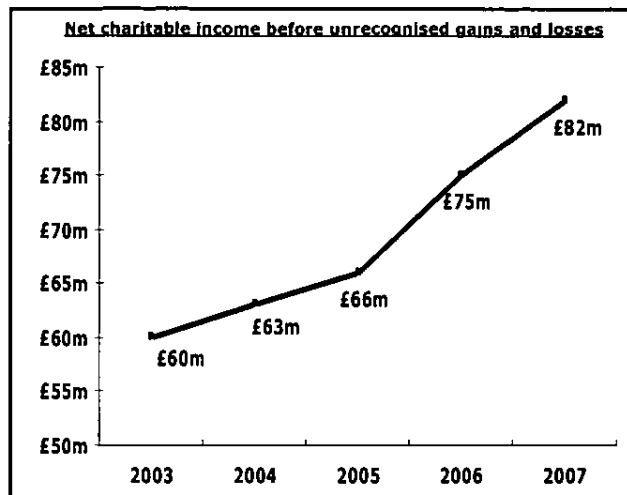
Mr J Vale, MS FRCS (Urol)

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 also reported monthly to the Trustees.

Operating and financial review

5 year trend



In the past 5 years, the Clinic's accumulated retained surplus has been £44.0m, during this period £81m has been spent in capital expenditure for the furtherance of Clinic's charitable objectives, without requiring any borrowings.

Capital investment and future developments

The Clinic is continuing its 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.

In 2007 construction commenced to build a state of the art cancer centre which will comprise 47 individual bedrooms and 22 day care pods in a modern purpose-built environment. The London Clinic Cancer Centre, which is due to open in late 2009, will provide radiotherapy, chemotherapy, transplant and other specialised haematology/oncology facilities, embracing new progressive treatments which will allow the Clinic to continue to lead the way in the field of cancer services.

The Clinic is also progressing the development of 114 - 120 Harley Street which is currently anticipated to open early 2010. The finished development will provide 28 state of the art Consulting rooms for use by the Clinic's Consultants along with a purpose built Pathology laboratory which will include automated sample tracking systems. Sample tracking systems enable workflow to be optimised by reducing the number of manual handling steps within the process, reducing sample transposition errors and providing improved turnaround times for the patients. The additional space available will also allow the department to bring a considerable number of tests that are currently referred out back in-house.

Incoming Resources

The Clinic continued to exceed its financial forecasts during the year with incoming resources before investment income and donations for the year at £81.3m (2006 £75.0m), an 8.4% increase on the previous year. Incoming resources from activities are stated net of charitable and related discounts.

During the year, 7,628 patients were admitted as inpatients and a further 11,958 patients were treated as daycases. Total inpatient days at 34,483 (2006 35,139) were slightly lower than the budget and the previous year, due to a slight drop in the length of stay and admission numbers. Daycase admissions were 3% higher than the previous year. The Clinic also treated around 81,000 outpatients. The Clinic works closely with medical insurers, embassies and other users of its services. The Clinic is recognised by all the major providers of private health insurance in the United Kingdom, which has continued to account for around 70% of the Clinic's patients.

Patient satisfaction surveys benchmark the Clinic's quality of clinical and patient care within the independent healthcare sector. The Clinic also actively seeks feedback from all its users to ensure that its service continues to meet their needs and remains competitively priced.

Net incoming resources

Net incoming resources before other recognised gains and losses increased to £11.7m (2006 £10.1m), an increase of 16% on the previous year, allowing the Clinic to invest significantly in clinical facilities and services. The net income as a percentage of total incoming resources increased from 13.4% to 14.3%.

The Clinic has continued to be successful in increasing revenues and carefully managing its expenditure. However, it is anticipated that pressure on costs and financial performance will remain challenging throughout 2008 given the continuing burden of medical, staff and general cost inflation, along with the overall economic weakness. The Clinic's operating costs of £70.4m (2006 £65.4m) have been firmly controlled through the ongoing careful management of staff and other operating costs and have risen by 7.6%. As a result of cost control and general efficiency measures along with the introduction of new equipment and services, such as the Da Vinci Robotic System, expansion of imaging and other outpatient facilities, the Clinic has been able to improve its operating margins.

A further underlying measure of financial performance is Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which has increased by a strong 18.6% from £16.9m to £20.0m. This is stated pre-FRS 17 (Retirement Benefits) adjustments.

Fixed Assets

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £110.0m (2006 £97.6m). The Clinic invested £19.8m in the current year and £80.9m over the last 5 years in total.

Investments

The Clinic currently holds investments of £1.3m (2006 £1.1m). The Clinic's investment policy is to provide income while protecting capital from the effects of inflation. The policy was maintained throughout the year and is still currently in force. The Clinic monitors the performance of the investment manager against various benchmarks and responds accordingly.

Working capital

The Clinic has generated operating cash inflows of £23.6m (2006 £19.3m), an increase of 22%. This has been achieved through continued improvement in trading performance and careful management of working capital which enabled significant capital investment to be undertaken without any borrowing during the year. Current assets less current liabilities amounted to £2.3m (2006 £2.4m).

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 lending facilities in place and support from its bankers to maintain its existing operations and to finance the capital expansion programme.

Taxation

As a registered charity, the Clinic is exempt from taxation to the extent that its income and gains are applied to charitable purposes.

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 18 to 20.

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, and
- 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, and
- 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. 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.

Principal risks and uncertainties

The most significant risks facing the Clinic are from the delivery of the expansion and redevelopment programme and any potential delays that might arise and the further concentration of the PMI market which could impact future reimbursement levels.

The Clinic operates final salary pension schemes and needs to ensure that it meets its obligations to the scheme members. The scheme assets are held separately and the net pension liability shown in the accounts has been provided by the pension scheme actuaries.

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 specialty and clinical multi-disciplinary groups. A visit and review of the Clinic was undertaken by the Healthcare Commission in January 2007.

The Clinic has ongoing NVQ programmes in place for clinical nursing and non-clinical staff. The Clinic was assessed by The Nursing Times as falling within the top 100 healthcare employers.

The Clinic is a nationally accredited centre for "Radar" training in outreach. The Clinic is also accredited by The British Resuscitation Council to provide Advanced Life Support (ALS) training. Subsidised places are offered to NHS doctors and staff at our nationally recognised 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 and staff are supported financially to attend courses and achieve qualifications.

The Clinic has introduced a customer care procedure for all staff based on brand standards.

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 are presented to Trustees by the Executive Board. As part of the Clinic's development programme, 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

The Clinic intends to maintain and increase unrestricted reserves to a level that will ensure the Clinic is able to fund capital expansion and to maintain adequate working capital to trade in furtherance of its charitable objectives

Employees

The Clinic has a philosophy of encouraging effective employee communication at all levels. There is an annual performance review system in place whereby staff are encouraged to discuss their development. The Clinic also keeps staff informed through a regularly updated intranet and an annual staff briefing day. Staff meet regularly with their managers and have HR support available as well as counselling service through the Clinic's occupational health service

The Clinic's employment practices give full consideration to employment applications from disabled people. All candidates are selected and appointed on the basis of their ability to perform the duties of the job. All employees are encouraged to develop their career through training and development

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 the Clinic's nurses home. London Clinic Development Ltd was formed for the purpose of leasing property. London Clinic Enterprises Ltd did not trade during the year

Auditors

Each of the persons who is a Trustee at the date of approval of this report confirms that

- so far as the Trustee is aware, there is no relevant audit information of which the Charity's auditors are unaware, and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

A resolution for the re-appointment of Deloitte & Touche LLP as the Charity's auditors was passed at the Annual General Meeting on 11 June 2008

These financial statements were approved by The Board of Trustees on 11 June 2008 and were signed on its behalf by



Michael D Abrahams CBE DL
Chairman of The Board of Trustees

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 surplus or deficit 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, and
- 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 complies 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 group and parent charitable company financial statements (the "financial statements") of Trustees of the London Clinic Limited for the year ended 31 December 2007 which comprises the Consolidated Statement of Financial Activities (incorporating an income and expenditure account), the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 22. 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 charitable 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 charitable company and the charitable 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

The responsibilities of the trustees (who are also the directors of Trustees of the London Clinic Limited for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed. We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group's and the parent charitable company's affairs as at 31 December 2007 and of the group's 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 information given in the Trustees' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

St Albans, United Kingdom

26 Dec 2008

Registered number 307579 / 31 December 2007

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

For the year ended 31 December 2007

	Note	Unrestricted Funds £000	Restricted Funds £000	2007 Total £000	2006 Total £000
INCOMING RESOURCES FROM GENERATED FUNDS					
Voluntary income					
Donations and gifts		-	410	410	183
Investment income	5	229	50	279	42
Charitable activities					
Provision of hospital activities		81,312	-	81,312	75,047
Other incoming resources					
Net return on pension scheme assets	19	86	-	86	190
Total incoming resources		81,627	460	82,087	75,462
RESOURCES EXPENDED					
Charitable activities					
Provision of hospital activities		70,143	126	70,269	65,251
Governance costs					
	3	119	-	119	111
Total resources expended		70,262	126	70,388	65,362
Net income for the year/Net incoming resources before other unrecognised gains/(losses)*		11,365	334	11,699	10,100
OTHER UNRECOGNISED GAINS/(LOSSES)					
(Loss)/Gain on investment assets		-	(132)	(132)	148
Actuarial gain/(loss) on defined benefit pension scheme	19	1,378	-	1,378	(1,487)
Net movement in funds		12,743	202	12,945	8,761
Total funds at 1 January 2007		89,453	1,307	90,760	81,999
Total funds at 31 December 2007		102,196	1,509	103,705	90,760

The notes on pages 18 to 29 form part of these financial statements

All results for the current and previous year are derived from continuing operations

* These funds have been applied by the Trustees of the London Clinic for the provision of medical care to patients and for the promotion of medical and scientific work

Consolidated balance sheet

At 31 December 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	6		533		906
Tangible assets	9		109,988		97,609
Investments	7		1,284		1,059
			<u>111,805</u>		<u>99,574</u>
Current assets					
Stocks	10	1,074		974	
Debtors					
amounts falling due within one year	11	11,208		10,848	
amounts falling due after one year	11	859		1,445	
Investments	12	5,418		1,580	
Cash	12	457		556	
		<u>19,016</u>		<u>15,403</u>	
Current Liabilities					
Creditors					
amounts falling due within one year	13	(16,738)		(12,968)	
Net current assets			<u>2,278</u>		<u>2,435</u>
Net assets excluding pension liability			<u>114,083</u>		<u>102,009</u>
Defined benefit pension scheme liability	19	(10,378)		(11,249)	
NET ASSETS INCLUDING PENSION LIABILITY	16		<u>103,705</u>		<u>90,760</u>
FUNDS					
RESTRICTED					
Restricted reserve	16	1,137		803	
Revaluation reserve	16	372		504	
			<u>1,509</u>		<u>1,307</u>
UNRESTRICTED					
Unrestricted reserve	16	111,324		99,452	
Revaluation reserve	16	1,250		1,250	
Unrestricted income funds before pension liability		<u>112,574</u>		<u>100,702</u>	
Pension reserve	19	(10,378)		(11,249)	
			<u>102,196</u>		<u>89,453</u>
Total funds			<u>103,705</u>		<u>90,760</u>

These financial statements were approved by The Board of Trustees on 11 June 2008 and were signed on its behalf by



Michael D Abrahams CBE DL
Chairman of The Board of Trustees

Charity balance sheet

At 31 December 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	6		533		906
Tangible assets	9		110,259		97,885
Investments	7		1,284		1,059
			<u>112,076</u>		<u>99,850</u>
Current assets					
Stocks	10	1,074		974	
Debtors					
amounts falling due within one year	11	11,213		10,852	
amounts falling due after one year	11	859		1,445	
Investments	12	5,418		1,580	
Cash	12	457		556	
		<u>19,021</u>		<u>15,407</u>	
Current Liabilities					
Creditors					
amounts falling due within one year	13	(16,738)		(12,968)	
Net current assets			<u>2,283</u>		<u>2,439</u>
Net assets excluding pension liability			<u>114,359</u>		<u>102,289</u>
Defined benefit pension scheme liability	19		<u>(10,378)</u>		<u>(11,249)</u>
NET ASSETS INCLUDING PENSION LIABILITY	16		<u>103,981</u>		<u>91,040</u>
FUNDS					
RESTRICTED					
Restricted reserve	16	1,137		803	
Revaluation reserve	16	<u>372</u>		<u>504</u>	
			<u>1,509</u>		<u>1,307</u>
UNRESTRICTED					
Unrestricted reserve	16	111,600		99,732	
Revaluation reserve	16	<u>1,250</u>		<u>1,250</u>	
Unrestricted income funds before pension liability		<u>112,850</u>		<u>100,982</u>	
Pension reserve	19	<u>(10,378)</u>		<u>(11,249)</u>	
			<u>102,472</u>		<u>89,733</u>
			<u>103,981</u>		<u>91,040</u>

These financial statements were approved by The Board of Trustees on 11 June 2008 and were signed on its behalf by



Michael D Abrahams CBE DL
Chairman of The Board of Trustees

Consolidated cash flow statement

For year ended 31 December 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	20	23,624	19,271
Return on investment and servicing of finance			
Interest received on investment income	5	279	42
Capital expenditure and financial investments			
Purchase of Charity's functional assets	9	(18,952)	(17,896)
Purchase of fixed asset investments	7	(357)	-
		(19,309)	(17,896)
Net cash inflow before use of liquid resources and financing		4,594	1,417
Management of liquid resources		(3,838)	(1,580)
Purchase of short term investments			
Increase/(Decrease) in cash		756	(163)

Reconciliation of net cash flow to movements in net funds

	2007 £000	2006 £000
Increase/(Decrease) in cash	756	(163)
Increase in liquid resources	3,838	1,580
Net funds/(debt) at 1 January	1,281	(136)
Net funds at 31 December	5,875	1,281

Analysis of net funds

	At 1 Jan 2007 £000	Cash flow £000	At 31 Dec 2007 £000
Cash at bank and in hand	556	(99)	457
Bank overdraft	(855)	855	-
	(299)	756	457
Increase in liquid resources	1,580	3,838	5,418
Total	1,281	4,594	5,875

Notes to the accounts

(Forming part of the financial statements)

1. Charity status

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 UK law 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

Basis of consolidation

The group financial statements consolidate the accounts of the parent Company and its subsidiaries made up to 31 December 2007. 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 separately 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. Donations and gifts are accounted for on receipt except where the donation is returnable in the event that the condition of the donation is not met

(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 technology, property management, marketing and legal costs

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

Notes (continued)

Accounting policies (continued)

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 (included in freehold and leasehold properties)	-	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 and 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 14.

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. Provision is made for obsolete, slow moving or defective items where appropriate.

Leases

All leases the Charity has entered into are classified as operating leases and payments made to them are charged to the SOFA in accordance with the lease term.

Pension and other post retirement benefits

For defined benefit schemes the amounts charged to operating surplus 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 SOFA 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.

Notes (continued)

Accounting policies (continued)

Pension and other post retirement benefits (continued)

The actuarial valuation is obtained at least tri-annually and is updated in accounts 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 accruals 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 £1,635k (2006 £1,113k)

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

Resources expended in the year comprise

	Direct Charitable (Hospital) £000	Governance Costs £000	Support Costs £000	2007 Total £000	2006 Total £000
Staff costs (note 4)	24,326	45	5,524	29,895	27,872
Depreciation of fixed assets (note 9)	7,428	-	-	7,428	6,188
Amortisation of goodwill (note 6)	373	-	-	373	372
Hire of Plant & Machinery	233	-	-	233	240
Operating leases rentals	988	-	-	988	320
Auditors' remuneration – Audit fees	-	52	-	52	52
Other operating expenses	28,707	22	2,690	31,419	30,318
	62,055	119	8,214	70,388	65,362

Auditors' remuneration for non-audit work for the period was £8k (2006 £34k)

Notes (continued)

4. Staff and Trustees

Staff costs comprise	2007	2006
	£000	£000
Wages and salaries	24,288	22,569
Social security costs	2,699	2,529
Other pension costs (note 19)	2,908	2,774
	29,895	27,872
Average number of employees during the period	811	768

All staff in 2007 and 2006 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 (2006 £nil) The Charity provided medical insurance cover for five Trustees in the period at a cost of £15,539 (2006 five Trustees at £14,624), reimbursed travelling expenses of two Trustees for £6,260 (2006 £3,689), which together totalled £21,799 (2006 £18,313) and is disclosed under the governance costs

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

	2007	2006
	No.	No
£60,001 - £70,000	6	4
£80,001 - £90,000	-	3
£90,001 - £100,000	1	1
£100,001 - £110,000	3	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	3
£130,001 - £140,000	2	-
£150,001 - £160,000	1	-
£200,001 - £210,000	-	1
£220,001 - £230,000	1	-
£430,001 - £440,000	-	1
£600,001 - £610,000	1	-
Total	16	14

In the period, the provision of money purchase benefits was for 5 employees (2006 six employees) and the contribution paid was £81,277 (2006 £77,813)

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

5. Interest receivable

	2007	2006
	£000	£000
Bank balances and short term deposits	279	42

Notes (continued)

6. Intangible fixed assets

Goodwill

	2007 £000	2006 £000
Group and Charity		
Cost		
At 1 January 2007	<u>3,738</u>	<u>3,738</u>
Amortisation		
1 January 2007	<u>2,832</u>	<u>2,460</u>
Provided during the year	<u>373</u>	<u>372</u>
31 December 2007	<u>3,205</u>	<u>2,832</u>
Net book value		
At 31 December 2008	<u>533</u>	<u>906</u>

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

7. Fixed asset investments

Group and Charity	2007		2006	
	Cost £000	Value £000	Cost £000	Value £000
Listed investments				
M & G Securities	<u>912</u>	<u>1,284</u>	<u>555</u>	<u>1,059</u>

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 value of the fund held in the M&G Charifund was £961k (2006 £1,059k). The objectives of the fund are the furtherance of training and education.

8. Subsidiary undertakings

At 31 December 2007, the Charity had 100% interests in the following subsidiary undertakings, which are registered in England and Wales. The subsidiaries did not trade during either year.

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

Notes (continued)

9. Tangible fixed assets

	Land and buildings					Total £000
	Freehold Property £000	Long Leasehold £000	Short leasehold £000	Fixtures & Equipment £000	Construction in progress £000	
Group						
Cost or valuation						
1 January 2007	2,697	34,505	48,937	20,857	21,166	128,162
Additions	-	657	563	2,626	15,961	19,807
Transfers	-	209	433	533	(1,175)	-
31 December 2007	2,697	35,371	49,933	24,016	35,952	147,969

Depreciation

1 January 2007	252	955	20,801	8,545	-	30,553
Provided during the year	51	753	2,761	3,863	-	7,428
31 December 2007	303	1,708	23,562	12,408	-	37,981

Net Book Value

At 31 December 2007	2,394	33,663	26,371	11,608	35,952	109,988
At 31 December 2006	2,445	33,550	28,136	12,312	21,166	97,609

	Land and buildings					Total £000
	Freehold Property £000	Long Leasehold £000	Short leasehold £000	Fixtures & Equipment £000	Construction in progress £000	
Charity						
Cost or valuation						
1 January 2007	2,948	34,505	48,937	20,857	21,166	128,413
Additions	-	657	563	2,626	15,961	19,807
Transfers	-	209	433	533	(1,175)	-
31 December 2007	2,948	35,371	49,933	24,016	35,952	148,220

Depreciation

1 January 2007	227	955	20,801	8,545	-	30,528
Provided during the year	56	753	2,761	3,863	-	7,433
31 December 2007	283	1,708	23,562	12,408	-	37,961

Net Book Value

At 31 December 2007	2,665	33,663	26,371	11,608	35,952	110,259
At 31 December 2006	2,721	33,550	28,136	12,312	21,166	97,885

Included in construction in progress additions in the year 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.

Accumulated capitalised interest of £523,940 (2006 £514,853) is included in the tangible fixed assets. On 7 October 1981 a mortgage debenture between the Charity and its bankers was sealed, creating a charge on certain fixed assets.

Notes (continued)

10. Stock

	Group		Charity	
	2007 £000	2006 £000	2007 £000	2006 £000
Raw materials and consumables	<u>1,074</u>	974	<u>1,074</u>	974
Consignment stock not included in balance sheet	<u>846</u>	782	<u>846</u>	782

11. Debtors

	Group		Charity	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts falling due within one year				
Trade debtors	9,886	9,100	9,886	9,100
Amounts owed by subsidiary undertakings	-	-	5	4
Other debtors	887	822	887	822
Prepayments and accrued income	435	926	435	926
	<u>11,208</u>	10,848	<u>11,213</u>	10,852
Amounts falling due after one year				
Other debtors	<u>859</u>	1,445	<u>859</u>	1,445

12. Cash and cash equivalents

	2007 £000	2006 £000
Group and Charity:		
Cash at bank and in hand	457	556
Short term money market deposits	<u>5,418</u>	1,580
	<u>5,875</u>	2,136

13. Creditors: amounts falling due within one year

	Group		Charity	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank overdraft	-	855	-	855
Trade creditors	1,336	997	1,336	997
Taxation and social security	1,050	1,184	1,050	1,184
Other creditors	2,538	2,708	2,538	2,708
Accruals	11,814	7,224	11,814	7,224
	<u>16,738</u>	12,968	<u>16,738</u>	12,968

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

Notes (continued)

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

	Unrestricted funds £000	Restricted funds £000	Total £000
Net income for the year	11,365	334	11,699
Additions to tangible fixed assets	(19,807)	-	(19,807)
Net movement in funds	(8,442)	334	(8,108)

15 Reserve movements for year

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
Group					
1 January 2007	504	1,250	803	88,203	90,760
Net incoming resources	-	-	334	11,365	11,699
Other unrecognised loss/gains	(132)	-	-	1,378	1,246
31 December 2007	372	1,250	1,137	100,946	103,705
Charity					
1 January 2007	504	1,250	803	88,483	91,040
Net incoming resources	-	-	334	11,361	11,695
Other unrecognised gains/(losses)	(132)	-	-	1,378	1,246
31 December 2007	372	1,250	1,137	101,222	103,981

16. Analysis of net assets by fund

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
Group					
Fixed asset investments	372	-	803	-	1,175
Other fixed assets	-	1,250	-	109,380	110,630
Net current assets	-	-	334	1,944	2,278
Total funds excluding pension provision	372	1,250	1,137	111,324	114,083
Pension reserve	-	-	-	(10,378)	(10,378)
Total net assets	372	1,250	1,137	100,946	103,705
Charity					
Fixed asset investments	372	-	803	-	1,175
Other fixed assets	-	1,250	-	109,651	110,901
Net current assets	-	-	334	1,949	2,283
Total funds excluding pension provision	372	1,250	1,137	111,600	114,359
Pension reserve	-	-	-	(10,378)	(10,378)
Total net assets	372	1,250	1,137	101,222	103,981

Notes (continued)

17. Capital commitments

	2007 £000	2006 £000
Group and Charity:		
Committed and contracted	14,800	12,408

The Board of Trustees has approved a capital expenditure budget of £53 million for 2008 (2007 £31.1 million)

18. Operating lease commitments

	2007		2006	
Group and Charity Expiry date	Buildings £000	Other £000	Buildings £000	Other £000
- within one year	-	-	-	-
- between two and five years	-	58	-	58
- after five year	588	-	588	-
	588	58	588	58

Leases for land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

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 18% (2006 18%) of pensionable salaries. For employees joining the scheme from 1 November 1992 the contribution for the Charity and the employee were 13% (2006 13%) and 5% (2006 5%) respectively

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 7.2% per annum on equities, 5.2% on bonds, salary increases would average 3.2% per annum and that present and future pensions would increase at the rate of 3.2% per annum

The total pension charge for the schemes for the year was £2,908k (2006 £2,774k)

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

Notes (continued)

19. Pension schemes (continued)

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

	2007	2006	2005
Rate of increase in pensionable salaries	3.2%	2.8%	2.5%
Rate of increase in pensions in payment (LPI)	3.2%	3.0%	2.5%
Rate of increase for deferred pensions	3.2%	2.7%	2.5%
Inflation assumption	3.2%	3.0%	2.5%
Discount rate for scheme liabilities	5.9%	5.1%	5.1%

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 2007 is as follows

Market value of assets	Long term rate of return at 31 Dec 2007	Value at 31 Dec 2007 £000	Long term rate of return at 31 Dec 2006	Value at 31 Dec 2006 £000
Equities	7.2%	37,116	7.2%	34,398
Bonds	5.2%	11,174	4.2%	8,366
Other assets	5.5%	233	4.8%	2,433
Total fair value of assets		<u>48,523</u>		<u>45,197</u>
Present value of schemes' liabilities		(58,901)		(56,446)
Net pension liability		<u>(10,378)</u>		<u>(11,249)</u>

Notes (continued)

19. Pension schemes (continued)

Amounts included in the Consolidated Statement of Financial Activities

	2007	2006
	£000	£000
Current service cost	1,785	1,682
Past service cost	-	430
Total operating charge	<u>1,785</u>	<u>2,112</u>

Analysis of net return on the schemes

	2007	2006
	£000	£000
Expected return on pension scheme assets	2,970	2,761
Interest on pension scheme liabilities	(2,884)	(2,571)
Net return	<u>86</u>	<u>190</u>

Amounts included in the recognised gains and losses

	2007	2006
	£000	£000
Actual return less expected return on pension scheme assets	1,103	1,001
Experience losses arising on the scheme liabilities	(413)	(609)
Change in assumptions underlying the present value of scheme liabilities	1,293	(1,879)
Adjustment for irrecoverable surplus	(605)	-
Actuarial gain/(loss) to be recognised in the statement of financial activities	<u>1,378</u>	<u>(1,487)</u>

Analysis of movement in the scheme during the year

	2007	2006
	£000	£000
Deficit in schemes at the beginning of period	(11,249)	(10,468)
Movement in the period		
Current service cost	(1,785)	(1,682)
Past service cost	-	(430)
Contributions paid	1,192	2,628
Net return from other finance income	86	190
Actuarial gain/(loss) in statement of financial activities	1,983	(1,487)
Adjustment for irrecoverable surplus	(605)	-
Deficit in the schemes at the end of period	<u>(10,378)</u>	<u>(11,249)</u>

Notes (continued)

Pension schemes (continued)

A history of experience gains and losses at 31 December 2007

	2007	2006	2005	2004	2003
Difference between actual and expected return on scheme assets (£000)	1,103	1,001	3,910	2,311	1,421
Percentage of period end scheme assets	2%	2%	10%	7%	5%
Experience gains and losses arising on scheme liabilities (£000)	(413)	(469)	(580)	(3,132)	(151)
Percentage of present value of period end scheme liabilities	(1%)	(1%)	(1%)	(7%)	(0.4%)
Total amount recognised in the statement of financial activities (£000)	1,378	(1,487)	(256)	(1,411)	2,985
Percentage of present value of period end scheme liabilities	2%	(3%)	(1%)	(3%)	8%

20. Reconciliation of Net income to Net cash inflow from operating activities

Group	2007 £000	2006 £000
Net income for the year	11,699	10,100
Interest received	(279)	(42)
Depreciation of tangible fixed assets	7,428	6,188
Amortisation of goodwill	373	372
Net retirement benefit charge less contributions	507	(706)
(Increase)/decrease in stock	(100)	15
Decrease/(increase) in debtors	226	(991)
Increase in creditors	3,770	4,335
Net cash inflow from operating activities	23,624	19,271

21. Related Party Transactions

In 2007 and in 2006 there were no material related party transactions undertaken

22. 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