

# **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 2011



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## Trustees' report

### Advisers and principal addresses

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

**Auditor:** Deloitte LLP  
Chartered Accountants and Statutory Auditors  
3 Victoria Square  
Victoria Street  
St Albans  
Hertfordshire AL1 3TF

**Bank:** Barclays Bank PLC  
One Churchill Place  
London EC14 5HP

**Solicitors:** Eversheds LLP  
One Wood Street  
London EC2V 7WS  
  
Pinsent Masons LLP  
30 Crown Place  
Earl Street  
London EC2A 4ES  
  
Withers LLP  
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 2011. Trustees of the London Clinic Limited (the "**Charity**") is a company limited by guarantee registered in England and Wales (No 307579) and a registered charity (No 211136). In accordance with section 17 of the Charities Act 2011 the Trustees confirm that they have had regard to the Charity Commission's guidance (both general and supplementary) in relation to public benefit.

## **Purpose and Mission**

The Charity opened in 1932, obtained charitable status in 1935 and is located in the heart of London's medical community on Harley Street. It is one of the UK's largest independent hospitals with a fully equipped acute facility. It has a long-standing international reputation for clinical excellence and progressive care.

The Charity's charitable status ensures it remains free from the demands of shareholders, allowing its entire surplus to be reinvested back into the Charity, which enables facilities and patient care services to be continuously updated. The Charity is able to invest in the latest medical technology, facilities, clinical and nursing support and can undertake complex procedures, tests and treatments. This enhances the lives of the beneficiaries, both patients directly and indirectly to the wider community, which benefits from the Charity's contributions to medical research and training.

The Charity is dedicated to achieving excellence in every area of its work and is able to attract London's leading consultants, staff and specialists who share our exceptionally high standards.

The Charity is also respected for the outstanding quality of its personal care to patients. By combining the very best aspects of traditional care, with highly trained staff, and the latest medical and surgical technology, the Charity provides its patients with the finest possible individual care.

## **Principal Charitable Objectives**

The principal objectives of the Charity, derived 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**

In furtherance of its objectives, the Charity aims to contribute to the relief of the sick and the suffering within our society, to communicate its acquired knowledge and best practice to the wider medical community, to collaborate with other healthcare organisations and related charities and to provide training and expertise to those working in the medical profession, and thereby to deliver public benefit as befits its charitable status. The Charity's activities are reported below in relation to these three key areas of its functions - medical care, research and best practice, and training.

### Medical Care

During the course of 2011, the Charity provided for over 125,000 patient visits. It also delivered high quality care to patients who were delayed in receiving care in the NHS under contracts with local primary care trusts.

The Charity has 251 beds, of which 59 were used for day care treatment. There are twelve operating theatres, including a three-theatre Endoscopy suite and a twin dedicated Minimally Invasive Treatment and Day Surgery Unit.

The Charity continues to provide specialist care at a significant discount for armed forces personnel and their families referred from the King Edward VII (Sister Agnes) Hospital. It also provides treatment, at cost, to clergy referred from St Luke's Hospital Foundation for the Clergy.

The Charity makes its facilities available at cost to the GB Rowing Team. As a result the 70 strong national team will have access to the Charity's facilities.

In conjunction with the New Victoria Medical Foundation, the Charity jointly funded the medical care of patients in need of treatment for conditions, which are regarded as significantly impairing their quality of life, such treatments not being widely available within the NHS. This scheme is available to uninsured patients at no cost who are able to benefit from the medical facilities and expertise available at the Charity.

In 2011, the Charity undertook 644 dialysis treatments to patients as an alternative to the NHS.

The Clinic provided the following discounts and grants as shown below

	£
Humanitarian and compassionate discounts	222,810
UCL Cancer Institute Research Trust	92,000
Discounts to New Victoria Foundation	34,631
Prostate Action	1,000
Others	3,339
<b>Total</b>	<b>353,780</b>

The Charity continues to provide Level 2 and Level 3 critical care to ensure the highest quality of acute intensive care facilities are always available. It is one of very few centres in the independent healthcare sector providing this level of critical care and avoids patients being transferred out to the NHS if their condition deteriorates. A critical care backup service is also made available to other London independent hospitals and the NHS.

The Charity offers a comprehensive range of cancer services from its state of the art purpose built facility including radiotherapy, therapeutic nuclear medicine, PET CT, chemotherapy, palliative care, stem cell and bone marrow transplantations and a large range of scanning services to cancer patients thus relieving the severe pressure that exists for these services in the NHS.

The Charity makes its specialist facilities available to individuals seeking information on cancer and cancer care. The Richard Hambro Macmillan Cancer Information Centre, funded by the Charity, is located within a purpose built environment within the Cancer Centre. Access to the Centre, including the provision of information about cancer and its treatment as well as practical help and support on living with cancer, is available free of charge to patients and the local community. An onsite Macmillan Clinical Nurse Specialist also provides emotional and clinical support, information and advice to people living with cancer. The majority of cancer patients treated at the Charity make use of these services. Complementary therapies such as reflexology and massage are also available free of charge to cancer patients.

As part of its continuing efforts to provide the very best care to its patients, the Charity has invested in the CyberKnife Robotic Radiosurgery System - a non-invasive and pain free alternative to surgery for the treatment of both cancerous and non-cancerous tumours. This treatment is not widely available on the NHS, but the Charity offers it to, and treats, NHS and charitable patients. The Charity also operates the Varian Trilogy System with Rapid Arc technology, which delivers radiation directly into tumours, thereby lessening the risk of attacking the surrounding healthy tissue, at a greater speed than other conventional radiotherapy treatments.

The Charity was one of the first independent UK hospitals to perform robotic-assisted surgery for gynaecological procedures. Building upon its already well-established and renowned reputation for performing complex, robotic surgery for prostate cancer, the hospital is now set to lead the way in the field of gynaecology using its state-of-the-art da Vinci S HD Surgical System®.

The advanced system enables surgeons to perform minimally invasive procedures for common gynaecological conditions such as fibroids, abnormal bleeding, endometriosis, pelvic floor prolapse and fallopian tube surgery. In contrast to the more traditional forms of open surgery, robotic-assisted surgery can offer greater overall treatment and recovery benefits for patients.

#### Research and Best Practice

The outstanding international reputation of the Charity continues to attract some of the UK's most renowned consultants, many of whom are prominent leaders in their field. The majority of consultants working at the Charity also hold clinical, academic and/or teaching posts in the NHS. Facilities are provided for 204 consultants and specialists within the Charity's consulting suites at various locations in Harley Street and Devonshire Place.

Research at the Charity, which advances science and medicine, takes place involving clinical trials across a large number of specialties. In addition, the Charity's charitable status has allowed it to develop expertise in new technologies and treatments, which have gone on to have general application elsewhere. Many important educational or teaching activities have resulted from care at the Charity, including the use of photodynamic therapy and the use of endoscopic ultrasound guided fine needle aspiration and biopsy.

The Charity has established a dedicated clinical trials unit, the Advanced Therapies Centre, to take advantage of the pre-eminent facilities available, particularly within the Cancer Centre, to provide phase 2 and 3 clinical trials. This will provide patients with access to treatments through clinical trials and new medicines and technologies and access to named patient programmes and specialised clinical procedures, which are often not available elsewhere. The trial programme commenced with trials for malignant melanoma and pancreatic cancer.

The Charity also supports the Polkemmet Fund, a dedicated fund established to progress the care and treatment of liver disease, which has funded research into the study of immune responses to tumour antigens with the aim to develop a vaccine against hepatocellular carcinoma. The work of the Polkemmet Fund has also resulted in a number of published articles, which includes the European Journal of Gastroenterology and Hepatology.

In 2011, the Charity continued to provide facilities for 8 research trials, with a further 3 granted approval early in 2012, which have been approved by the Charity's Ethics Committee across a range of disciplines.

The Charity's facilities for transplant and stem cell cryo-preservation have been inspected and licensed by the Human Tissue Authority. The unit is accredited by the European Group for Blood and Bone Marrow Transplantation and should receive full accreditation by the Joint Accreditation Committee of the International Society for Cellular Therapy very shortly.

The Charity's specialist 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 2011, the Charity collected 239 stem cell donations for the Anthony Nolan Trust.

The Charity has dedicated resident medical officers providing 24-hour cover to support the specialist research Fellows and nursing teams, as well as 24 hour clinical care cover by a team of specialist Fellows.

The Charity participates in national audits undertaken by the National Confidential Enquiry into Patient Outcome and Death, which aids the development of safer treatment regimes. In addition, it furthers the improvement of patient care by submitting all quality key performance indicators to the Care Quality Commission on a quarterly basis. The Charity also assists the improvement of patient safety and care by providing infection control figures on MRSA and Clostridium Difficile infection rates to the Health Protection Agency.

The Charity continues to contribute to improvements in patient care by complying with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2005, submitting reports to the Health & Safety Executive and providing information for the Patient Environment Action Team and the National Patient Safety Agency.

The Charity coordinates multi-disciplinary meetings for cancer and non cancer care, which are accredited by the appropriate Royal Colleges. These meetings provide the opportunity for peer discussion and review of the diagnosis and care plans of patients receiving treatment for cancer with the full multi-disciplinary team caring for each patient.

The Charity has established a patient committee in conjunction with the Intensive Care Foundation to raise funds for important science projects to tackle underlying problems that effect patient survival when patients become critically ill.

#### Training

For each clinical specialty, the Charity employs nurses who have completed further post registration training. In addition, it has a number of senior nurses who undertake clinical nurse specialist roles. These include breast, gynaecology, liver, endocrine, diabetic, colo-rectal, pain, radiotherapy, Macmillan Cancer nursing and preoperative assessment. The Charity is proud of its high nurse to patient ratio that provides the patient with the highest standard of nursing care in the sector.

The Charity has a fully equipped clinical skills laboratory for staff to support an ongoing programme of training in clinical skills, treatments and early preventative interventions. The programme is accredited and oversubscribed. The Charity is accredited by The British Resuscitation Council to provide advanced life support courses. All training courses are also open to healthcare staff from the NHS and other hospitals on a cost recovery basis.

The Charity provides a number of training courses, workshops and study days for student nurses, including but not limited to the following areas:

- RADAR - Recognition & Detection (of the patient) at Risk
- Anaphylaxis and Intravenous Drug Administration
- Pain Management
- Incontinence
- Catheterisation
- Tissue Viability
- Blood Glucose Monitoring and Diabetes
- ECG Introduction / Advanced
- Venepuncture, Cannulation & Central Line
- Nutrition
- Infusions & Transfusions
- Blood transfusion competencies

- Developments in Neurosciences
- Oncology
- Infection Control

These courses are also provided to NHS Hospital locations and nearby HM Prisons

The Charity provided clinical staff undergraduate training placements to 68 student nurses as part of The London Clinic's Training Nurse Placement Scheme, which won a Quality Standard Award for Best Placement of the Year

### **Queen's Award for Enterprise 2011**

The Charity is proud to have been granted a Queen's Award for Enterprise in the International Trade Category as a result of successfully increasing overseas income by more than £9m over three years. The International Office works with Embassies and health offices in London and overseas, with regular visits to the Middle East to meet the dignitaries and officials responsible for the transfer of patients to the UK for treatment.

The prestigious award represents an extremely high accolade for the Charity and reflects the Charity's commitment to investing in the needs of international patients, offering bespoke and specialist services to visiting nationals from many parts of the world.

### **2012 Objectives**

Over the next 12 months, the Charity will maintain the focus on achieving its objectives and will continue to invest further in medical technology, facilities, clinical and nursing support that will enable the introduction of new services and treatments to patients and the wider community.

The Charity aims to maintain and to improve upon its financial returns and operating margins to ensure that it is able to continue to invest in new facilities and services for the benefit of patients.

In 2012, the Charity will continue to promote its Cancer Centre and specialist services, to the consultant community and a broad range of potential patients.

The Charity will open its new and expanded state of the art Endoscopy facilities and a new Hybrid theatre. The Charity will also continue its ongoing redevelopment programme to update inpatient bedrooms and expand its clinical facilities, which will include additional bedrooms and a replacement of infrastructure on the main clinic site.

### **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 do not receive a salary for providing their services to the Charity. During the period, the Trustees were:

#### **Professor Robin Williamson (appointed Chairman 1 April 2012)**

Pancreatobiliary surgeon. President of the Royal Society of Medicine 2008-2010. Former Professor and Director of Surgery at the Royal Postgraduate Medicine School and the Hammersmith Hospital, London. Retired from NHS practice in March 2009. Has ongoing role as Deanery Tutor in Surgery and Foundation Training Programme Director.

#### **Mr Michael D Abrahams CBE DL (Chairman, resigned 31 March 2012)**

Non-executive chairman of Ferrexpo PLC, Prudential Staff Pension Scheme and other charitable interests. Chairman of KCOM Group PLC until July 2009 and 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 Devonshire Estates including the Chatsworth Masterplan, Retail, Hotels and Holiday cottages. The Duchess sits on the boards and is patron of many other charitable organisations.

#### **Mr Manish Chande**

Senior Partner of Mountgrange Investment Management LLP, a fund management business specialising in the property sector. Co-established the Trillium Group and was Chief Executive prior to its acquisition by Land Securities, after which he joined its main board. Assisted in a number of important historic buildings restorations in central London. Commissioner of English Heritage, until August 2011. Trustee of The Canal and River Trust.

#### **Mr Rupert S Ponsonby**

Director of R&R Teamwork Ltd, Media Relations and Director of Mr Trotter Ltd.

Registered number 307579 / 31 December 2011

**Mr Hamish Leslie Melville**

Chairman of the Investment Banking Committee of RBS Global Banking & Markets Chairman of the Mercantile Investment Trust plc

Mr Abrahams was acting Chairman of the Audit Committee and Mr Leslie Melville and Mr Ponsonby are members of that Committee. Following the retirement of Mr Abrahams on 31 March 2012, Professor Robin Williamson has been appointed as the new interim Chairman of the Audit Committee. The Audit Committee meetings are also attended by the Charity's auditors and the relevant members of the Executive Board, the Group Financial Controller and the Head of Internal Audit.

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

The members of the Executive Board are as follows:

**Mr Paul Holdom, Chief Executive (Appointed 1 September 2011)**

**Mr Anthony Beecroft, Capital Planning Director**

**Mr Simon St Clair Carter, Director of Medical Services (Appointed 1 February 2012)**

**Ms Nuala Close, Matron/Director of Nursing (Appointed 27 April 2012)**

**Ms Debbie Colebourn, Marketing Director (Appointed 16 April 2012)**

**Ms Marina Griffin, Director of Operations (Appointed 14 May 2012)**

**Ms Gillian Irvine, Human Resources and Training Director**

**Mr Michael Roberts, Information Technology Director**

**Mr Sanjay Shah, Chief Financial Officer**

**Resignations**

**Mr Malcolm Miller, Chief Executive (Resigned 1 September 2011)**

**Mr Andrew Barker, Corporate Services Director (Resigned 8 May 2012)**

**Ms Karen Bullivant, Marketing Director (Resigned 29 February 2012)**

**Miss Amanda Hallums, Matron/Director of Clinical Services (Resigned 31 December 2011)**

**Mr Paul Wood, Strategy Director (Resigned 29 February 2012)**



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 Charity. The Charity also holds regular consultant user group meetings to discuss developments and other matters relevant to their speciality.

The members of the Medical Advisory Committee as at 31 December 2011 were as follows

**Mr M D Abrahams, CBE, DL (Non-Medical Chair)**

**Mr S St Clair Carter, FRCS (Medical Chair)**

**Mr F Afshar, MRCS, FRCS**

**Dr P Amoroso, FRCA**

**Mr D J Brazier, MBBS, DO, FRCS, FRCOphth**

**Dr P Ettlinger, DRCOG, MRCGP**

**Dr J Goldstone, FRCA**

**Professor J G Gribben MD, DSc, FRCP, FRCPath, FMedSci**

**Mr G Gui, MS, FRCS, FRS (Ed)**

**Professor S Halligan, MBBS, MD, FRCP, FRCR**

**Professor R S Kirby, MA, MD, FRCS(Urol), FEBU**

**Dr W J Marshall, MA, FRCP, FRCPath**

**Professor J P Monson, MD, FRCP, FRCPI**

**Mr J Nixon, MA (Oxon), ChM (Edin), FRCS**

**Professor J Northover, MS, FRCS**

**Dr C Nutting, BSc, MBBS, FRCP, FRCR, MD**

**Mr D A Ross, MBBS, MD, FRCS (Plast)**

**Professor J H Shepherd, FRCS**

**Professor J Stebbing, FRCP, FRCPath, MD**

**Dr J Teare, MD, FRCP**

**Professor A Wright, LLM, DM, FRCS**

The chairs of the medical specialist groups as at 31 December 2011 were as follows

**Mr F Afshar, MRCS, FRCS**

**Dr P Amoroso, FRCA**

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

**Mr D J Brazier MBBS, DO, FRCS, FRCOphth**

**Dr P Ettlinger, DRCOG, MRCGP**

**Dr J Goldstone, FRCA**

**Professor J G Gribben MD, DSc, FRCP, FRCPath, FMedSci**

**Professor R S Kirby, MA, MD, FRCS(Urol), FEBU**

**Mrs D V Nield, FRCS (Ed)**

**Mr J Nixon, MA (Oxon), ChM (Edin), FRCS**

**Mr D Ross, MBBS, MD, FRCS (Plast)**

**Mr M Setchell, CVO, FRCS, FRCOG**

**Mr R G Springall, Chm, FRCS**

**Dr J Teare, MD, FRCP**

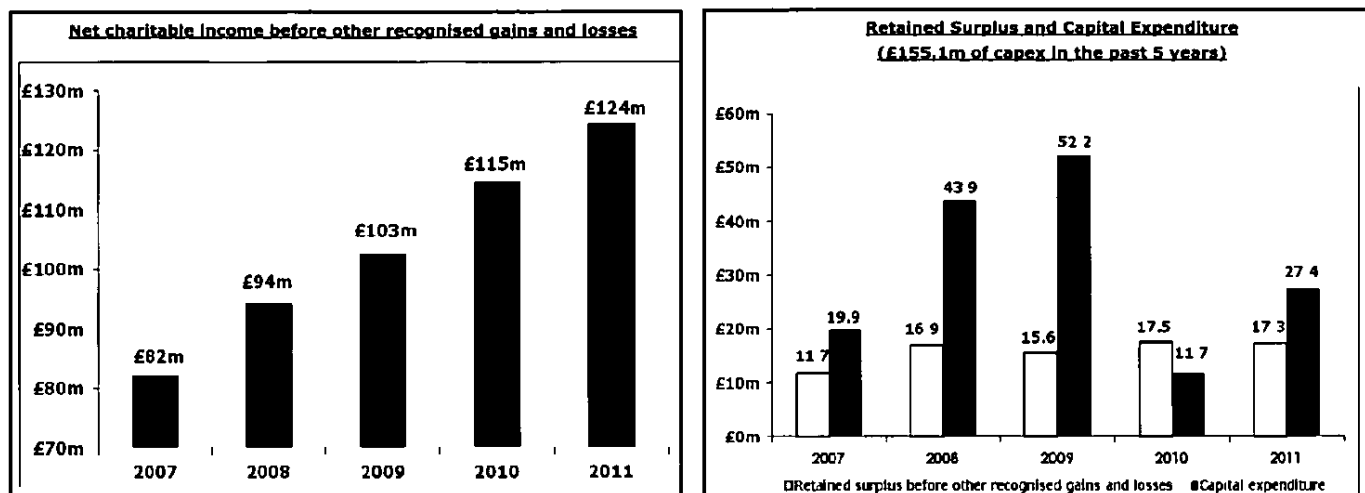
**Mr J Vale, MS FRCS (Urol)**

**Professor A Wright, LLM, DM, FRCS**

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 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 £79.0m and during this period £155.1m has been spent in capital expenditure for the furtherance of the Clinic's charitable objectives.

### Capital Expenditure

In 2011 the Charity completed the development of its new Eye Centre at 119 Harley Street. This facility provides nine new consulting rooms and four treatment and procedure rooms.

The Charity continued with a programme of improvement and refurbishment of patient rooms and commenced work on a Hybrid Theatre and the expansion of its Endoscopy facilities.

### Incoming Resources

The Clinic's incoming resources before investment income and donations for the year are £124.3m (2010 £114.7m), a strong 8% increase on previous year despite challenging economic times and weakness generally in the sector. Incoming resources from activities are stated net of charitable and related discounts.

During the year, 7,360 patients (2010 7,184) were admitted as inpatients and a further 14,424 patients (2010 13,467) were treated as daycases. Total inpatient days at 37,137 were in line with last year. Daycase admissions were 7% ahead of the previous year. The Clinic also provided 104,107 (2010 92,807) outpatient treatments. 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.

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 for a charity.

### Net Incoming Resources

Net incoming resources before other recognised gains and losses were £17.3m (2010 £17.5m). Net income as a percentage of total incoming resources was 14% (2010 15%). The Clinic has continued to be successful in generating strong revenues and in robustly managing its expenditure whilst investing in front line services for the future. It is anticipated that financial performance will remain under pressure throughout 2012, given the continued overall economic weakness and uncertain times within the NHS. The Clinic's operating costs of £107.1m (2010 £97.3m) have risen by 10%, due to the expansion of services throughout the Clinic and in building for the future.

A better underlying measure of financial performance is Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which has increased 12% from £32.1m to £35.8m. This is stated before significant one off items and FRS 17 'Retirement Benefits' adjustments.

### **Fixed Assets**

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £202.3m (2010 £187.4m). The Clinic invested £27.4m in the current year and £155.1m over the last 5 years in total.

### **Investments**

The Clinic currently holds investments with a market value of £1.1m (2010 £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 and Liquidity**

The Clinic has generated net cash inflows from operating activities of £23.1m (2010 £24.5m). This has been achieved through continued good trading performance which has allowed capital investment to be undertaken during the year. Net current assets fell to £24.1m (2010 £24.7m). The Clinic produces working capital forecasts, covering a period of at least 18 months, identifying the liquidity requirements on a regular basis. 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 lending facilities and support from its bankers to maintain its existing operations. The Clinic's reserves are derived from the provision of medical services, which have been largely unaffected by changes in the general economy to date. As a consequence, the Trustees believe that the Charity is well placed to manage its business risks. The Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Taxation**

As a registered Charity, the Clinic is potentially exempt from taxation to the extent that its income and gains are applied for 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 19 to 21.

### **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 Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Clinic and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- The Clinic 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 Clinic 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 Clinic also has an internal audit function, which reviews financial and operational performance and controls across all departments within the Clinic. The Audit Committee reviews the internal audit reports, which are also circulated to the Clinic's external auditors.

The Trustees confirm that the major risks to which the Charity is exposed have been reviewed and systems have been established to mitigate those risks. The Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future.

### **Principal Risks and Uncertainties**

The most significant risks facing the Clinic arise from the ongoing expansion and redevelopment programme and the possible impact of the further concentration of the private medical insurance (PMI) market, which could impact future reimbursement levels and legislation relating to charities.

The Clinic operates a final salary pension scheme 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 actuary.

### **Financial Risks**

The Clinic has in place a financial derivative to protect against the risk of a material increase in interest rates. Details of the financial derivative are set out in note 23.

### **Clinical Governance and Quality of Care**

The Trustees place an overriding 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 are also obtained through a number of other forums and committees including regular meetings of each speciality and clinical multi-disciplinary groups. Following information submitted to the Quality Care Commission in 2008, the Commission did not inspect the Clinic in 2011.

The Clinic has ongoing NVQ programmes in place for nursing and non-clinical staff. The Clinic is a nationally accredited centre for the disability network "RADAR" to provide outreach training. The Clinic is also accredited by The British Resuscitation Council to provide Advanced Life Support training. Subsidised places are offered to NHS doctors and staff at our nationally recognised training centre. This also includes basic life support training places.

The Clinic believes that training and development for all staff is fundamental to its growth and success. Clinical and management training is provided in-house and staff are supported financially to attend courses and achieve qualifications. The Clinic has introduced a customer care programme for all staff based on our brand standards.

### **Reserves and Reserves Policy**

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

The reserves policy of the Clinic is reviewed annually in the light of operating and capital expenditure budgets and longer-term financial projections presented to the Board of Trustees by the Executive Board. As part of the Clinic's long-term redevelopment and expansion programme the Trustees consider the level and appropriate forms of any funding that are likely to be required. The Clinic maintains sufficient reserves to continue to trade in furtherance of its charitable objectives.

During the year, the defined benefit pension scheme resulted in an unrealised actuarial loss of £0.8m (2010 gain £2.3m). The deficit in the scheme under FRS17 assumptions decreased from £22.0m to £20.4m principally due to an increase in the value of the scheme assets. The Trustees have implemented a programme to reduce the deficit over a period of time. The scheme was closed to new employees on 1 January 2002.

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 a 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 have set out details of a related party transaction in note 21 to the accounts. There were no relationships with related parties which might inhibit the Clinic from pursuing independently its own charitable objectives.

**Auditor**

Each of the Trustees 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 Clinic'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 Clinic's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution for the re-appointment of Deloitte LLP as the Clinic's auditor was passed at the Annual General Meeting on 27 June 2012.

These financial statements were approved by The Board of Trustees on 27 June 2012 and were signed on its behalf by



**Professor Robin Williamson**  
Chairman of The Board of Trustees

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

The Trustees (who are also directors of Trustees of the London Clinic Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable/group company for that period.

In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

• **Independent auditor's report to the members of the London Clinic Limited**

We have audited the financial statements of Trustees of the London Clinic Limited for the year ended 31 December 2011, which comprise the Consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account), the Group and Company Balance Sheets, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the charity's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the Trustees those matters we are required to state to them in an auditor's 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, the charitable company's members as a body and the charitable company's Trustees as a body for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2011, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

- the parent charitable company has not kept adequate and sufficient accounting records, or
- the parent charitable company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Heather Bygrave (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
St Albans, UK  
29 June 2012

**Consolidated statement of financial activities (incorporating an Income and Expenditure account and a Statement of Total Recognised Gains and Losses)**

For the year ended 31 December 2011

	Note	Unrestricted Funds £000	Restricted Funds £000	<b>2011 Total £000</b>	2010 Total £000
<b>INCOMING RESOURCES FROM GENERATED FUNDS</b>					
<b>Voluntary income</b>					
Donations and gifts		30	-	<b>30</b>	-
<b>Investment income</b>	5	-	60	<b>60</b>	56
<b>Charitable activities</b>					
Provision of hospital activities		124,338	-	<b>124,338</b>	114,702
<b>Total incoming resources</b>		<u>124,368</u>	<u>60</u>	<b><u>124,428</u></b>	<u>114,758</u>
<b>RESOURCES EXPENDED</b>					
<b>Charitable activities</b>					
Provision of hospital activities		106,865	88	<b>106,953</b>	97,152
<b>Governance costs</b>	3	144	-	<b>144</b>	134
<b>Total resources expended</b>	3	<u>107,009</u>	<u>88</u>	<b><u>107,097</u></b>	<u>97,286</u>
<b>Net income/ (loss) for the year</b>		17,359	(28)	<b>17,331</b>	17,472
<b>OTHER RECOGNISED GAINS/(LOSSES)</b>					
(Loss)/gain on investment assets	7	-	(49)	<b>(49)</b>	77
Actuarial (loss)/ gain on defined benefit pension scheme	19	(835)	-	<b>(835)</b>	2,282
<b>Net movement in funds</b>		<u>16,524</u>	<u>(77)</u>	<b><u>16,447</u></b>	<u>19,831</u>
Total funds at 1 January 2011		139,699	1,432	<b>141,131</b>	121,300
<b>Total funds at 31 December 2011</b>		<u><b>156,223</b></u>	<u><b>1,355</b></u>	<u><b>157,578</b></u>	<u><b>141,131</b></u>

The notes on pages 19 to 30 form part of these financial statements

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



## Consolidated balance sheet

At 31 December 2011

	Note	2011		2010	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	6		1,791		-
Tangible assets	9		202,284		187,389
Investments	7		1,079		1,128
Investment in associate	8		2		2
			<u>205,156</u>		<u>188,519</u>
<b>Current assets</b>					
Stocks	10	2,082		1,676	
Debtors					
-amounts falling due within one year	11	17,305		12,586	
Short term investments	12	10,000		17,500	
Cash and cash equivalents	12	12,200		10,067	
		<u>41,587</u>		<u>41,829</u>	
<b>Creditors: amounts falling due within one year</b>	13	(17,500)		(17,126)	
<b>Net current assets</b>			<u>24,087</u>		<u>24,703</u>
<b>Total assets less current liabilities</b>			<u>229,243</u>		<u>213,222</u>
<b>Creditors: amounts falling due after one year</b>	13	(51,249)		(50,083)	
<b>Net assets excluding pension liability</b>			<u>177,994</u>		<u>163,139</u>
<b>Defined benefit pension scheme liability</b>	19	(20,416)		(22,008)	
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	16		<u>157,578</u>		<u>141,131</u>
<b>FUNDS</b>					
<b>RESTRICTED</b>					
Revenue reserve	16	1,242		1,270	
Revaluation reserve	16	113		162	
			<u>1,355</u>		<u>1,432</u>
<b>UNRESTRICTED</b>					
Revenue reserve	16	175,389		160,457	
Revaluation reserve	16	1,250		1,250	
<b>Unrestricted income funds before pension liability</b>		<u>176,639</u>		<u>161,707</u>	
Pension deficit	19	(20,416)		(22,008)	
			<u>156,223</u>		<u>139,699</u>
<b>Total funds</b>			<u>157,578</u>		<u>141,131</u>

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 27 June 2012 and were signed on its behalf by



**Professor Robin Williamson**  
Chairman of The Board of Trustees

**Charity balance sheet**

At 31 December 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Tangible assets	9	202,545	187,655
Investments	7	1,079	1,128
Investment in subsidiary	8	1,998	-
Investment in associate	8	2	2
		<u>205,624</u>	<u>188,785</u>
<b>Current assets</b>			
Stocks	10	2,082	1,676
Debtors			
- amounts falling due within one year	11	17,315	12,595
Short term investments	12	10,000	17,500
Cash and cash equivalents	12	<u>12,191</u>	<u>10,067</u>
		<u>41,588</u>	<u>41,838</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(17,487)</u>	<u>(17,126)</u>
<b>Net current assets</b>		<b>24,101</b>	<b>24,712</b>
<b>Total assets less current liabilities</b>		<u><b>229,725</b></u>	<u><b>213,497</b></u>
<b>Creditors: amounts falling due after one year</b>	13	<b>(51,249)</b>	<b>(50,083)</b>
<b>Net assets excluding pension liability</b>		<u><b>178,476</b></u>	<u><b>163,414</b></u>
<b>Defined benefit pension scheme liability</b>	19	<b>(20,416)</b>	<b>(22,008)</b>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	16	<u><b>158,060</b></u>	<u><b>141,406</b></u>
<b>FUNDS</b>			
<b>RESTRICTED</b>			
Restricted reserve	16	1,242	1,270
Revaluation reserve	16	<u>113</u>	<u>162</u>
		<b>1,355</b>	<b>1,432</b>
<b>UNRESTRICTED</b>			
Unrestricted reserve	16	175,871	160,732
Revaluation reserve	16	<u>1,250</u>	<u>1,250</u>
<b>Unrestricted income funds before pension liability</b>		<u><b>177,121</b></u>	<u><b>161,982</b></u>
Pension deficit	19	<u><b>(20,416)</b></u>	<u><b>(22,008)</b></u>
		<b>156,705</b>	<b>139,974</b>
<b>Total funds</b>		<u><b>158,060</b></u>	<u><b>141,406</b></u>

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 27 June 2012 and were signed on its behalf by



**Professor Robin Williamson**  
Chairman of The Board of Trustees

# **Consolidated cash flow statement**

For year ended 31 December 2011

	Note	2011 £000	2010 £000
<b>Net cash inflow from operating activities</b>	20	<b>23,071</b>	24,534
<b>Return on investment and servicing of finance</b>			
Interest received on investment income	5	<b>60</b>	56
<b>Capital expenditure and financial investments</b>			
Purchase of Charity's functional assets	9	<b>(29,329)</b>	(13,781)
Purchase of fixed asset investments		<b>(2,003)</b>	(3)
		<b>(31,332)</b>	(13,784)
<b>Net cash (outflow)/ inflow before financing</b>		<b>(8,201)</b>	10,806
<b>Management of liquid resources</b>			
Decrease/ (increase) in short term cash investments		<b>7,500</b>	(10,000)
<b>Financing</b>			
Net bank borrowings		<b>2,834</b>	7,244
<b>Increase in cash and cash equivalents</b>		<b>2,133</b>	8,050

## **Reconciliation of net cash flow to movements in net funds**

	2011 £000	2010 £000
Increase in cash and cash equivalents	<b>2,133</b>	8,050
(Decrease)/ Increase liquid resources	<b>(7,500)</b>	10,000
Cash inflow from financing	<b>(2,834)</b>	(7,244)
Net debt at 1 January	<b>(22,516)</b>	(33,322)
<b>Net debt at 31 December</b>	<b>(30,717)</b>	(22,516)

## Notes to the accounts

(Forming part of the financial statements)

### 1. Charity status

The charitable Company is limited by guarantee and does not have 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 2010 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 on a going concern basis and in accordance with the Statement of Recommended Practice (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

The company's business activities and future development plans are set out in the operating and financial review within the Trustees' report. The report describes the financial position of the company and explains the procedures for monitoring the company's cash flows, liquidity and use of borrowing facilities. The Trustees consider the going concern basis to be appropriate

#### Basis of consolidation

The group financial statements consolidate the accounts of the parent Company and its subsidiaries made up to 31 December 2011. 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 statement of financial activities from the date of acquisition to the date of disposal. In accordance with the Companies Act 2006, the Charity is exempt from the requirement to present separately its own statement of financial activities

#### (a) Incoming resources

Incoming resources from activities in furtherance of charitable objectives are included in the consolidated statement of financial activities. Incoming resources 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. 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 building 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	-	Shorter of 50 years or length of lease
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, 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 15.

**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.

**Cash flow and liquid resources**

Cash flow comprises increases and decreases in cash. Cash and cash equivalents include cash at bank and deposits repayable on demand less overdrafts from any qualifying financial institution repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. Other deposits not available within 24 hours without penalty are included as short term investments.

**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 the 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

**Notes (continued)**

**Accounting policies (continued)**

**Pension and other post retirement benefits (continued)**

projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond

The actuarial valuation is obtained at least tri-annually and is updated in the 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 accrual basis in accordance with the requirements of FRS17 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 comprise the accumulated surpluses and deficits of the Charity, which have not been restricted for any specific purpose, and include funds invested in the functional fixed assets of the Charity.

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

**Financial Derivatives**

The Charity enters into financial derivatives to manage its exposure to fluctuating interest rates and does not enter into speculative derivative contracts. The amount payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest payable or capitalised interest costs over the period of the contract.

**3. Net outgoing resources before other recognised gains/losses**

Resources expended in the year comprise

	Direct Charitable (Hospital) £000	Governance Costs £000	Support Costs £000	<b>2011 Total £000</b>	2010 Total £000
Staff costs (note 4)	42,705	63	6,599	<b>49,367</b>	44,058
Depreciation of fixed assets (note 9)	12,547	-	-	<b>12,547</b>	12,057
Amortisation of goodwill (note 6)	212	-	-	<b>212</b>	-
Operating leases - Plant and machinery	282	-	-	<b>282</b>	304
Operating leases - Other	3,087	-	-	<b>3,087</b>	3,075
Auditor's remuneration fees payable to the Charity's auditor for the audit of the Charity's annual accounts	-	59	-	<b>59</b>	56
Net pension cost (note 19)	1,230	-	-	<b>1,230</b>	1,617
Other operating expenses	33,144	23	7,146	<b>40,313</b>	36,119
	<b>93,207</b>	<b>145</b>	<b>13,745</b>	<b>107,097</b>	<b>97,286</b>

Auditor's remuneration for non-audit work for the period was £32k (2010 £8k)

**Notes (continued)**

**4. Staff and Trustees**

Staff costs comprise	2011 £000	2010 £000
Wages and salaries	34,502	30,883
Social security costs	4,133	3,532
Bank and agency	8,016	7,917
Other pension costs (note 19)	2,716	1,726
	<u>49,367</u>	<u>44,058</u>

Average number of employees during the period **981** 932

All staff in 2011 and 2010 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 (2010 £nil)

Private medical insurance provided to the Trustees -	2011 £	2010 £
Mr Michael D Abrahams CBE DL	8,375	6,304
Mr Rupert S Ponsonby	4,176	3,324
The Duchess of Devonshire DL	3,923	2,005
	<u>16,474</u>	<u>11,633</u>

The Charity reimbursed travelling and other expenses of 3 Trustees for £7,850 (2010 2 Trustees for £6,781)

A flat within the hospital, was made available for use to Mr Michael D Abrahams CBE DL, who resides in Yorkshire, to enable him to fulfil his duties as Chairman of the Board of Trustees

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

	2011 No.	2010 No.
£60,001 - £70,000	20	10
£70,001 - £80,000	4	4
£80,001 - £90,000	3	2
£90,001 - £100,000	4	1
£120,001 - £130,000	2	2
£130,001 - £140,000	-	1
£140,001 - £150,000	3	2
£170,001 - £180,000	1	1
£180,001 - £190,000	-	1
£200,001 - £210,000	1	1
£210,001 - £220,000	1	-
£320,001 - £330,000	-	1
£330,001 - £340,000	1	-
£990,001 - £1,000,000	1	1
<b>Total</b>	<u>41</u>	<u>27</u>

In the period, the provision of money purchase benefits were provided to 16 employees of the above (2010 12 employees) and the contribution paid was £196,271 (2010 £177,965) There are 11 employees who are part of the defined benefit scheme (2010 12 employees)

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

**5. Investment Income**

	2011 £000	2010 £000
Bank balances and short term investments	<u>60</u>	<u>56</u>

**Notes (continued)**

**6. Intangible fixed assets**

**Goodwill**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Group</b>		
<b>Cost</b>		
At 1 January	<b>3,738</b>	3,738
Additions	<b>2,003</b>	-
31 December	<b>5,741</b>	3,738
<b>Amortisation</b>		
1 January	<b>3,738</b>	3,738
Provided during the year	<b>212</b>	-
31 December	<b>3,950</b>	3,738

Goodwill arising during the year is being amortised over 6 years on a straight line basis

**7. Fixed asset investments**

**Group and Charity**

**2011**

**2010**

**Listed investments**

	<b>Cost</b>	<b>Value</b>	<b>Cost</b>	<b>Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January	<b>1,020</b>	<b>1,128</b>	1,017	1,048
Additions	-	-	3	3
Revaluation	-	<b>(49)</b>	-	77
<b>At 31 December</b>	<b>1,020</b>	<b>1,079</b>	1,020	1,128

**Staff Training & Education Fund**

The staff training and education fund was established for the training and education of staff from all disciplines. The fund is financed by the investment income generated by the managed M&G investment, Charifund and donations from patients. The value of the fund held in the M&G Charifund, was £731k (2010 £772k). The objectives of the fund are the furtherance of training and education.

**8. Subsidiary and Associate undertakings**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment in subsidiary	-	-	<b>1,998</b>	-
Investment in associate	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

None of the undertakings have a material effect on the group accounts. A list of subsidiary undertakings can be obtained from the Charity's principal address at 20 Devonshire Place, London, W1G 6BW. The subsidiaries as at December 2011 are owned in full and are all registered in the England and Wales.

**Notes (continued)**



## 9. Tangible fixed assets

Group	Land and Buildings		Fixtures & Equipment	Construction in progress	Total
	Freehold Property	Long Leasehold			
Cost or Valuation	£000	£000	£000	£000	£000
1 January 2011	7,233	183,580	46,758	13,904	251,475
Additions	7,812	4,257	6,381	8,992	27,442
Transfers	-	2,387	663	(3,050)	-
Disposals	-	-	(1,123)	-	(1,123)
<b>31 December 2011</b>	<b>15,045</b>	<b>190,224</b>	<b>52,679</b>	<b>19,846</b>	<b>277,794</b>
<b>Depreciation</b>					
1 January 2011	482	38,882	24,722	-	64,086
Provided during the year	127	6,335	6,085	-	12,547
Disposals	-	-	(1,123)	-	(1,123)
<b>31 December 2011</b>	<b>609</b>	<b>45,217</b>	<b>29,684</b>	<b>-</b>	<b>75,510</b>
<b>Net Book Value</b>					
<b>At 31 December 2011</b>	<b>14,436</b>	<b>145,007</b>	<b>22,995</b>	<b>19,846</b>	<b>202,284</b>
At 31 December 2010	6,751	144,698	22,036	13,904	187,389
Charity	Land and buildings		Fixtures & Equipment	Construction in progress	Total
	Freehold Property	Long Leasehold			
Cost or valuation	£000	£000	£000	£000	£000
1 January 2011	7,484	183,580	46,758	13,904	251,726
Additions	7,812	4,257	6,381	8,992	27,442
Transfers	-	2,387	663	(3,050)	-
Disposals	-	-	(1,123)	-	(1,123)
<b>31 December 2011</b>	<b>15,296</b>	<b>190,224</b>	<b>52,679</b>	<b>19,846</b>	<b>278,045</b>
<b>Depreciation</b>					
1 January 2011	467	38,882	24,722	-	64,071
Provided during the year	132	6,335	6,085	-	12,552
Disposals	-	-	(1,123)	-	(1,123)
<b>31 December 2011</b>	<b>599</b>	<b>45,217</b>	<b>29,684</b>	<b>-</b>	<b>75,500</b>
<b>Net Book Value</b>					
<b>At 31 December 2011</b>	<b>14,697</b>	<b>145,007</b>	<b>22,995</b>	<b>19,846</b>	<b>202,545</b>
At 31 December 2010	7,017	144,698	22,036	13,904	187,655

Transfers represent completed capital expenditure projects, which have been transferred from construction in progress to relevant fixed asset categories during the period. Included within additions is an adjustment for an estimate in relation to a building project.

Accumulated capitalised financing costs of £2.9m (2010: £2.9m) are included in tangible fixed assets. The difference between the Group's and the Charity's opening fixed asset balance is due to a historic difference in accounting policy over the capitalisation of finance costs. On 14 August 2008, a mortgage debenture between the Charity and its bankers was sealed, creating a charge on the above properties with a current loan of £52.9m (2010: £50.1m).

**Notes (continued)**

**10. Stocks**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Raw materials and consumables	<b>2,082</b>	1,676	<b>2,082</b>	1,676
Consignment stock not included in balance sheet	<b>3,251</b>	1,134	<b>3,251</b>	1,134

**11. Debtors**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Amounts falling due within one year</b>				
Trade debtors	<b>14,533</b>	10,189	<b>14,533</b>	10,189
Amounts owed by subsidiary undertakings	-	-	<b>10</b>	9
Other debtors	<b>475</b>	420	<b>475</b>	420
Prepayments and accrued income	<b>2,297</b>	1,977	<b>2,297</b>	1,977
	<b>17,305</b>	12,586	<b>17,315</b>	12,595

**12. Cash and short term investments**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Short term investments	<b>10,000</b>	17,500	<b>10,000</b>	17,500
Cash and cash equivalents	<b>12,200</b>	10,067	<b>12,191</b>	10,067
Total cash and short term investments	<b>22,200</b>	27,567	<b>22,191</b>	27,567

**13. (a) Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Trade creditors	<b>3,012</b>	3,442	<b>3,012</b>	3,442
Taxation and social security	<b>1,519</b>	1,335	<b>1,519</b>	1,335
Bank loan due in 1 year	<b>1,668</b>	-	<b>1,668</b>	-
Other creditors	<b>4,027</b>	3,160	<b>4,014</b>	3,160
Accruals*	<b>7,274</b>	9,189	<b>7,274</b>	9,189
	<b>17,500</b>	17,126	<b>17,487</b>	17,126

\* Includes the year end capital accrual of £2.9m (2010 £4.8m)

**(b) Creditors: amounts falling due after one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loan due 1 – 2 years	<b>51,249</b>	50,083	<b>51,249</b>	50,083

Floating interest rates on bank borrowing facilities of £72.9m and derivatives are based on LIBOR. The bank borrowings are secured by a fixed and floating charge on certain assets of the Charity.

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	17,359	(28)	17,331
Additions to tangible fixed assets	27,442	-	27,442
<b>Net movement in funds</b>	<b>44,801</b>	<b>(28)</b>	<b>44,773</b>

15 Reserve movements for year

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
<b>Group</b>					
1 January 2011	162	1,250	1,270	138,449	141,131
Net incoming resources	-	-	(28)	17,359	17,331
Other recognised loss	(49)	-	-	(835)	(884)
<b>31 December 2011</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>154,973</b>	<b>157,578</b>
<b>Charity</b>					
1 January 2011	162	1,250	1,270	138,724	141,406
Net incoming resources	-	-	(28)	17,566	17,538
Other recognised loss	(49)	-	-	(835)	(884)
<b>31 December 2011</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>155,455</b>	<b>158,060</b>

16. Analysis of net assets by fund

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
<b>Group</b>					
Fixed asset investments	113	-	965	-	1,078
Other fixed assets	-	1,250	-	151,579	152,829
Net current assets	-	-	277	23,810	24,087
<b>Total funds excluding pension liability</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>175,389</b>	<b>177,994</b>
Pension liability				(20,416)	(20,416)
<b>Total net assets</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>154,973</b>	<b>157,578</b>
<b>Charity</b>					
Fixed asset investments	113	-	965	-	1,078
Other fixed assets	-	1,250	-	151,699	152,949
Net current assets	-	-	277	24,172	24,449
<b>Total funds excluding pension liability</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>175,871</b>	<b>178,476</b>
Pension liability				(20,416)	(20,416)
<b>Total net assets</b>	<b>113</b>	<b>1,250</b>	<b>1,242</b>	<b>155,455</b>	<b>158,060</b>

**Notes (continued)**

**17. Capital commitments**

	2011 £000	2010 £000
<b>Group and Charity:</b>		
Committed and contracted	<b>11,811</b>	<b>5,333</b>

The Board of Trustees have approved a capital expenditure budget of £48.8 million budget for 2012 (2011 £39 million)

**18. Operating lease commitments**

	2011		2010	
<b>Group and Charity</b>	<b>Land &amp; Buildings</b>	<b>Other</b>	<b>Land &amp; Buildings</b>	<b>Other</b>
<b>Expiry date</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
- between one and five years	-	<b>38</b>	-	115
- after five years	<b>3,484</b>		3,198	-
	<b>3,484</b>	<b>38</b>	<b>3,198</b>	<b>115</b>

Leases for land and buildings are 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 a UK-based defined benefit scheme, providing benefits at retirement and on death-in-service. The funded defined benefit scheme was closed to new employees and replaced with a defined contribution scheme with effect from 1 January 2002.

Costs and liabilities of the funded defined benefit scheme are based on an actuarial valuation. A full independent actuarial valuation is undertaken every three years. Details of the latest independent valuation of the scheme are given below.

The assumptions that have the most significant effect on the results of the valuation are those relating to the overall expected rate of return on assets and the rate of increase in salaries and pensions. It was assumed that the long term return on plan assets is a weighted average of the expected long term return for equity securities, debt securities, and other assets.

Full valuation date	1 January 2011
Method of valuation	Projected unit method

**Assumptions of annual increase**

Investment returns before retirement	7.4%
Investment returns after retirement	4.2%
Gilt yield at the valuation date	4.2%
Pensionable salaries (in line with CPI after 2012)	2.0%
Salary inflation	2.7%

At the date of the valuation the actuarial value of the scheme assets was sufficient to cover 65% of the benefits that had accrued to the members after allowing for future increases in earnings.

The ongoing funding contributions to the scheme were 22.7% (2010: 22.7%) of pensionable salaries. For the six months to June 2011 the employee contributed 5%. From July 2011 the employee contribution rates were based on earnings and ranged between 5% and 7.5%.

**Notes (continued)**

**19. Pension schemes (continued)**

During the year the employer contributed an additional £3.65m in respect of past service benefits. Further contributions will be made each year to ensure that the scheme's deficit is eliminated over 12 years from the actuarial valuation on 1 January 2011. The employer expects to contribute £2.9m to the defined benefit plan in the year to 31 December 2012. At 31 December 2011 there were no outstanding contributions due to the defined contribution scheme.

Total pension charge for the year including the defined contribution scheme was £2,716k (2010: £1,726k).

The actuarial valuation has been updated by an independent qualified actuary to take account of the requirements under FRS 17 in order to assess the liabilities of the scheme at 31 December 2011. The projected unit method is used to value the liabilities of the defined benefit pension scheme. As the defined benefit scheme is closed to new employees the current service costs under the projected unit method will increase as the members of the scheme approach retirement.

In addition to the defined benefit scheme the employer operates a defined contribution scheme. The standard employer contributions are 5% to the defined contribution scheme with the employee contributing a minimum of 3%. Certain members of the defined contribution scheme receive higher employer contributions.

**Employee benefit obligation**

The amounts recognised in the balance sheet are as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Present value of funded obligations	<b>(71,012)</b>	(70,213)
Fair value of plan assets	<b>50,596</b>	48,205
Net liability	<b>(20,416)</b>	(22,008)
Amounts in the balance sheet		
Net liability	<b>(20,416)</b>	(22,008)

The amounts recognised in the Consolidated Statement of Financial Activities are as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Interest on obligation	<b>4,002</b>	3,942
Expected return on plan assets	<b>(2,772)</b>	(2,325)
Net cost / return	<b>1,230</b>	1,617
Current service cost	<b>1,293</b>	1,593
Total	<b>2,523</b>	3,210

Actual return during the year on plan assets	<b>(1,001)</b>	2,856
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Changes in present value of the defined benefit obligation are as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Opening defined benefit obligation	<b>70,213</b>	70,378
Service cost	<b>1,293</b>	1,593
Interest cost	<b>4,002</b>	3,942
Actuarial gain	<b>(2,938)</b>	(1,751)
Benefits paid	<b>(1,558)</b>	(3,949)
Total	<b>71,012</b>	70,213

**Notes (continued)**

## 19. Pension schemes (continued)

Changes in fair value of plan assets are as follows

	2011 £000	2010 £000
Opening fair value of plan assets	48,205	43,906
Expected return	2,772	2,325
Actuarial (loss)/gain	(3,773)	531
Contributions by employer	4,950	5,392
Benefits paid	(1,558)	(3,949)
Total	<u>50,596</u>	<u>48,205</u>
Net actuarial (loss)/ gain	<u>(835)</u>	<u>2,282</u>

The major categories of plan assets as a percentage of total plans assets are as follows

	2011 %	2010 %
Equities	35	37
Bonds	37	39
Other	28	24

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2011 %	2010 %
Discount rate at 31 December	5.0	5.7
Expected return on plan assets at 31 December	4.1	4.2
Future salary increases	1.9	3.4
Future pension increases	2.8	3.4

Amounts for the current and previous four periods are as follows

	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000
Defined benefit obligation	(58,901)	(61,181)	(70,378)	(70,213)	(71,012)
Plan assets	48,523	39,785	43,906	48,205	50,596
(Deficit)	(10,378)	(21,396)	(26,472)	(22,008)	(20,416)
Experience adjustment on plan liabilities	(413)	(663)	89	1,505	907
Experience adjustment on plan assets	498	(12,062)	3,802	531	(3,773)

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

Group	2011 £000	2010 £000
Net income for the year	17,331	17,472
Interest received	(60)	(56)
Depreciation of tangible fixed assets	12,546	12,057
Amortisation of goodwill	212	-
Net retirement benefit charge less contributions	(2,427)	(2,203)
Increase in stock	(406)	(396)
(Increase)/ decrease in debtors	(4,719)	2,558
Increase/ (decrease) in creditors	594	(4,898)
Net cash inflow from operating activities	<u>23,071</u>	<u>24,534</u>

**Notes (continued)**

**21. Related Party Transactions**

The Charity entered into a strategic alliance in November 2010 with the UCL Cancer Institute Research Trust to aid research involving London Clinic patients voluntarily donating tissue and blood to aid the global research into cancer. The Charity intends to contribute £717k over a 5 year period. On 8 December 2010 Karen Bullivant, who was the Marketing Director at the time, was appointed as a non-executive director, without remuneration, of UCL Cancer Institute Research Trust to support the fund raising programme. In 2011 grants to the value of £92k were made.

**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.

**23. Financial Derivative**

The Clinic has entered into a contract in relation to a financial derivative to hedge its interest rate exposure of between 4.45% and 5.75% on its loan facility based on LIBOR. The term loan £55m, of which £50m matures in 2013, had an associated notional value of the derivative of £50m at the year end. The fair value of the derivative at 31 December 2011 is a liability of £3.1m (2010 £4.1m). The interest payable on the loan and the financial derivative was £2.7m (2010 £2.6m).