

Trustees of the London Clinic Limited

(Limited by guarantee)

**Trustees' report and consolidated
financial statements**

30 September 1997

Registered number 307579



Trustees' report and financial statements

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Trustees' report

Governing instrument

The Clinic is registered as a charity, No. 211136, by a Trust Deed dated 28 November 1935. It is constituted as a company limited by Guarantee, No. 307579, under the Articles of Association of the Company.

Objects

The current objects are contained in the Memorandum of Association dated 28 November 1935 as amended, which states that they are:

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

Trustees

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

Trustees' report

Trustees (continued)

The Trustees during the year were:

Mr MD Abrahams, CBE, DL*	(Chairman)
Captain DWS Buchan, DL*	(Resigned as member of the Audit Committee 4 March 1997)
The Right Honourable Lord Farnham*	
Mr R Ponsonby*	
The Right Honourable Lord Biffen, DL MP	
Marchioness of Hartington	

* Member of the Audit Committee.

Trustees are nominated and elected by the Board of Trustees. On 17 December 1997 The Right Honourable Lord Farnham became a member of the Audit Committee and was also appointed as the Committee Chairman.

Corporate governance

The Trustees support the principles of Corporate Governance as outlined in the Cadbury report.

At the beginning of the year day to day management of the Clinic was delegated by the Trustees to the Senior Management Team which comprised the Chief Executive, Matron and the Finance Director. On 1 April 1997 the Senior Management team was renamed the Executive Committee and the heads of the Human Resources, Marketing and Operations departments became members. On 1 January 1998 the Executive Committee became the Executive Board and its members are now Directors, although they are not Directors within the meaning of the Companies Act 1985. At the same date the Director of Estates became a member of the Executive Board.

The Trustees meet quarterly to receive strategic, operational and financial information from the Executive Board. The Chief Executive and his team are responsible for establishing the strategic direction of the Clinic which the Trustees approve so that the annual business and operational plans can be implemented. Throughout the year the Trustees review progress against budgets and related capital expenditure programs.

In line with the Trustees' commitment to best practice the Audit Committee was established to review in detail the Governor's report and financial statements prior to submission to the Board, to review the effectiveness of the internal financial controls and to consider the appropriateness of the going concern basis in preparing the financial statements.

Going concern

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

Creditor payment policy

It has long been the Clinic's policy to pay suppliers promptly and it fully supports the Government's initiative to encourage and promote this practice. At 30 September 1997 there were 45 days' purchases outstanding in respect of the Clinic's creditors.

Trustees' report

Advisors and principal address

Principal address:	The London Clinic 20 Devonshire Place London W1N 2DH
Auditors:	KPMG 8 Salisbury Square London EC4Y 8BB
Bankers:	NatWest Bank plc Mayfair Corporate Business Centre PO Box 2354 65 Piccadilly London W1A 2PP
Solicitors:	Allen & Overy One New Change London EC4M 9QQ Kennedys Longbow House 14-20 Chiswell Street London EC1Y 4TY Linklaters 1 Silk Street London EC2Y 8HQ

Trustees' report

Operating review

The Clinic has a total of 175 licensed beds of which 37 are for day care treatment, and 7 full operating theatres and 3 endoscopy suites.

This year the Clinic completed the refurbishment of the consulting rooms in 149 Harley Street and the replacement of the Magnetic Resonance Imaging equipment, and at the year end were in the final stages of completing both the Angiography suite and the state of the art Hospital Sterilisation and Disinfection Unit.

The planning stage for the refurbishment of the Pathology and Radiology departments has been completed and work is due to commence in 1998. Work on the refurbishment of Vernon House has commenced and is due to be handed back to the Clinic from the contractors in June 1998.

A project team has been assembled to review The Clinic's position with regard to the potential problems associated with the Millennium issues and to prepare a comprehensive action plan to ensure all reasonable steps are taken to meet compliance.

During the year the Clinic received formal notification that it has successfully met the King's Fund Organisation Audit Standards and is now an accredited hospital.

The Clinic is committed to supporting a fellow charity, The Anthony Nolan Fund and during the year treated 195 patients. The prices applied were significantly below the normal list price and in revenue terms accounted for £97,000 out of our total £196,000 in charitable discounts. Under the Diamond Jubilee Scheme the Clinic treated a further 22 patients during the year.

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

Trustees' report

Review of financial position

Patient activity was 2% higher than the previous year with well over 15,000 patient admissions resulting in total income of £32.2 m (1996: £30.5m), and net incoming resources of £6.2m (1996: £4.7m).

In conformity with our charitable status the net incoming resources has been applied solely towards modernising and refurbishing the hospital which is a listed building. During the year, £6.3m was spent on capital expenditure including £1.3m on state-of-the-art medical equipment.

In the Trustees' opinion, the freehold and leasehold land and buildings shown in the balance sheet at a net book value of £22.1m, had an estimated market value at 30 September 1997 which was considerably in excess of net book value. Covenants attaching to the lease preclude the use of the property other than as a clinic, nursing home, consulting rooms and hostels.

Reserves policy

As at 30 September 1997 the General Fund in unrestricted accounting reserves amounted to £34 million of which £26.8 million represents fixed assets currently held by the Clinic with the remaining £ 7.2 million representing available reserves.

In May 1997 the Charities Commission issued guidance on charities reserves and the Trustees have developed a reserves policy based on the principles of maintaining sufficient available reserves for:

- meeting future capital commitments; and
- maintaining adequate working capital for the Clinic to meet its day to day obligations in view of the volatility of its net incoming resources.

During the year the Clinic received a 'one off' rebate from HM Customs and Excise in respect of VAT mainly incurred on Capital Expenditure. The Board of Trustees have decided that with the sum received a designated fund should be established to further support the efforts in the recruitment, retention and training of our Nursing and Clinical staff.

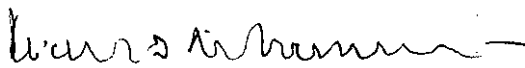
The Trustees also established a further designated fund called the "leasehold premium fund" during the year. Whilst the main Clinic's property lease has 27 years before expiry, it is at a very advantageous rate of £30,000 per annum and the Trustees consider that it is in the best interests of the Clinic to renegotiate the lease in the short term. Consequently it is intended to build up a specified designated fund over a period to meet the cost of the likely substantial premium the Clinic may wish to offer to extend the lease.

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

Auditors

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

For and on behalf of the board


MD Abrahams, CBE DL
Chairman of the Trustees

25 March 1998

Statement of Trustees' responsibilities

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

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

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



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 8 to 24 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in note 2.

Respective responsibilities of Trustees and auditors

As described on page 6 the company's Trustees are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 1997 and of the excess of income over expenditure of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
*Chartered Accountants
Registered Auditors*

25 March 1998

Consolidated statement of financial activities

for the year ended 30 September 1997

	Note	Unrestricted funds General fund £000	Designated funds £000	Restricted funds £000	Total 1997 £000	Total 1996 £000
Income and expenditure						
Incoming resources						
Gross fees for treatment of patients		32,440	-	-	32,440	30,434
Charitable discounts		(196)	-	-	(196)	(179)
Net fees for treatment of patients		32,244	-	-	32,244	30,255
Donations and gifts		38	-	4	42	14
Net investment income	6	671	-	10	681	251
Net loss of trading subsidiary	9	(4)	-	-	(4)	(2)
Total incoming resources		32,949	-	14	32,963	30,518
Resources expended						
Direct charitable expenditure		(24,914)	-	(6)	(24,920)	(24,077)
Management and administration		(1,499)	-	-	(1,499)	(1,494)
Fundraising and publicity		(302)	-	-	(302)	(282)
Total resources expended	3	(26,715)	-	(6)	(26,721)	(25,853)
Net incoming resources before transfers		6,234	-	8	6,242	4,665
Transfers between funds	4	(2,026)	2,026	-	-	-
Other recognised gains and losses for the year						
Unrealised gains on investment assets	9	(3)	-	38	35	6
Net movement		4,205	2,026	46	6,277	4,671
Fund balances brought forward	14	30,820	-	149	30,969	26,298
Fund balances carried forward		35,025	2,026	195	37,246	30,969

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

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

The notes on pages 12 to 24 form part of these financial statements.

Consolidated balance sheet

as at 30 September 1997

	Notes	1997 £000	1996 £000	1996 £000
Fixed assets				
Tangible assets	8	26,847		23,054
Investments	9	222		141
Current assets				
Stocks	10	695	609	
Debtors: due within one year	11	6,330	5,340	
due after one year	11	476	520	
Cash at bank and in hand	12	7,578	4,498	
		<u>15,079</u>	<u>10,967</u>	
Creditors: amounts falling due within one year	13	<u>(4,902)</u>	<u>(3,193)</u>	
Net current assets		<u>10,177</u>		<u>7,774</u>
Total assets less current liabilities		<u>37,246</u>		<u>30,969</u>
Net assets		<u>37,246</u>		<u>30,969</u>
Funds				
Revaluation reserve				
Restricted funds		57	19	
Unrestricted funds		<u>1,279</u>	<u>1,282</u>	
	14	<u>1,336</u>		<u>1,301</u>
Revenue reserve				
Restricted funds		138	130	
Unrestricted general fund		<u>33,746</u>	<u>29,538</u>	
Designated funds		<u>2,026</u>	<u>-</u>	
	14	<u>35,910</u>		<u>29,668</u>
		<u>37,246</u>		<u>30,969</u>

The notes on pages 12 to 24 form part of these financial statements.

These financial statements were approved by the Board of Trustees on 25 March 1998 and were signed on its behalf by:



MD Abrahams, CBE DL

Chairman of the Trustees

Company balance sheet

as at 30 September 1997

	Notes	1997 £000	1996 £000	£000
Fixed assets				
Tangible assets	8		25,592	22,844
Investments	9		222	141
Current assets				
Stocks	10	695		609
Debtors: due within one year	11	6,280		5,471
due after one year	11	476		520
Cash at bank and in hand	12	7,578		4,498
		15,029		11,098
Creditors: amounts falling due within one year	13	(3,591)		(3,112)
Net current assets			11,438	7,986
Total assets less current liabilities			37,252	30,971
Net assets			37,252	30,971
Funds				
<i>Revaluation reserve</i>				
Restricted funds		57		19
Unrestricted funds		1,279		1,282
	14		1,336	1,301
<i>Revenue reserve</i>				
Restricted funds		138		130
Unrestricted general fund		33,752		29,540
Designated funds		2,026		-
	14		35,916	29,670
			37,252	30,971

The notes on pages 12 to 24 form part of these financial statements.

These financial statements were approved by the Board of Trustees on 25 March 1998 and were signed on its behalf by:



MD Abrahams, CBE DL
Chairman of the Trustees

Consolidated cash flow statement

for the year ended 30 September 1997

	Notes	£000	1997 £000	1996 £000
Net cash inflow from operations	17		7,495	5,425
Return on investments and servicing of finance				
Interest received		503	357	
Interest paid		(66)	-	
Interest element of finance lease rental payments		-	(2)	
Net cash inflow from returns on investment and servicing of finance			437	355
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(5,708)	(5,833)	
Purchase of fixed asset investments		(5)	(8)	
Net cash outflow from investing activities			(5,713)	(5,841)
Net cash inflow/(outflow) before financing			2,219	(61)
Financing				
Repayment of finance lease obligations	18	(3)	(18)	
Net cash outflow from financing			(3)	(18)
Increase /(decrease) in cash and cash equivalents	19		2,216	(79)

Notes

(forming part of the financial statements)

Status of the company

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

Accounting policies

Accounting bases

These financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention adjusted by the revaluation of properties and investments referred to in notes 8 and 9 below. The Statement of Recommended Practice ("SORP") for Accounting by Charities issued in October 1995 has been adopted.

Basis of consolidation

The Group financial statements consolidate the accounts of the parent company and its subsidiary made up to 30 September. In accordance with Section 230(4) of the Companies Act 1985, the Trustees of the London Clinic Limited is exempt from the requirement to present its own income and expenditure account. The excess of income over expenditure for the financial year dealt with in the financial statements of Trustees of London Clinic Limited is disclosed in note 14 to the financial statements.

Incoming resources

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

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

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

Resources expended

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

Notes (continued)

Accounting policies (continued)

Fixed assets and depreciation

Expenditure on plant and machinery and alterations to and reconstructions of existing buildings has been capitalised and depreciated over the period shown below.

Depreciation is provided by the Company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

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

Investments

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

Stocks

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

Leases

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

Notes (continued)

Accounting policies (continued)

Pension funding

Contributions to pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' estimated working lives with the Company (see note 16).

Reserves

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

- General unrestricted funds: These resources arise from the accumulated surpluses and deficits on the provision of healthcare and fundraising activities. Funds invested in fixed assets, which are not available for other purposes, have been disclosed in unrestricted funds.
- Designated funds: The Trustees may at their discretion set aside funds for specific purposes which would otherwise form part of the general unrestricted funds of the Company.
- Restricted funds: Restricted funds represent donations received for specific purposes.

Expenditure

	Direct charitable expenditure £000	Management and administration £000	Fundraising and publicity £000	Total 1997 £000	Total 1996 £000
Staff costs	12,411	972	94	13,477	12,935
Costs of supplies	5,064	-	-	5,064	4,976
VAT reclaim (note 4)	(395)	-	-	(395)	-
Other operating charges	5,747	496	208	6,451	6,081
Amortisation and depreciation	2,043	-	-	2,043	1,783
Hire of plant and machinery	44	-	-	44	44
Other operating leases	-	-	-	-	3
Auditors' remuneration	-	28	-	28	22
Auditors' remuneration for non audit work	-	3	-	3	9
	<u>24,914</u>	<u>1,499</u>	<u>302</u>	<u>26,715</u>	<u>25,853</u>

Additional auditors' remuneration of £4,000 (1996: £2,000) has arisen in the trading subsidiary. During the year auditors' remuneration for non audit work of £29,000 (1996: £nil) has been capitalised in Freehold Development property in addition to that disclosed above.

The Company paid £7,301 (1996: £8,485) in respect of medical insurance cover for the Trustees. Expenses of £6,882 (1996: £4,782) were reimbursed during the year for the Trustees.

No other emoluments were received by the Trustees.

Notes (continued)

Designated fund

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

	Balance at 1 October 1996 £000	New designation £000	Balance at 30 September 1997 £000
Leasehold premium fund	-	1,000	1,000
Recruitment, retention and training of Clinical and Nursing staff fund	-	1,026	1,026
	<hr/>	<hr/>	<hr/>
	-	2,026	2,026
	<hr/>	<hr/>	<hr/>

Leasehold premium fund

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

Recruitment, retention and training of Clinical and Nursing staff fund

During the year the Company recognised income of £1,026,000 in respect of VAT previously incurred as direct charitable expenditure and capitalised expenditure. This follows claims for refunds of VAT from Customs and Excise submitted during the year. The Trustees have set aside this income as a recruitment, retention and training fund for Nurses and Clinical staff. A number of initiatives are under discussion, including fully funding Nurses training under the ENB Scheme.

Amounts recognised in the accounts are as follows:

	£000
Direct charitable expenditure (costs of supplies)	395
Interest receivable	238
Capital expenditure	393
	<hr/>
	1,026
	<hr/>

Further claims have been submitted and the Trustees intend to transfer any additional income to the Designated Fund.

Notes (continued)

Employees

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	1997	1996
Administration	52	45
Nursing and medical staff	330	320
Ancillary staff	208	210
	<hr/>	<hr/>
	590	575
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	11,588	11,090
Social security costs	1,204	1,168
Other pension costs	685	677
	<hr/>	<hr/>
	13,477	12,935
	<hr/>	<hr/>

In addition £27,000 (1994:£15,000) of redundancy costs were incurred during the year.

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

	1997 No	1996 No.
£40,001 - £50,000	6	4
£50,001 - £60,000	1	2
£60,001 - £70,000	1	1
£70,001 - £80,000	1	-
£130,001 - £140,000	-	1
£150,000 - £160,000	1	-

Notes (continued)

Net investment income

	1997		1996	
	£000	£000	£000	£000
Interest receivable				
On bank balances and short term deposits received during the year	503		357	
Decrease in interest debtor	(101)		(104)	
	<hr/>		<hr/>	
VAT reclaim (note 4)	402		253	
Bonus shares from Woolwich Plc	238		-	
	41		-	
	<hr/>		<hr/>	
		681		253
Interest payable and similar charges:				
Finance charges payable in respect of finance leases	-		(2)	
Bank overdraft	(66)		-	
Less: interest capitalised	66		-	
	<hr/>		<hr/>	
		-		(2)
		<hr/>		<hr/>
		681		251
		<hr/>		<hr/>

Changes in resources applied for fixed assets for charity use

	Unrestricted funds		Restricted funds	Total 1997	Total 1996
	General fund	Designated funds	funds	1997	1996
	£000	£000	£000	£000	£000
Net movement in funds	4,205	2,026	46	6,277	4,671
Net fixed asset expenditure	(6,315)	-	-	(6,315)	(5,023)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds for future activities	(2,110)	2,026	46	(38)	(352)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

Fixed assets

Group

	Land and buildings		Medical equipment	Other assets	Total
	Freehold development property	Short leasehold			
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	488	21,441	5,124	2,125	29,178
Additions	767	3,317	1,284	947	6,315
VAT reclaim (note 4)	-	-	(393)	-	(393)
Disposals	-	(88)	(27)	(30)	(145)
At end of year	1,255	24,670	5,988	3,042	34,955
Depreciation					
At beginning of year	-	2,889	1,917	1,318	6,124
Provided during the year	-	983	898	162	2,043
Disposals	-	(27)	(11)	(21)	(59)
At end of year	-	3,845	2,804	1,459	8,108
Net book value					
At 30 September 1997	1,255	20,825	3,184	1,583	26,847
At 30 September 1996	488	18,552	3,207	807	23,054

Leased assets of £107,000 (1996:£151,000) are included in the net book value of medical equipment and other assets for the Group and Company. Depreciation for the year on these assets was £44,000 (1996:£56,000).

The freehold development property is included in cost or valuation at the Trustees' valuation in 1970 of £216,000. The short-term leasehold property is included in cost or valuation at a professional valuation in 1962 of £1,555,000. The total historic cost of these properties is £24.6 million.

Included in the freehold development property at 30 September 1997 was capitalised interest of £66,000 (1996: £nil).

Notes (continued)

Fixed assets (continued)

Company

	Land and buildings		Medical	Other	
	Freehold development property	Short leasehold	equipment	assets	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	278	21,441	5,124	2,125	28,968
Additions	-	3,317	1,284	947	5,548
VAT reclaim (note 4)	-	-	(393)	-	(393)
Disposals	(278)	(88)	(27)	(30)	(423)
At end of year	-	24,670	5,988	3,042	33,700
Depreciation					
At beginning of year	-	2,889	1,917	1,318	6,124
Provided during the year	-	983	898	162	2,043
Disposals	-	(27)	(11)	(21)	(59)
At end of year	-	3,845	2,804	1,459	8,108
Net book value					
At 30 September 1997	-	20,825	3,184	1,583	25,592
At 30 September 1996	278	18,552	3,207	807	22,844

On 7 November 1996 the Company transferred the freehold property to its wholly owned subsidiary - London Clinic Enterprises Limited.

The short leasehold property is included in cost or valuation at a professional valuation in 1962 of £1,555,000. The total historic cost of these properties is £23.4 million.

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

Notes (continued)

Fixed asset investments

	Diamond Jubilee fund - Listed investments £000	Other Listed investments £000	Total £000
Group and company			
<i>Cost or valuation</i>			
At beginning of year	141	-	141
Additions	5	41	46
Revaluation	38	(3)	35
	<hr/>	<hr/>	<hr/>
At end of year	184	38	222
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Diamond Jubilee Fund

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

Within cash is an amount of £11,000 (1996: £7,500) which relates to this fund. During the year £5,800 was used to treat patients (1996: £9,600).

Investment assets are valued at the market value of the investment which is listed on the London Stock Exchange, at the balance sheet date.

Other listed investments

These represent shares in Woolwich Plc acquired at market value during the year at no cost to the Company. Investment assets are valued at the market value of the investment which is listed on the London Stock Exchange at the balance sheet date.

Subsidiary undertaking

The investment in subsidiary undertakings (£100) comprises the whole of the ordinary share capital of London Clinic Enterprises Limited, a company incorporated in England and Wales and acquired by Trustees of the London Clinic Limited on 10 June 1996. In the opinion of the Trustees, the investment in the Company's subsidiary undertaking is worth at least the amounts at which it is stated in the balance sheet.

London Clinic Enterprises Limited was incorporated to carry out business as a general commercial company for any trade or business whatsoever and its main activity during the year was the continuing redevelopment of the Company's Nurses' Hostel. During the year the subsidiary company incurred minor administration expenses and it is intended that the subsidiary company will covenant its taxable profits to the Trustees of the London Clinic Limited in future years.

Notes (continued)

Stocks

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Raw materials and consumables	695	609	695	609

Debtors

Amounts falling due within one year:

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Trade debtors	4,210	3,822	4,210	3,822
Amounts owed by subsidiary undertaking	-	-	41	131
Other debtors	374	343	283	343
Prepayments and accrued income	1,746	1,175	1,746	1,175
	<u>6,330</u>	<u>5,340</u>	<u>6,280</u>	<u>5,471</u>

Amounts falling due after one year:

	Group		Company	
	1997	1996	1997	1996
		£000		£000
Prepayment of pension fund contributions	476	520	476	520

Cash at bank and in hand

Out of the total cash at bank and in hand, £2,110,000 (1996:£715,000) of short term money market deposits were held by the Group and the Company at the year end with the balance held in building society and bank accounts.

Notes (continued)

Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank overdraft	864	-	-	-
Obligations under finance leases	-	3	-	3
Trade creditors	2,196	2,028	2,196	2,028
Taxation and social security	450	426	450	426
Other creditors	119	46	119	46
Accruals and deferred income	1,273	690	826	609
	<u>4,902</u>	<u>3,193</u>	<u>3,591</u>	<u>3,112</u>

The bank overdraft is secured on the Development Property.

Reserve movements for year

	Revaluation reserve £000	Revenue reserve £000	Total £000
Group			
As at 1 October 1996	1,301	29,668	30,969
Net incoming resources for the financial year	35	6,242	6,277
	<u>1,336</u>	<u>35,910</u>	<u>37,246</u>
Reserve at 30 September 1997	1,336	35,910	37,246
Company			
As at 1 October 1996	1,301	29,670	30,971
Net incoming resources for the financial year	35	6,246	6,281
	<u>1,336</u>	<u>35,916</u>	<u>37,252</u>
Reserve at 30 September 1997	1,336	35,916	37,252

Notes (continued)

Commitments (Company and Group)

	1997 £000	1996 £000
<i>Capital commitments:</i>		
Committed and contracted for	2,076	2,140
Authorised but not contracted for	11,894	8,562
	<hr/> 13,970 <hr/>	<hr/> 10,702 <hr/>

The Group had no finance lease creditors outstanding as at 30 September 1997 (1996: £3,000).

The Company has given a guarantee and other undertakings, as part of the Group banking arrangements, to its subsidiary undertaking which had a bank overdraft at 30 September 1997 of £864,000 (1996: £nil).

Pension scheme

The Company operates a funded defined benefit pension scheme based on final pensionable pay. During the year ended 30 September 1996 the funds of the Trustees of the London Clinic (1975) Retirement Fund were merged into the Trustees of the London Clinic (1974) Retirement Fund ("the 1974 Retirement Fund"). The assets of the 1974 Retirement Fund are held separately from those of the Company, being invested with the Sun Alliance and London Insurance Company plc. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' estimated working lives with the Company. The contributions to the 1974 Retirement Fund are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 November 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 3% per annum.

The pension charge for the period was £685,000 (1996: £677,000).

The most recent actuarial valuation of the 1974 Retirement Fund as at 1 November 1996, showed that the market value of the fund's assets was £18,251,000 and that the actuarial value of those assets represented 141% of the benefits that had accrued to the members, after allowing for expected future increase in earnings. The contributions of the Company to the 1974 Retirement Fund are 11.9% of the pensionable salaries. The contributions of the Company and employees joining the scheme from 1 November 1992 are 6.9% and 5% respectively.

Notes (continued)

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

	1997 £000	1996 £000
Operating surplus (Net incoming resources before transfers)	6,242	4,665
Less: net investment income	(681)	(251)
Write off of fixed assets	61	-
Amortisation and depreciation	2,043	1,783
Increase in stock	(86)	(67)
(Increase)/decrease in debtors	(809)	(1,575)
Increase/(decrease) in creditors	725	870
	<hr/>	<hr/>
Net cash inflow from operations	7,495	5,425
	<hr/> <hr/>	<hr/> <hr/>

8 Analysis of changes in financing during the year

	Finance leases £000
Balance at 1 October 1995	21
Cash outflow from financing	(18)
	<hr/>
Balance at 1 October 1996	3
Cash outflow from financing	(3)
	<hr/>
Balance at 30 September 1997	-
	<hr/> <hr/>

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

	Overdraft £000	Cash £000	Total £000
Balance at 1 October 1995	-	4,577	4,577
Net cash outflow	-	(79)	(79)
	<hr/>	<hr/>	<hr/>
Balance at 1 October 1996	-	4,498	4,498
Net cash inflow/(outflow)	(864)	3,080	2,216
	<hr/>	<hr/>	<hr/>
Balance at 30 September 1997	(864)	7,578	6,714
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>