

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 2012



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Trustees' report

Advisers and principal addresses

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One Wood Street
London EC2V 7WS

Linklaters LLP
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Chairman's Statement

I succeeded Mr Michael Abrahams CBE DL as Chairman of the Trustees of the London Clinic on 1 April 2012. As Chairman for 16 years, Mr Abrahams presided over an enormous number of improvements at the Clinic, not least the building of the new Cancer Centre, which is shortly to be named The Duchess of Devonshire Wing.

I take this opportunity to acknowledge his long and distinguished service to the Clinic and to thank him personally for the support and encouragement he has given me since I joined the Board of Trustees in 2010.

This year has also seen a number of changes to the Executive Team under Mr Paul Holdom, our Chief Executive. I welcome the new members of the Team to the Charity. We are already seeing the benefits of their expertise, and the Trustees look forward to working with them in the future.

The Clinic remains dedicated to its primary aim of achieving excellence in every area of its work, most especially in patient care. The hospital continues to stand at the forefront of healthcare as we promote measurable innovation designed to improve the quality of the service offered to our patients.

During the latter part of 2012, the Trustees embarked upon a review of the charitable activities of the London Clinic, mindful of our wish to do more in this field. In the forthcoming year, I am confident that we will build on our success as an independent hospital, while enhancing our charitable activities and making an effective contribution to the advancement of healthcare.

Professor Robin Williamson

Trustees' Report

The Trustees present their report and audited financial statements for the group for the year to 31 December 2012. 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 dedicated to providing the best, personalised healthcare with a breadth of surgical and medical expertise. 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 healthcare facilities and to be continuously updated and improved. 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 aspires to provide the highest quality of care 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 2012, the Charity provided services to over 132,980 patients. 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 255 beds, of which 59 were used for day care treatment. There are thirteen operating theatres, including a new Hybrid theatre, 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 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 at no cost to uninsured patients who are able to benefit from the medical facilities and expertise available at the Charity.

The Clinic provided the following discounts and grants as shown below

	2012 £	2011 £
Humanitarian and compassionate discounts	373,604	222,810
UCL Cancer Institute Research Trust	-	92,000
Discounts to New Victoria Foundation	15,109	34,631
Royal Society of Medicine	5,000	-
Prostate Action	-	1,000
Others	1,250	3,339
Total	394,963	353,780

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.

Within the Cancer Centre, facilities are provided for a dedicated Macmillan Centre, named The Richard Hambro Macmillan Cancer Information Centre. This is a purpose built environment at street level and is funded by the Charity. The Charity encourages anyone concerned about cancer, whether or not they are a patient at the Clinic to make use of the facilities. 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.

2012 saw the completion of the Charity's newly built hybrid operating theatre, which opened in July. It combines a full surgical operating theatre with X-ray and ultrasound imaging equipment, which allows complex vascular surgery to be performed. A complete range of vascular and endovascular procedures, including those for the most complex conditions, are now being undertaken by experts in the field using these state of the art facilities.

The Charity has developed some of the most advanced endoscopy facilities in the independent sector which provide the best possible treatment to our 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 other 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 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 around 200 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.

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 World's first Biopoly partial knee resurfacing procedure was conducted through the Advanced Therapies Centre in January 2012. Biopoly knee surgery enables the patient to immediately weight bear, uses a new type of material combining hyaluronic acid and ultra-high molecular weight polyethylene.

The Advanced Therapies Centre is also undertaking a Phase II clinical trial to investigate the potential of Cyberknife induced tumour damage, in combination with an immune system stimulant from skin injections in treating advanced metastatic colorectal cancer.

During the year the Advanced Therapies Centre continued to provide NHS patients with access to an immunotherapy treatment for cancer patients.

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. The Liver Centre is also involved in the coordination of several groundbreaking clinical research programmes under the governance of the clinical trial centre at The London Clinic. Our current programmes include investigations into immunological factors involved in clearing viral hepatitis and liver regeneration related to surgical liver resections for benign and malignant (cancer) liver tumours.

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 is now the UK's first independent hospital to achieve full accreditation by the Joint Accreditation Committee of the International Society for Cellular Therapy.

The Charity is proud to be the only independent hospital to provide bone marrow and stem collection and harvesting for the Anthony Nolan Trust, (ANF). Highly skilled medical staff are able to use the Charity's state of the art facilities to support the Charity in providing a calm and relaxing environment for the life-saving donors that have agreed to give their bone marrow for patients in need of transplants. In 2012, the Charity collected 374 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.

In 2012 the Charity planned to sponsor and provide clinical testing for the Xtreme Everest 2 exhibition. The team of clinical experts and specialist doctors will take 200 people up to Everest base camp in March 2013. The aim of the expedition is to study the human ability to adapt to low levels of oxygen at high altitude, in order to develop treatments that will benefit critically ill patients in intensive care.

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 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 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 United Kingdom British Resuscitation Council to provide advanced adult and paediatric 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
- Catheterisation
- Tissue Viability
- Blood Glucose Monitoring and Diabetes
- ECG Introduction / Advanced
- Venepuncture, Cannulation & Central Line
- Nutrition
- Infusions & Transfusions
- Blood transfusion competencies
- Infection Control

The Charity provided 92 training placements to undergraduate student nurses as part of The London Clinic's strong links with City University's School of Nursing.

Queen's Award for Enterprise 2011

The Charity is proud to be a Queen's Award for Enterprise winner in the International Trade category. The Charity received this accolade in 2011 as a result of successfully increasing overseas income. 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 our commitment to investing in the needs of international patients, offering bespoke and specialist services to visiting nationals from well over 30 countries.

2013 Objectives

During 2013 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 improve its financial performance to ensure that it is able to continue to invest in new facilities and services for the benefit of patients.

In 2013, 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 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, including new critical beds which meet new stringent regulations.

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. 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.

Mr Hamish Leslie Melville

Chairman of The Mercantile Investment Trust. Has served as Chairman or Director of a number of UK public companies. A former Chairman of The National Trust for Scotland.

Professor Robin Williamson is acting Chairman of the Audit Committee and Mr Leslie Melville and Mr Ponsonby are members of that 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 at 31 December 2012 were

Mr Paul Holdom, Chief Executive

Mr Anthony Beecroft, Capital Planning Director

Mr Simon St Clair Carter, Medical Director

Ms Nuala Close, Matron/Director of Nursing

Ms Debbie Colebourn, Marketing Director

Ms Marina Griffin, Director of Operations

Ms Gillian Irvine, Human Resources and Training Director

Mr Sanjay Shah, Chief Financial Officer

The company secretary at 31 December 2012 was Fiona Morrison.

The Medical Advisory Committee, which comprises a representative group of senior clinicians, 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 chairs of the medical specialist groups as at 31 December 2012 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 Richard Kaczmarek MB, MD, FRCP, FRCPath
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

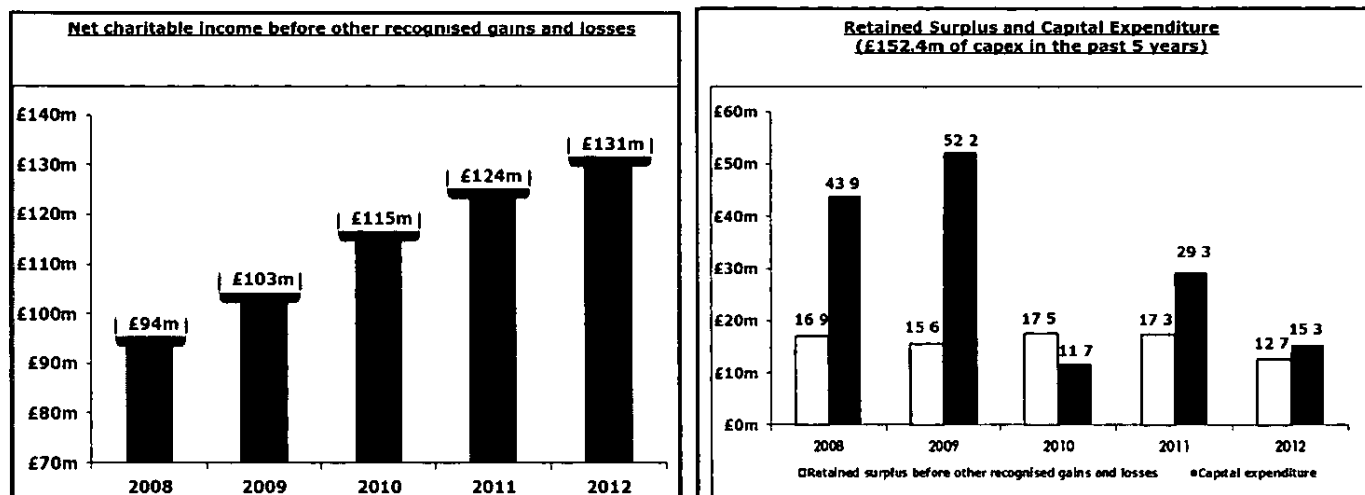
The members of the Medical Advisory Committee as at 31 December 2012 were as follows

Dr J Goldstone, FRCA (Medical Chair)
Mr S St Clair Carter, FRCS
Mr F Afshar, MRCS, FRCS
Dr P Amoroso, FRCA
Mr D J Brazier, MBBS, DO, FRCS, FRCOphth
Dr P Ettlinger, DRCOG, MRCGP
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
Professor 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 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 £80.0m and during this period £152.4m has been spent in capital expenditure for the furtherance of the Clinic's charitable objectives.

Capital Expenditure

In 2012 the Charity completed the development of its Hybrid Theatre. This facility enables consultants to carry out multiple imaging on patients in an ultra-clean and sterile theatre environment. The theatre is used to treat vascular conditions such as aneurysms in the aorta and blockages in the major arteries.

The Charity continued with a programme of improvement and refurbishment of patient rooms.

Incoming Resources

The Clinic's incoming resources before investment income and donations for the year are £131.1m (2011 £124.3m), a 5% increase on the 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, 7,281 patients (2011 7,360) were admitted as inpatients and a further 14,219 patients (2011 14,424) were treated as daycases. Total inpatient days were 37,054 (2011 37,137). The Clinic also provided 104,235 (2011 104,107) 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 with other independent providers from the 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 £12.7m (2011 £17.3m). Net income as a percentage of total incoming resources was 10% (2011 14%). The Clinic has continued to increase revenues and invest in front line services for the future. It is anticipated that financial performance will remain under pressure throughout 2013, given the continued overall economic weakness. The Clinic's operating costs of £118.5m (2011 £107.1m) have risen by 11%, due to the expansion of services throughout the Clinic and investment for the future.

The Charity's EBITDA before exceptional and one off costs was £31.6m (2011 £34.6m), a decline of 8% as a result of increased investment in the business and increased competitive pricing pressure. The Charity achieved a net operating surplus after a number of exceptional items of £12.7m (2011 £17.3m). The Charity will continue to seek improvements to the quality of its services while striving for greater financial efficiency.

Fixed Assets

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £202.4m (2011 £202.3m). The Clinic invested £15.3m in the current year and £152.4m over the last 5 years in total.

Investments

The Clinic currently holds investments with a market value of £0.8m (2011 £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 strong net cash inflows from operating activities of £25.1m (2011 £23.1m). This has been achieved through continued good trading performance and careful cash management, which has allowed capital investment to be undertaken during the year.

Net current assets of £24.1m in the prior year fell to net current liabilities of £14.3m in the current year as its banking facilities became due for repayment in 2013. 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 on going and future requirements.

At 31 December 2012, the Clinic held cash of £30.8m and had unutilised banking facilities of £20m. Net debt has improved from £30.7m to £20.4m, showing the Charity's strong financial position.

The Clinic has lending facilities and support from its bankers to maintain its existing operations. In January 2013 the Clinic refinanced its lending facilities for a 5 year term, with a £65m revolving facility maturing in 2018.

The Clinic's reserves are derived from the provision of medical services, which have been generally stable over the years. 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 20 to 22.

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. Further details are given in Note 2.

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 had 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 22 and 23. As part of the successful refinancing of the Clinic's banking facility the derivative has been terminated.

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 (CQC), 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. The Clinic had two routine planned inspections during 2012 by the CQC and a full unannounced inspection was also carried out during 2013, all of which had a very positive outcome.

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.

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. 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 £8.8m (2011: loss £0.8m). The deficit in the scheme under FRS17 assumptions increased from £20.4m to £28.8m principally due to an increase in the value of the scheme liabilities. 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 confirm there are 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 26 June 2013.

These financial statements were approved by The Board of Trustees on 26 June 2013 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 Trustees of the London Clinic Limited

We have audited the financial statements of Trustees of the London Clinic Limited for the year ended 31 December 2012, which comprise the Consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account and a Statement of Total Recognised Gains and Losses), the Consolidated and Charity Balance Sheets, the Consolidated 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 charitable company's members, 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 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 company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and 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 group's and the parent 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 of the parent charitable company's affairs as at 31 December 2012, 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,

- adequate accounting records have not been kept by the parent charitable company, 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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, UK

25.5.2013

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 2012

	Note	Unrestricted Funds £000	Restricted Funds £000	2012 Total £000	2011 Total £000
INCOMING RESOURCES FROM GENERATED FUNDS					
Voluntary income					
Donations and gifts		2	51	53	30
Investment income	5	-	56	56	60
Charitable activities					
Provision of hospital activities		131,064	-	131,064	124,338
Total incoming resources		<u>131,066</u>	<u>107</u>	<u>131,173</u>	<u>124,428</u>
RESOURCES EXPENDED					
Charitable activities					
Provision of hospital activities		118,217	130	118,347	106,953
Governance costs	3	154	-	154	144
Total resources expended	3	<u>118,371</u>	<u>130</u>	<u>118,501</u>	<u>107,097</u>
Net income/ (expenditure) for the year		<u>12,695</u>	<u>(23)</u>	<u>12,672</u>	<u>17,331</u>
OTHER RECOGNISED GAINS/(LOSSES)					
Gain/ (loss) on investment assets	7	-	91	91	(49)
Actuarial loss on defined benefit pension scheme	18	(8,812)	-	(8,812)	(835)
Net movement in funds		<u>3,883</u>	<u>68</u>	<u>3,951</u>	<u>16,447</u>
Total funds at 1 January		156,223	1,355	157,578	141,131
Total funds at 31 December		<u>160,106</u>	<u>1,423</u>	<u>161,529</u>	<u>157,578</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

The total incoming resources for the Charity were £131,173k (2011 £124,428k) and the net income was £12,673k (2011 £17,332k)

Consolidated balance sheet

At 31 December 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	6		1,457		1,791
Tangible assets	9		202,389		202,284
Investments	7		805		1,079
Investment in associate	8		2		2
			<u>204,653</u>		<u>205,156</u>
Current assets					
Stocks	10	2,664		2,082	
Debtors					
- amounts falling due within one year	11	19,015		17,305	
Short term investments	12	-		10,000	
Cash and cash equivalents	12	30,769		12,200	
		<u>52,448</u>		<u>41,587</u>	
Creditors: amounts falling due within one year	13	(66,730)		(17,500)	
Net current (liabilities)/assets			(14,282)		24,087
Total assets less current liabilities			<u>190,371</u>		<u>229,243</u>
Creditors: amounts falling due after one year	13		-		(51,249)
Net assets excluding pension liability			<u>190,371</u>		<u>177,994</u>
Defined benefit pension scheme liability	18		(28,842)		(20,416)
NET ASSETS INCLUDING PENSION LIABILITY	15		<u>161,529</u>		<u>157,578</u>
FUNDS					
RESTRICTED					
Revenue reserve	15	1,219		1,242	
Revaluation reserve	15	204		113	
			1,423		1,355
UNRESTRICTED					
Revenue reserve	15	187,698		175,389	
Revaluation reserve	15	1,250		1,250	
Unrestricted income funds before pension liability		<u>188,948</u>		<u>176,639</u>	
Pension deficit	18	(28,842)		(20,416)	
			<u>160,106</u>		<u>156,223</u>
Total funds			<u>161,529</u>		<u>157,578</u>

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 26 June 2013 and were signed on its behalf by



Professor Robin Williamson
Chairman of The Board of Trustees

Charity balance sheet

At 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	9	202,645	202,545
Investments	7	805	1,079
Investment in subsidiary	8	1,998	1,998
Investment in associate	8	2	2
		<u>205,450</u>	<u>205,624</u>
Current assets			
Stocks	10	2,664	2,082
Debtors			
- amounts falling due within one year	11	19,029	17,315
Short term investments	12	-	10,000
Cash and cash equivalents	12	30,769	12,191
		<u>52,462</u>	<u>41,588</u>
Creditors: amounts falling due within one year	13	<u>(66,730)</u>	<u>(17,487)</u>
Net current (liabilities) / assets		(14,268)	24,101
Total assets less current liabilities			<u>229,725</u>
Creditors: amounts falling due after one year	13	-	(51,249)
Net assets excluding pension liability		<u>191,182</u>	<u>178,476</u>
Defined benefit pension scheme liability	18	(28,842)	(20,416)
NET ASSETS INCLUDING PENSION LIABILITY	15	<u>162,340</u>	<u>158,060</u>
FUNDS			
RESTRICTED			
Restricted reserve	15	1,219	1,242
Revaluation reserve	15	204	113
		<u>1,423</u>	<u>1,355</u>
UNRESTRICTED			
Unrestricted reserve	15	188,509	175,871
Revaluation reserve	15	1,250	1,250
Unrestricted income funds before pension liability		<u>189,759</u>	<u>177,121</u>
Pension deficit	18	<u>(28,842)</u>	<u>(20,416)</u>
		160,917	156,705
Total funds		<u>162,340</u>	<u>158,060</u>

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 26 June 2013 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 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	19	25,092	23,071
Return on investment and servicing of finance			
Interest received on investment income	5	56	60
Capital expenditure and financial investments			
Purchase of Charity's functional assets	9	(15,277)	(29,329)
Purchase of fixed asset investments		-	(2,003)
Receipts from sale of fixed assets investments	7	365	-
		(14,912)	(31,332)
Net cash inflow/(outflow)before financing		10,236	(8,201)
Management of liquid resources			
Decrease in short term cash investments		10,000	7,500
Financing			
(Net repayment of loan)/ net increase in borrowings		(1,667)	2,834
Increase in cash and cash equivalents		18,569	2,133

Reconciliation of net cash flow to movements in net funds

		2012 £000	2011 £000
Increase in cash and cash equivalents		18,569	2,133
Decrease in liquid resources		(10,000)	(7,500)
Cash outflow/(inflow) from financing		1,667	(2,834)
Net debt at 1 January		(30,717)	(22,516)
Net debt at 31 December	20	(20,481)	(30,717)

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 2012. 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

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

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 all costs within the following departments: Finance, Human Resources, Information Technology, Property Management, Marketing, Operations, Security, Medical Director and Corporate Affairs

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. The value below which fixed assets are not capitalised is currently £1,000.

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 16.

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 projected unit

Notes (continued)

Accounting policies (continued)

Pension and other post retirement benefits (continued)

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 18 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	2012 Total £000	2011 Total £000
Staff costs (note 4)	47,462	65	6,296	53,823	49,367
Depreciation of fixed assets (note 9)	12,872	-	-	12,872	12,547
Amortisation of goodwill (note 6)	334	-	-	334	212
Operating leases - Plant and machinery	243	-	-	243	282
Operating leases - Other	3,373	-	-	3,373	3,087
Auditor's remuneration fees payable to the Charity's auditor for the audit of the Charity's annual accounts	-	56	-	56	59
Net pension cost (note 18)	1,448	-	-	1,448	1,230
Other operating expenses	38,816	33	7,503	46,352	40,313
	104,548	154	13,799	118,501	107,097

Auditor's remuneration for non-audit work for the period was £24k (2011 £32k)

Notes (continued)

4. Staff and Trustees

Staff costs comprise	2012 £000	2011 £000
Wages and salaries	37,146	34,502
Social security costs	4,469	4,133
Bank and agency	9,300	8,016
Other pension costs (note 18)	2,908	2,716
	53,823	49,367

Average number of employees during the period	1,045	981
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All staff in 2012 and 2011 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 (2011. £nil)

Private medical insurance provided to the Trustees -	2012 £	2011 £
Mr Michael D Abrahams CBE DL	9,386	8,375
Professor Robin Williamson	8,792	-
Mr Rupert S Ponsonby	4,679	4,176
The Duchess of Devonshire DL	4,396	3,923
	27,253	16,474

The Charity reimbursed travelling and other expenses of 2 Trustees for £5,618 (2011 3 Trustees for £7,850)

Accommodation has been provided, without charge, within the hospital to Mr Michael D Abrahams CBE DL, while Chairman of the Board of Trustees and, subsequently to Professor Robin Williamson following his appointment as Chairman in April 2012 and, to Paul Holdom, Chief Executive to enable them to fulfil their duties

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

	2012 No.	2011 No.
£60,001 - £70,000	30	20
£70,001 - £80,000	8	4
£80,001 - £90,000	3	3
£90,001 - £100,000	1	4
£100,001 - £110,000	3	-
£110,001 - £120,000	2	-
£120,001 - £130,000	-	2
£140,001 - £150,000	1	3
£150,001 - £160,000	2	-
£160,001 - £170,000	1	-
£170,001 - £180,000	1	1
£200,001 - £210,000	1	1
£210,001 - £220,000	-	1
£280,001 - £290,000	1	-
£310,001 - £320,000	1	-
£330,001 - £340,000	-	1
£380,001 - £390,000	1	-
£410,001 - £420,000	1	-
£990,001 - £1,000,000	-	1
Total	57	41

In the period, the provision of money purchase benefits were provided to 24 employees of the above (2011 16 employees) and the contribution paid was £319,195 (2011 £196,271) There are 13 employees who are part of the defined benefit scheme (2011 11 employees)

Further details of the Charity's pension schemes are given in note 18

Notes (continued)

5. Investment Income

	2012 £000	2011 £000
Interest on bank balances and short term investments	<u>56</u>	<u>60</u>

6. Intangible fixed assets

Goodwill

	2012 £000	2011 £000
Group Cost		
At 1 January	5,741	3,738
Additions	-	2,003
31 December	<u>5,741</u>	<u>5,741</u>
Amortisation		
1 January	3,950	3,738
Provided during the year	334	212
31 December	<u>4,284</u>	<u>3,950</u>
Net book value as at 31 December	<u>1,457</u>	<u>1,791</u>

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

7. Fixed asset investments

Group and Charity

	2012		2011	
Listed investments	Cost £000	Value £000	Cost £000	Value £000
At 1 January	1,020	1,079	1,020	1,128
Disinvestment	(455)	(365)	-	-
Revaluation	-	91	-	(49)
At 31 December	<u>565</u>	<u>805</u>	<u>1,020</u>	<u>1,079</u>

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, which is based in the UK, and donations from patients. The value of the fund held in the M&G Charifund, was £805k (2011 £731k). The objectives of the fund are the furtherance of training and education.

8. Subsidiary and Associate undertakings

	Group		Charity	
	2012 £000	2011 £000	2012 £000	2011 £000
Investment in subsidiary	<u>-</u>	<u>-</u>	<u>1,998</u>	<u>1,998</u>
Investment in associate	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

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 2012 are owned in full and are all registered in England and Wales.

Notes (continued)

9. Tangible fixed assets

Group Cost or Valuation	Land and Buildings Freehold Property	Long Leasehold	Fixtures & Equipment	Construction in progress	Total
	£000	£000	£000	£000	£000
1 January 2012	15,045	190,224	52,679	19,846	277,794
Additions	-	6,176	5,342	1,459	12,977
Transfers	-	3,172	2,456	(5,628)	-
Disposals	-	-	(495)	-	(495)
31 December 2012	15,045	199,572	59,982	15,677	290,276
Depreciation					
1 January 2012	609	45,217	29,684	-	75,510
Provided during the year	126	6,659	6,087	-	12,872
Disposals	-	-	(495)	-	(495)
31 December 2012	735	51,876	35,276	-	87,887
Net Book Value					
At 31 December 2012	14,310	147,696	24,706	15,677	202,389
At 31 December 2011	14,436	145,007	22,995	19,846	202,284
Charity Cost or valuation					
1 January 2012	15,296	190,224	52,679	19,846	278,045
Additions	-	6,176	5,342	1,459	12,977
Transfers	-	3,172	2,456	(5,628)	-
Disposals	-	-	(495)	-	(495)
31 December 2012	15,296	199,572	59,982	15,677	290,527
Depreciation					
1 January 2012	599	45,217	29,684	-	75,500
Provided during the year	131	6,659	6,087	-	12,877
Disposals	-	-	(495)	-	(495)
31 December 2012	730	51,876	35,276	-	87,882
Net Book Value					
At 31 December 2012	14,566	147,696	24,706	15,677	202,645
At 31 December 2011	14,697	145,007	22,995	19,846	202,545

Transfers represent completed capital expenditure projects, which have been transferred from construction in progress to relevant fixed asset categories during the period

Accumulated capitalised financing costs of £2.9m (2011 £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 £51.3m (2011 £52.9m).

Notes (continued)

10. Stocks

	Group		Charity	
	2012	2011	2012	2011
	£000	£000	£000	£000
Raw materials and consumables	<u>2,664</u>	2,082	<u>2,664</u>	2,082
Consignment stock not included in balance sheet	<u>1,693</u>	3,251	<u>1,693</u>	3,251

11. Debtors

	Group		Charity	
	2012	2011	2012	2011
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	15,957	14,533	15,957	14,533
Amounts owed by subsidiary undertakings	-	-	14	10
Other debtors	463	475	463	475
Prepayments and accrued income	<u>2,595</u>	2,297	<u>2,595</u>	2,297
	<u>19,015</u>	17,305	<u>19,029</u>	17,315

12. Cash and short term investments

	Group		Charity	
	2012	2011	2012	2011
	£000	£000	£000	£000
Short term investments	-	10,000	-	10,000
Cash and cash equivalents	<u>30,769</u>	12,200	<u>30,769</u>	12,191
Total cash and short term investments	<u>30,769</u>	22,200	<u>30,769</u>	22,191

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

	Group		Charity	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade creditors	4,090	3,012	4,090	3,012
Taxation and social security	1,537	1,519	1,537	1,519
Bank loan due in 1 year	51,250	1,668	51,250	1,668
Other creditors	2,423	4,027	2,423	4,014
Accruals*	<u>7,430</u>	7,274	<u>7,430</u>	7,274
	<u>66,730</u>	17,500	<u>66,730</u>	17,487

* Includes the year end capital accrual of £0.5m (2011 £2.9m)

(b) Creditors: amounts falling due after one year

	Group		Charity	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loan due 1 – 2 years	<u>-</u>	51,249	<u>-</u>	51,249

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 Reserve movements for year

	Revaluation reserve		Revenue reserve		Total £000
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	
Group					
1 January 2012	113	1,250	1,242	154,973	157,578
Net incoming resources	-	-	(23)	12,695	12,672
Other recognised loss	91	-	-	(8,812)	(8,721)
31 December 2012	204	1,250	1,219	158,856	161,529
Charity					
1 January 2012	113	1,250	1,242	155,455	158,060
Net incoming resources	-	-	(23)	13,024	13,001
Other recognised loss	91	-	-	(8,812)	(8,721)
31 December 2012	204	1,250	1,219	159,667	162,340

15. Analysis of net assets by fund

	Revaluation reserve		Revenue reserve		Total £000
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	
Group					
Fixed asset investments	204	-	601	-	805
Other fixed assets	-	1,250	-	202,598	203,848
Net current liabilities	-	-	618	(14,900)	(14,282)
Total funds excluding pension liability	204	1,250	1,219	187,698	190,371
Pension liability	-	-	-	(28,842)	(28,842)
Total net assets	204	1,250	1,219	158,856	161,529
Charity					
Fixed asset investments	204	-	601	-	805
Other fixed assets	-	1,250	-	203,395	204,645
Net current liabilities	-	-	618	(14,886)	(14,268)
Total funds excluding pension liability	204	1,250	1,219	188,509	191,182
Pension liability	-	-	-	(28,842)	(28,842)
Total net assets	204	1,250	1,219	159,667	162,340

16. Capital commitments

	2012 £000	2011 £000
Group and Charity:		
Committed and contracted	1,295	11,811

The Board of Trustees have approved a capital expenditure budget of £27.9 million budget for 2013 (2012 £48.8 million)

Notes (continued)

17. Operating lease commitments

Group and Charity	2012		2011	
	Land & Buildings	Other	Land & Buildings	Other
Expiry date	£000	£000	£000	£000
- less than one year	-	32	-	38
- between one and five years	7	-	-	-
- after five years	3,468	-	3,484	-
	3,475	32	3,484	38

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

18. 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% (2011: 22.7%) of pensionable salaries. Employee contribution rates were based on earnings and ranged between 5% and 7.5%.

During the year the employer contributed an additional £1.65m 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 2013. At 31 December 2012 there were no outstanding contributions due to the defined contribution scheme.

Total pension charge for the year including the defined contribution scheme was £2,908k (2011: £2,716k).

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 2012. 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.

Notes (continued)

18. Pension Schemes

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

	2012	2011
	£000	£000
Present value of funded obligations	(84,466)	(71,012)
Fair value of plan assets	55,624	50,596
Net liability	<u>(28,842)</u>	<u>(20,416)</u>

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

	2012	2011
	£000	£000
Interest on obligation	3,551	4,002
Expected return on plan assets	(2,103)	(2,772)
Net cost / return	1,448	1,230
Current service cost	1,062	1,293
Total	<u>2,510</u>	<u>2,523</u>
Actual return during the year on plan assets	<u>4,277</u>	<u>(1,001)</u>

Changes in present value of the defined benefit obligation are as follows

	2012	2011
	£000	£000
Opening defined benefit obligation	71,012	70,213
Service cost	1,062	1,293
Interest cost	3,551	4,002
Actuarial loss / (gain)	10,986	(2,938)
Benefits paid	(2,145)	(1,558)
Total	<u>84,466</u>	<u>71,012</u>

Changes in fair value of plan assets are as follows

	2012	2011
	£000	£000
Opening fair value of plan assets	50,596	48,205
Expected return	2,103	2,772
Actuarial gain/ (loss)	2,174	(3,773)
Contributions by employer	2,896	4,950
Benefits paid	(2,145)	(1,558)
Total	<u>55,624</u>	<u>50,596</u>
Net actuarial loss	<u>(8,812)</u>	<u>(835)</u>

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

	2012	2011
	%	%
Equities	40	35
Bonds	37	37
Other	23	28

Notes (continued)

18. Pension Schemes (continued)

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

	2012 %	2011 %
Discount rate at 31 December	4.4	5.0
Expected return on plan assets at 31 December	4.3	4.1
Future salary increases	2.3	1.9
Future pension increases	2.7	2.8

Amounts for the current and previous four periods are as follows

	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000
Defined benefit obligation	(61,181)	(70,378)	(70,213)	(71,012)	(84,466)
Plan assets	39,785	43,906	48,205	50,596	55,624
(Deficit)	(21,396)	(26,472)	(22,008)	(20,416)	(28,842)
Experience adjustment on plan liabilities	(663)	89	1,505	907	(1,268)
Experience adjustment on plan assets	(12,062)	3,802	531	(3,773)	2,174

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

Group	2012 £000	2011 £000
Net income for the year	12,672	17,331
Interest received	(56)	(60)
Depreciation of tangible fixed assets	12,872	12,546
Amortisation of goodwill	334	212
Net retirement benefit charge less contributions	(386)	(2,427)
Increase in stock	(582)	(406)
Increase in debtors	(1,650)	(4,719)
Increase in creditors	1,888	594
Net cash inflow from operating activities	25,092	23,071

20. Analysis of changes in net debt

	At 1 Jan 2012 £000	Cash Flows £000	Other Changes £000	At 31 Dec 2012 £000
Cash and equivalents	12,200	18,569	-	30,769
Short term investments	10,000	(10,000)	-	-
	22,200	8,569	-	30,769
Debt due within one year	(1,667)	1,667	(51,250)	(51,250)
Debt due after one year	(51,250)	-	51,250	-
Total	(30,717)	10,236	-	(20,481)

21. 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

Notes (continued)

22. 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 2012 is a liability of £1.3m (2011: £3.1m). The interest payable on the loan and the financial derivative was £2.6m (2011: £2.7m).

23. Post Balance Sheet Event

The original loan due to expire on 31 August 2013 moved from long term liabilities into short term liabilities and gave rise to a net current liabilities position as at 31 December 2012. The Clinic refinanced its banking facilities on 31 January 2013 for a five year term. As a result of the refinancing, on the termination of the existing loan, the financial derivative, that was an interest rate hedge, was also terminated.