

# **Trustees of the London Clinic Limited**

A company limited by guarantee and registered  
in England and Wales No. 00307579

A registered Charity No. 211136

## **Annual report and consolidated financial statements**

For the year ended 31 December 2016

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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  
United Kingdom

**Bank:** HSBC PLC  
City of London Branch  
60 Queen Victoria Street  
London EC4 N4TR

**Solicitors:** Eversheds LLP  
One Wood Street  
London EC2V 7WS

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London EC4R 9HA

Pinsent Masons LLP  
30 Crown Place  
Earl Street  
London EC2A 4ES

Withers LLP  
16 Old Bailey  
London EC4M 7EG

Lewis Silkin LLP  
5 Chancery Lane  
Clifford's Inn  
London EC4A 1BL

DAC Beachcroft LLP  
Portwall Place  
Portwall Lane  
Bristol BS1 9HS

## TRUSTEES' REPORT

The Trustees are pleased to present their annual report and audited financial statements for the group for the year to 31 December 2016.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities under the revised Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective January 2015).

The Trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their duties.

### Purpose and Mission

Trustees of The London Clinic ("the Charity") was established in 1932 and obtained charitable status in 1935. It is the largest independent hospital in London, located in the heart of the Harley Street medical community.

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 which are continuously updated and improved as well as undertaking other charitable initiatives. 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 Charity's beneficiaries - both its patients directly and the wider community, which indirectly benefits from the Charity's contributions to medical research and training.

This approach is clearly set out in the Charity's Mission Statement, Vision and Values which forms a key part of The London Clinic's internal communication, staff development programme and culture.

*Mission Statement* - As a charity, our hospital reinvests its income to provide the best outcomes for patients. We work in partnership to develop medical knowledge and expertise for the benefit of patients within our hospital and in the wider healthcare community.

*Vision* - Our vision is to be the most trusted hospital.

*Values* - Our values of caring, pioneering and inspiring reflect our beliefs and identify how we will achieve our vision to be the most trusted hospital.

- *We are Caring:* We are welcoming, we respect our patients and each other. Our integrity is as strong as our compassion.
- *We are Pioneering:* We are proud of our reputation for being the best and we are innovative in our pursuit of better ways of working. We own our future.
- *We are Inspiring:* We are driven to deliver high quality service through working together, transparency and clear decision making. We are leaders in what we do.

### Objectives & Activities

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 objectives of the Charity are: to provide medical care to patients; to promote and advance medical and scientific research work and good clinical practice; and to fund the provision of medical scholarships and training facilities.

The Charity reports in three key areas that fall under the provision of hospital activities:

#### Medical care

The Charity offers one of the most comprehensive range of services of any private hospital in the UK, with world-leading specialists who provide our patients with individualised treatment and care.

It has:

- 234 beds for inpatient and day-case procedures, and a 13 bed intensive care unit
- Ten operating theatres, including a Hybrid theatre and two minimally invasive and day surgery theatres
- a five-suite endoscopy unit, two interventional radiology suites and 25 minor treatment rooms
- 74 consulting rooms

## **TRUSTEES' REPORT** (continued)

The charity is unique in the independent sector in offering a wide range of surgical specialties within one institution. The main surgical specialties are upper and lower gastrointestinal surgery, hepatobiliary surgery, orthopaedics, urology, neurosurgery, gynaecology, ophthalmology and ENT. We have a robotic surgery programme as well as laparoscopic surgical facilities and expertise.

We pride ourselves on the ability to put together large surgical teams around the individual patient with complex clinical problems and the need for reconstructive surgery. Patients are supported by 24 hour RMO cover, clinical research fellows and clinical nurse specialists helping our consultants in a wide range of specialties.

We have a number of large and well established medical services including gastroenterology, endocrinology and diabetes, a liver unit, nephrology, neurology, cardiology, chest and general medicine. The medical specialties are supported by numerous other services including a dialysis unit, Fibro scan testing, endocrinology, cardiology and vascular laboratories and physiological testing.

The hospital also has a dedicated purpose-built oncology centre. The multi-disciplinary team approach to patient care helps the expert clinicians who practise at the Charity to offer the most individualised, tailored course of treatment possible. The Charity operates the Varian Trilogy System 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. It is also one of the few providers in the UK offering Varian's Gated Rapid Arc technology which, by monitoring patients' breathing and compensating for movement, enables targeting tumours with greater precision than ever before.

The Charity is one of the few facilities in the independent sector providing complex level 2 and level 3 intensive care facilities with Intensive Care Consultants and resident Intensive Care research fellows to assist our intensive care nursing team. Towards the end of the year these services were moved to a new world-class purpose built unit. We also have a 24 hour intensive care outreach team supporting at-risk patients across the hospital.

The quality of our nursing care is of great importance to the Charity and our dedicated nursing teams work closely with consultants to ensure patients receive the medical care they need delivered with compassion and kindness. Patients, and their friends and families, continue to give positive feedback on the Charity's facilities and quality of service and in 2016 97% of our patients said they would be extremely likely or likely to recommend the Charity (2015: 96%).

### **Research and Best Practice**

The excellent international reputation of the Charity continues to attract some of London'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.

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 the UK's only independent hospital to achieve full accreditation by the Joint Accreditation Committee of the International Society for Cellular Therapy (JACIE).

The Charity is proud to support the Anthony Nolan Trust, as it has for over 15 years, the British Bone Marrow Registry and, from 2016, the German Registry providing bone marrow and stem collection and harvesting. The Charity collected 483 peripheral donations and 53 bone marrow harvests in the period. The Charity also supports the full time employment of a Clinical Nurse Specialist for Apheresis who works within the Charity and outside to promote the aims of stem cell transplantation.

Charitable status has allowed the Charity to invest in new technologies and treatments and, by doing so, the Charity has developed expertise and techniques which have gone on to have general application elsewhere. The Charity is recognised as one of the leading institutes of Radiation-Oncology in Europe and provides a specialist clinical training programme to physicians, oncologists and radiation technologists from the NHS and other healthcare institutions and departments across the UK.

The Charity offers a wide variety of endoscopic and other diagnostic tests including endoscopic ultrasound scan, enteroscopy and capsular endoscopy and in 2016 opened a new multipurpose interventional suite to house our Endoscopic Retrograde Cholangiopancreatography (ERCP) service and our other complex therapeutic endoscopic procedures.

## TRUSTEES' REPORT (continued)

The Charity supports a dedicated clinical trials unit, the Advanced Therapies Centre (ATC) which provides phase IV clinical trials programmes. This provides patients with access to treatments through clinical trials with new medicines, medical devices and health technologies. In addition the Charity participates in special access programmes approved by the MHRA for early access to specialised clinical procedures, which are often not available elsewhere and drive forward research in these areas for public benefit generally.

The ATC has hosted or sponsored 12 research projects throughout 2016 (2015:21 research projects). The team provides research governance, support and quality assurance and facilitates collaboration with Universities, Charities and NHS hospitals.

The Charity operates its own pathology laboratory and provides an extensive on-site service covering allergy, biochemistry, endocrinology, genetics, haematology, blood transfusion, histology, cytology, immunology, microbiology and stem cell services. All the Charity's laboratory services are accredited by UKAS under the Revised Jul 2016 ISO15189:2012 standard.

The Charity has established a programme of education events for GPs and Allied Health Professionals which provides a forum for consultants to build new and maintain existing relationships with GPs. We have designed the programme to be focused on providing GPs with updates and information from some of our specialist consultants, to help them to diagnose, manage and treat their patients within primary care.

Since 2014 the Charity has been providing financial support to a collaborative study with the Helen Hamlyn Centre for Design at the Royal College of Art entitled, *Comfort in Care; Design to Improve Patients Experience in the Intensive Therapy Unit*. The study looks to assess the impact of the patient environment on reducing delirium and psychosis after critical illness. The findings of this project will be beneficial to all intensive care units, both in the NHS and private sector.

### **Training**

The Charity 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 external courses and achieve qualifications.

For each clinical specialty, the Charity employs nurses who have completed further post registration clinical specialist training. In addition, a number of senior nurses undertake nurse specialist roles. These include breast, gynaecology, liver, endocrine, diabetic, colorectal, pain, radiotherapy, cancer nursing and preoperative assessment. The Charity's high nurse-to-patient ratio provides its patients with the highest standard of nursing care.

The Charity has also funded specialist chemotherapy training for our nurses at The Royal Marsden NHS Foundation Trust as well as Dementia Friend training for our clinical and non-clinical staff in association with The Alzheimer's Society.

The Charity has a fully equipped clinical skills laboratory for staff to support an ongoing programme of accredited training in clinical skills, treatments and early preventative interventions. 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 post registration and student nurses. The Charity provides training placements to undergraduate student nurses as part of its partnership with City University's School of Nursing. Up to 70 student nurses complete placements in their first through to their final year of study. The Charity offers the students supernumerary training but also access to areas of nursing not available in their NHS placements but which are important in developing nurses for the future.

Our radiotherapy department also supports students from City University undergoing their therapy radiographer training. We take approximately 12 students who spend up to 6 weeks at a time at the Clinic.

The Charity has introduced a comprehensive leadership development programme for its managers, designed to raise knowledge and standards across the hospital.

The Charity is also the sponsor of a series of annual lectures at the Royal Society of Medicine with the objective of helping to increase visibility of key issues to the medical community and wider public.

## **TRUSTEES' REPORT** (continued)

### **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.

The Medical Advisory Committee, which comprises a representative group of senior clinicians, acts as a consultative and advisory body on medical and clinical matters reporting to the Chief Executive. The Trustees are invited to attend the meetings of that Committee along with relevant members of the Executive Board. The Committee also considers *Applications for Admitting Privileges for consultants and specialists to work at our hospital*. The Medical Advisory Committee has representatives from each specialty working within our hospital and is co-chaired on medical matters by a senior consultant.

The Quality Review Group, which includes members of the Executive Board, meets weekly to discuss all incidents, patient complaints and compliments. It is a subcommittee of the Executive Board and acts as the primary assurance system of good quality, reviewing reports and audits from across the Charity.

### **Risk management**

The Trustees are jointly responsible for the overall management of the administration of the Charity and for ensuring that there are appropriate systems of controls, clinical, financial and otherwise in place. 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. Decisions by the Trustees concerning the Charity are taken by the Trustees, acting collectively. Where the Trustees delegate duties, additional controls are in place in order to ensure an appropriate level of reporting and oversight by the Trustees, and that the delegated duties are being properly discharged.

The Trustees are also responsible for safeguarding the assets of the Charity and hence for ensuring that reasonable steps are taken to aid the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

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

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

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

The Audit and Risk Committee reviews the Trustees' annual report and the financial statements before their submission to the Board of Trustees and considers the corporate governance of the Charity. This includes consideration of the major risks to which the Charity 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 Charity also has an internal audit function, which reviews financial and operational performance and controls across all departments within the Charity. The Audit and Risk Committee reviews the internal audit reports, which are also circulated to the Charity's external auditors.

### **Principal risks and uncertainties**

Like all hospitals, the principal inherent risks faced by the Charity are clinical risks and consequently these are key areas of focus. These risks are managed by the clinical governance processes which include a range of policies, procedures, and controls. In addition clinical incident management is a key tool in managing and monitoring the controls in place that mitigate risk.

## TRUSTEES' REPORT (continued)

Other principal risks faced by the Charity include:

- Financial risks – the Charity faces a number of financial risks including being subject to fluctuations in the demand for its services whilst having significant fixed costs. This creates a risk that short term cash generation would decline impacting the ability to reinvest in services and the ongoing development of the hospital. This risk is mitigated by establishing a flexible long term borrowing facility (and an interest rate cap) and by adopting a prudent cash management policy within this. International business brings with it an increased risk of non-recovery of debtors. This risk is mitigated by the requirement that business conducted through overseas embassies is supported by a letter of guarantee.
- Concentration risk – the Charity provides healthcare to a significant number of patients funded by a few key payors (e.g. Bupa and AXA PPP) such that the Charity is exposed to a sudden change in flows of business from these significant relationships. However, the risk is mitigated as the Charity seeks to diversify its customer base by building relationships with smaller insurers and by building its self-pay business.
- Pension arrangements – the Charity has a defined benefit pension scheme whose liabilities are subject to a number of uncertainties that could increase (or decrease) the current deficit. The scheme closed to new entrants in 2002 and, to further manage the ongoing risk, was closed to future accrual in 2015. The Charity and the pension scheme trustees both receive external independent advice on investment strategy to assist in the management and understanding of pension risk. A recovery plan has been agreed with the pension scheme trustees and this will be reviewed in 2017 following the triennial valuation.
- Information Technology infrastructure – information technology is a key component in the delivery and administration of the Charity's activity and it was previously identified that the IT Infrastructure was not sufficiently resilient to ensure continued and effective operational delivery. A significant programme of work has been delivered over the last 2 years and IT resilience and security is now significantly enhanced following the establishment of offsite datacentres with failover capability and enhanced data security measures. Whilst significantly mitigated the Charity remains vigilant on matters of data security and closely monitors IT security and data related risks.
- Competition – the Charity operates in a very competitive London market and there is a risk that other existing hospitals, new entrants or new models of healthcare provision reduce the flow of patients to the Charity. To mitigate this the Charity has set out a clear strategy focused on delivering high quality healthcare by attracting leading consultants, specialists and staff. In addition it has supported the Competition and Markets Authority in its work to ensure the London market operates in a fair and transparent manner.

The decision, by the UK, to leave the European Union may have both positive and negative consequences for the Charity but it is not at this point considered a significant risk to its activities.

## Structure, Governance and Management

### Governing document

Trustees of the London Clinic Limited is a company limited by guarantee registered in England and Wales (No. 307579) and governed by its Memorandum and Articles of Association dated 29 June 2005. It is a registered Charity (No.211136) with the Charity Commission.

### 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 directors for the purposes of company law. Trustees are nominated and elected by the Board of Trustees. An appropriate induction and on-going training programme has been created to meet the individual needs of new Trustees.

The Trustees do not receive a salary for providing their services to the Charity but expenses can be reimbursed.

### During the period, the Trustees were:

- **Hamish Leslie Melville** (*former Trustee, appointed Chairman 1 April 2016*)  
Chairman of The Mercantile Investment Trust. Has served as Chairman or Director of a number of UK public and private companies. A former Chairman of The National Trust for Scotland.
- **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.



## TRUSTEES' REPORT (continued)

- **Lady Otton**  
Lady Otton trained as a nurse at the Middlesex Hospital and is a former magistrate. She has held several healthcare related positions including Chief Executive of Tommy's, as well as trustee roles at Marie Curie Cancer Care and the Institute of Cancer Research.
- **Manish Chande**  
Senior Partner of Clearbell Capital 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. As a Commissioner of English Heritage, he assisted in a number of important historic buildings restorations in central London. Trustee of The Canal and River Trust.
- **Christopher Balfour**  
Mr Balfour was a merchant banker with Hambros Bank Ltd between 1968 and 1995. He became Chairman of Christie's Europe and Executive Director of Christie's International in 1996. He has served as a member of the European Advisory Board of Christie's International since he retired as an Executive Director in 2002.
- **Clare Maurice**  
Senior Partner of Maurice Turnor Gardner LLP, a private client firm of top-tier lawyers based in London. Has advised on the establishment and running of a number of charitable foundations. Acted as Chairman of Barts Charity for eight years until March 2009. Appointed Chairman of the charity SafeLives in 2011 and is a trustee of the Childwick Trust.
- **Al Russell (appointed April 2016)**  
Held various leadership roles at Vodafone including his current role as Vodafone's Head of Customer Experience. Prior to joining Vodafone, Mr Russell worked in various internet start-ups, one of which was acquired by Vodafone in 2002.
- **Mark Brown (appointed June 2016)**  
Retired in 2015 from HSBC after 37 years. Mr Brown's most recent role was Head of Corporate Banking for London, leading a large team supporting Corporate Clients including a number in the healthcare sector. Responsible Officer (Finance) of Wilmington Grammar School for Boys and involved in the Bexley Round Table/41 Club.
- **Professor Robin Williamson (resigned March 2016)**  
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.

### Professor John Gribben was appointed a Trustee in February 2017

**The Company Secretary is:** Fiona Morrison

During the period, both Professor Robin Williamson (until his resignation) and Mr Leslie Melville acted as Interim Chair of the Audit and Risk Committee until Mr Brown was appointed Chair in October 2016. Ms Maurice and Lady Otton are members of that Committee. The Audit and Risk Committee meetings are also attended by the Charity's external auditor, the relevant members of the Executive Board 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 Trustees of the Charity meet quarterly to consider strategic, clinical governance, operational, and financial issues presented by the Executive Board. The Executive Board is responsible for advising the Trustees on the strategic direction of the Charity and for the preparation of annual budgets and business plans in line with the agreed strategy. The Charity's financial performance against operational and capital expenditure budgets is also reported monthly to the Trustees.

**TRUSTEES' REPORT** (continued)

**The members of the Executive Board at 31 December 2016 were as follows, all members of the Executive Board are Key Management Personnel:**

Paul Holdom	Chief Executive
James Brinkley	Chief Information Officer
Jonathan Coad	Property Director (interim until 30 August 2016, appointed 1 September 2016)
Nuala Close	Matron / Director of Nursing
Geoff Cox	Operations Director
Debbie Colebourn	Marketing & Business Development Director
Marina Griffin	Strategy Director
Fiona Morrison	Company Secretary / Head of Legal
Simon Reiter	Chief Financial Officer



**Mr Hamish Leslie Melville**  
Chairman of the Board of Trustees

Date: 25<sup>th</sup> April 2017

## STRATEGIC REPORT

All references to Charity refer to the consolidated performance of the group for the current and prior year.

### Achievements and performance

The Charity is proud of its many achievements in 2016. It has established an ambitious programme of investment and development to support its objectives as set out in the Trustees' report. In 2016 this programme focused on continued investment in IT infrastructure and the development of facilities and services and much of this programme was successfully delivered with the key aspects set out in this report.

The Charity considers the below to be its key performance indicators:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Total admissions	22,823	23,999	22,392
Total patient days	46,506	47,758	50,830
Turnover	143,361	141,694	144,653
EBITDA Margin	11.8%	15.4%	21.7%
Patient satisfaction score	97%	96%	95%

The focus for the year was the CQC inspection which took place in November. The Charity established an Executive level team to lead preparation activity and used the inspection as a catalyst to reinforce the continuous service improvement culture. The response from managers and staff demonstrated their commitment and professionalism with a significant programme of activity delivered to ensure the hospital was fully prepared for the inspection itself. The report is due to be published in the spring.

During the year we welcomed 68 new consultants to the Charity across many specialties as we continue to develop the strength and range of our services. However the Charity also saw the retirement of a number of eminent and highly respected consultants.

The continued acquisition of new consultants and growth in established practices helped ensure a return to revenue growth with an overall increase of 1% despite a decline of 3% in total patient days to 46,506. Within this we saw a strong growth in average length of stay due in part to a strong recovery of international business from the Middle East in the first half of the year. We were also pleased to see good growth in self pay business which grew by 7%.

Our insured business remains the most significant part of our patient volumes and we continue to develop relationships with all insurers where we seek to assist their efforts to grow the market. We have grown our revenues from a number of insurers however we continue to experience margin pressure from the key players as a result of below medical inflation price settlements and this will restrict our ability to invest in the development of new and competitive services in the London market.

During the year the Charity continued to support the Competition and Markets Authority in its review of competition in London and the Charity welcomes the order which prohibits consultant incentives.

The Charity continued to deliver its stated strategy of investing in the development and upgrade of its facilities to ensure it is able to continue to deliver excellent healthcare and patient experience. In April, the Charity opened a new multipurpose interventional suite to house our Endoscopic Retrograde Cholangiopancreatography (ERCP) service and for other complex therapeutic endoscopic procedures. This was followed in October by the opening of a new 16 bed Digestive Diseases Unit and in November a new 13 bed Intensive Care Unit offering exceptional facilities for patients in need of critical care. Whilst the new beds became operational later than planned the learnings from these projects ensured the multi-interventional suite was delivered to time and below budget and have been incorporated into our ongoing development plans.

## **STRATEGIC REPORT** (continued)

### **Achievements and performance** (continued)

The Charity is constantly seeking to improve the patient experience and encourages feedback from all patients. Consequently a further improvement in the customer satisfaction rating to 97% was a key achievement of the year.

During 2015 the Trustees reviewed the options for the utilisation of a property on Devonshire Place and concluded that due to restrictions on use and development the property should be sold. The transaction completed in February 2016 resulting in a profit on disposal of £0.9m.

The major investment programme in Information Technology which commenced in 2015 has continued at pace during the year with a number of key projects completing. In particular key applications have been migrated to new data centres and the campus LAN, desktop and Wi-Fi upgrades have been completed. These investments have brought significant improvements to system resilience and security, patient experience and IT access and experience for consultants and staff. In addition to the infrastructure improvements, major upgrades were delivered to our core operational and oncology systems. Two major application projects were also commenced to replace our image storage and reporting systems and to implement a new system in our Intensive Care Unit. These projects are due to complete in 2017.

Nursing shortages and the use of agency staff have received much media attention during the year and the Charity faces the same challenges as other healthcare organisations both NHS and private in recruitment and retention of nursing staff in particular. This results in a higher use of agency staff than is desirable and a number of steps have been taken to improve recruitment and retention and reduce agency usage in the future.

During the year, the Charity has completed the reorganisation of a number of support functions in particular Human Resources, Finance and Property. The creation of a new Strategy Director role will enable the coordination and delivery of the Charity's ambitious development programme. The Charity has also strengthened nurse leadership through the creation of new Head of Nursing and Head of Cancer Care roles.

### **Plans for Future Periods**

2017 marks the 85<sup>th</sup> year of the Charity's operations and will see the continued focus on achieving its objectives by investing in its facilities, equipment, clinical and nursing support.

Following the intense activity of 2016 the Charity will concentrate on operational activity to deliver the benefits from development activity and investments of the past two years. However we will continue to invest in our imaging capabilities and following the delivery of our new imaging systems we will invest further in our MRI capacity.

Work on development of a new theatre suite will continue through the year as we progress through the detailed project planning, design and procurement phases.

Investment in information technology will also continue as the Charity delivers two major applications and a new patient entertainment system in the first half of the year. Plans for the upgrade of its core operating and information systems will also be progressed with a finalisation of our choice of partner.

The Charity will continue to promote its services and facilities to the consultant community and patients as well as insurance companies and embassies in order to fulfil its mission to improve the health of our community and the public at large.

### **Going Concern**

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 2 of the notes to the financial statements.

### **Related parties**

After making enquiries, the Trustees confirm there are no relationships with related parties which might inhibit the Charity from pursuing independently its own charitable objectives.

### **Political donations**

There were no political donations made during the year (2015: nil).

## **STRATEGIC REPORT (continued)**

### **Modern Slavery**

In 2015 the Government published The Modern Slavery Act (the 'Act') which required all businesses in the UK with a turnover of £36 million or more to be transparent about what they are doing to tackle Modern Slavery within their organisation and supply chains.

The Charity condemns modern slavery and human trafficking. We are committed to maintaining and enforcing robust and effective systems and controls to prevent slavery within our organisation and supply chain. The Charity is dedicated to best practice in the procurement of goods and services in all areas.

As part of our initiative to identify and mitigate risk, we will be writing to our suppliers to inform them of our statutory duty and commitment to comply with the Act. We will be assessing our supply chain to ensure that business relationships remain ethical, transparent and fair in line with our values.

### **Employees**

The Charity 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 Charity also keeps staff informed through a regularly updated intranet and the senior management team meet quarterly with the Executive. Staff meet regularly with their managers and have HR support available as well as a counselling service through the Charity's occupational health service.

The Charity's employment practices give full consideration to employment applications from disabled persons where the candidate's particular aptitudes are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled it is the Charity's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### **Pay policy for senior staff**

The Trustees consider that together the Board of Trustees, who are the company's statutory directors, and the Executive Board comprise the key management personnel of the Charity responsible for directing and controlling, running and operating the Charity on a day to day basis. All Trustees give their time freely, detail of Trustees' expenses and other benefits are disclosed in note 5 of the financial statements.

The pay of senior staff is reviewed annually and normally increases in accordance with average earnings. If recruitment has proven difficult in the past a market addition is also paid with the pay maximum no greater than the highest benchmarked salary for a comparable role.

## **Financial Review**

### **Incoming Resources**

The Charity's incoming resources before investment income for the year increased by 1.8% to £144.3m (2015: £141.7m). Incoming resources from activities are stated net of charitable and related discounts and in 2016 include the gain on tangible fixed assets as set out in note 10 of the financial statements.

During the year, 5,672 patients (2015: 6,253) were admitted as inpatients and a further 17,151 patients (2015: 17,746) were treated as day cases. Total inpatient days were 29,355 (2015: 29,981). The Charity also provided 109,106 (2015: 110,675) outpatient treatments and diagnostic tests. The Charity works closely with medical insurers, embassies and other users of its services. The Charity is recognised by all the major providers of private health insurance in the United Kingdom.

As identified in the 2015 report, activity levels at the start of the year were strong with first quarter growth of 7%. However the last 7 months of the year saw reduced revenues in part due to a reduction in international business from the Middle East which we understand has been experienced by other London hospitals.

Trading in early 2017 has seen similar trends to the latter quarter of 2016 with encouraging growth in a number of key specialties but revenues continue to be impacted by reduced Embassy business.

### **Net Incoming/Outgoing Resources**

Net outgoing resources before other recognised gains and losses were £4.9m (2015: £5.5m Incoming). The Charity's operating costs of £143.8m (excluding impairment) (2015: £136.3m) have risen by 5.5% reflecting investment in staffing in a number of functions including IT, Nursing, Finance and HR and our Quality Costs associated with the CQC inspection.

## STRATEGIC REPORT (continued)

During the year the Charity refreshed its hospital development plans for the period to 2020 which gave rise to a number of changes in scope and configuration. As a result of this it reviewed the carrying value of previously incurred design and development fees and made an impairment of £5.5m to previously capitalised amounts as set out in note 10 of the financial statements.

Excluding this impairment the Charity saw net incoming resources of £0.5m

### Capital Expenditure

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £219.3m (2015: £219.7m). The Charity invested £28.6m in the current year and £106.8m over the last 5 years. In 2016 IT investment was £9.2m reflecting the importance that IT systems have in delivering world class healthcare.

### Investments

The Charity currently holds investments with a market value of £1.0m (2015: £1.0m). The Charity's investment policy is to generate income while protecting capital from the effects of inflation. It achieves this by investing in the M&G Charifund, a recognised income fund for charities. M&G is a signatory to the United Nations Principles for Responsible Investment. The policy was maintained throughout the year and is still currently in force. The Charity monitors the performance of the investment manager against various benchmarks and responds accordingly.

### Working Capital and Liquidity

The Charity has generated net cash inflows from operating activities of £14.6m (2015: £29.2m). The lower cash generation reflects reduced incoming resources and an expected reversal of the increase in 2015 creditor balances. Further focus on debtor management saw a £4.5m inflow following a £5.5m inflow in 2015. In addition, the Charity received a net £9.0m from the sale of a property shown in investing activities.

The Charity 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 2016, the Charity held cash of £5.2m (2015: £11.1m) and had unutilised banking facilities of £36.5m (2015: £35m). Net debt has increased from £18.9m to £23.3m.

The Charity has lending facilities and support from its bankers to maintain its existing operations and has in place a £65m revolving facility maturing in 2020 with options to extend. Under the facility the Charity pays a variable interest rate linked to LIBOR and in early February 2016 put in place an interest rate cap to manage exposure to rising interest rates. As a result of a reduction in interest rate expectations since inception, the value of this swap has been impaired at the year end by £0.2m.

### Taxation

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

### Accounting Policies

The Charity adopted FRS 102 at 1 January 2015 and the principal accounting policies remain unchanged over the last period of accounts.

### Reserves and Reserves Policy

The majority of the Charity's unrestricted funds are represented by its investment in the functional fixed assets that comprise The London Clinic. These assets then provide security for the bank facility that allows further investment in the Charity.

The reserves policy of the Charity 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 Charity's long-term re-development and expansion programme the Trustees consider the level and appropriate forms of any funding that are likely to be required. The Charity maintains sufficient reserves to continue to trade in furtherance of its charitable objectives.

*The restricted reserves of the Charity comprise donations and income from investment thereof which have been received specifically to provide access for staff of the Clinic to education and training to further the Charity's mission to provide the highest quality care to its patients.*

During the year, the defined benefit pension scheme resulted in an unrealised actuarial loss of £20.4m (2015: gain of £7.2m). The deficit in the scheme, under FRS 102 section 28 assumptions, increased from £25.0m to £43.7m

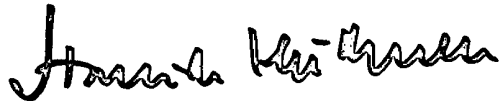
**STRATEGIC REPORT** (continued)

principally due to a change of assumptions for valuing obligations. 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 Charity intends to maintain and develop the functional fixed assets and consequently the unrestricted reserves to a level that will ensure the Charity is able to fund capital expansion and to maintain adequate working capital to operate in furtherance of its charitable objectives.

**Post balance sheet events**

At the time of writing there have been no events subsequent to 31 December 2016 which materially impact on the results reported.



**Mr Hamish Leslie Melville**

Chairman of the Board of Trustees

Date: 25th April 2017

## Trustees' responsibilities statement 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' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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, subject to any material departures disclosed and explained in the financial statements; 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 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.

### 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 Charity's auditor is unaware; and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Charity's auditor is 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 Charity's auditor was passed at the Annual General Meeting on 25 April 2017.

These financial statements were approved and authorised for issue by The Board of Trustees on 25 April 2017 and were signed on its behalf by:



**Mr Hamish Leslie Melville**

Chairman of the Board of Trustees

Date: 25th April 2017



## **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 2016 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the Charity balance sheet, the consolidated cashflow 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 group's and the parent charity'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016, 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

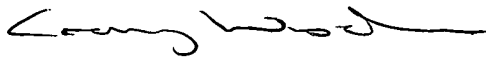
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Trustees' Annual Report.

**Independent auditor's report to the members of Trustees of the London Clinic Limited** (continued)

**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 returns adequate for our audit have not been received from branches not visited by us; 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.



Craig Wisdom ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Albans, UK

Date: 25 Dec 2017

**Consolidated Statement of Financial Activities (including consolidated income and expenditure account)**

For the year ended 31 December 2016

<b>INCOME</b>	<b>Note</b>	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>2016 Total £000</b>	<b>2015 Total £000</b>
<b>Charitable activities</b>					
Provision of hospital activities		143,361	-	<b>143,361</b>	141,694
<b>Investment income</b>	6	28	48	<b>76</b>	99
<b>Other income</b>					
Gain on tangible fixed assets	10	937	-	<b>937</b>	-
<b>Total income</b>		<b>144,326</b>	<b>48</b>	<b>144,374</b>	<b>141,793</b>
<b>EXPENDITURE</b>					
<b>Expenditure on Charitable activities</b>					
Provision of hospital activities		148,548	19	<b>148,567</b>	135,411
<b>Expenditure on raising funds</b>		711	-	<b>711</b>	872
<b>Total expenditure</b>	3	<b>149,259</b>	<b>19</b>	<b>149,278</b>	<b>136,283</b>
<b>Net (loss) / income for the year</b>		<b>(4,933)</b>	<b>29</b>	<b>(4,904)</b>	<b>5,510</b>
<b>OTHER RECOGNISED GAINS/(LOSSES)</b>					
(Loss) / gain on investment assets	8	(236)	68	<b>(168)</b>	(3)
Actuarial (loss) / gain on defined benefit pension scheme	19	(20,442)	-	<b>(20,442)</b>	7,209
<b>Net movement in funds</b>		<b>(25,611)</b>	<b>97</b>	<b>(25,514)</b>	<b>12,716</b>
Total funds at 1 January		189,864	1,032	190,896	178,180
<b>Total funds at 31 December</b>		<b>164,253</b>	<b>1,129</b>	<b>165,382</b>	<b>190,896</b>

The notes on pages 19 to 36 form part of these financial statements.

There were no other recognised gains or losses other than those listed above. All income and expenditure derives from continuing activities.

The total incoming resources for the Charity were £144,374k (2015: £141,793k) and the net loss was £4,904k (2015: £5,510k gain). As permitted by Section 408 of the Companies Act 2006, no separate Statement of financial activities is presented in respect of the parent charity.

# Consolidated Balance Sheet

As at 31 December 2016

	Note	2016		2015	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	7		122		456
Tangible assets	10		219,332		219,724
Investments	8		1,195		961
Investment in associate	9		2		2
			<u>220,651</u>		<u>221,143</u>
<b>Current assets</b>					
Stocks	11	3,308		3,156	
Debtors:					
- amounts falling due within one year	12	24,529		29,081	
Cash and cash equivalents	13	5,179		11,108	
		<u>33,016</u>		<u>43,345</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(16,569)</u>		<u>(19,184)</u>	
<b>Net current assets</b>			16,447		24,161
<b>Total assets less current liabilities</b>			<u>237,098</u>		<u>245,304</u>
<b>Creditors: amounts falling due after one year</b>	14		<u>(28,026)</u>		<u>(29,392)</u>
<b>Net assets excluding pension liability</b>			<u>209,072</u>		<u>215,912</u>
<b>Defined benefit pension scheme liability</b>	19		<u>(43,690)</u>		<u>(25,016)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	16		<u>165,382</u>		<u>190,896</u>
<b>FUNDS</b>					
<b>RESTRICTED</b>					
Revenue reserve	16	664		635	
Revaluation reserve	16	465		397	
			1,129		1,032
<b>UNRESTRICTED</b>					
Revenue reserve	16	206,661		213,598	
Revaluation reserve	16	1,282		1,282	
<b>Unrestricted funds before pension liability</b>		<u>207,943</u>		<u>214,880</u>	
Pension deficit	19	<u>(43,690)</u>		<u>(25,016)</u>	
<b>Total funds</b>	16		<u>164,253</u> <u>165,382</u>		<u>189,864</u> <u>190,896</u>

The financial statements of Trustees of the London Clinic Limited, registered number 00307579, were approved and authorised for issue by the Board of Trustees on 25 April 2017 and were signed on its behalf by:



**Mr Hamish Leslie Melville**  
Chairman of the Board of Trustees

## Charity Balance Sheet

As at 31 December 2016

	Note	2016		2015	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		<b>219,332</b>		219,724
Investments	8		<b>1,195</b>		961
Investment in subsidiaries	9		<b>1,650</b>		1,650
Investment in associate	9		<b>2</b>		2
			<b>222,179</b>		222,337
<b>Current assets</b>					
Stocks	11	<b>3,308</b>		3,156	
Debtors:					
- amounts falling due within one year	12	<b>24,896</b>		29,447	
Cash and cash equivalents	13	<b>5,179</b>		11,108	
		<b>33,383</b>		43,711	
<b>Creditors: amounts falling due within one year</b>	14	<b>(16,569)</b>		(19,184)	
<b>Net current assets</b>			<b>16,814</b>		24,527
<b>Total assets less current liabilities</b>			<b>238,993</b>		246,864
<b>Creditors: amounts falling due after one year</b>	14		<b>(28,026)</b>		(29,392)
<b>Net assets excluding pension liability</b>			<b>210,967</b>		217,472
<b>Defined benefit pension scheme liability</b>	19		<b>(43,690)</b>		(25,016)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>	16		<b>167,277</b>		192,456
<b>FUNDS</b>					
<b>RESTRICTED</b>					
Revenue reserve	16	<b>664</b>		635	
Revaluation reserve	16	<b>465</b>		397	
			<b>1,129</b>		1,032
<b>UNRESTRICTED</b>					
Revenue reserve	16	<b>208,556</b>		215,158	
Revaluation reserve	16	<b>1,282</b>		1,282	
<b>Unrestricted funds before pension liability</b>			<b>209,838</b>		216,440
Pension deficit	19	<b>(43,690)</b>		(25,016)	
			<b>166,148</b>		191,424
<b>Total funds</b>	16		<b>167,277</b>		192,456

The financial statements of Trustees of the London Clinic Limited, registered number 00307579, were approved and authorised for issue by the Board of Trustees on 25 April 2017 and were signed on its behalf by:



**Mr Hamish Leslie Melville**  
Chairman of the Board of Trustees

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2016

	Note	<b>2016</b> <b>£000</b>	2015 £000
<b>Net cash flows from operating activities</b>	20	<b>14,581</b>	29,234
<b>Cash flows from investing activities</b>			
Interest received on investment income	6	<b>76</b>	99
Purchase of Charity's functional assets		<b>(27,590)</b>	(29,634)
Proceeds from the sale of property, plant and equipment		<b>8,991</b>	-
Purchase of investments	8	<b>(487)</b>	-
<b>Net cash flows from investing activities</b>		<b>(19,010)</b>	(29,535)
<b>Net cash flow before financing</b>		<b>(4,429)</b>	(301)
<b>Net cash flows from financing activities</b>		<b>(1,500)</b>	7,000
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>(5,929)</b>	6,699
<b>Cash and cash equivalents at beginning of year</b>		<b>11,108</b>	4,409
<b>Cash and cash equivalents at the end of the year</b>		<b>5,179</b>	11,108
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand		<b>5,179</b>	11,108
<b>Cash and cash equivalents</b>	21	<b>5,179</b>	11,108

## Notes to 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 in dealing with items which are considered material in relation to the Charity's financial statements.

#### a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102 and Charities SORP 2015) and the Companies Act 2006.

The Trustees of the London Clinic Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

#### b) Preparation of the accounts on a going concern basis

The Group meets its day-to-day working capital requirements through its internal cash generation supported by bank borrowings.

*The Group's forecasts and projections, taking account of possible changes in trading performance and the level of discretionary capital expenditure, show that the Group will be able to operate within its bank facilities over the next year.*

Accordingly, the Trustees are satisfied that the Charity and the Group have adequate resources to continue in operational existence for at least twelve months and as a result they continue to adopt the going concern basis in preparing the annual report and accounts.

#### c) Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

##### - Capital development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

During the year the Charity made changes to the scope and configuration of its hospital development plans for the period to 2020. As a result of this it reviewed the carrying value of previously incurred design and development fees and made an impairment of £5.5m as set out in note 10 of the financial statements.

##### - Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from any binding sales transactions in an arm's length transaction on similar assets, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years.

**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

Significant judgements and estimates (continued)

- Operating lease commitments

The Group has leases on the majority of the properties in which the hospital operates. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of the lease assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

- Pension and other post-employment benefits

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables and future salary increases are based on expected future inflation rates. Further details are given in note 19.

- Trade debtor recoverability

The provision for doubtful debtor accounts involves management judgement and is based on reviews of individual accounts including assessment of individual customer creditworthiness, current economic trends and analysis of historical bad debts.

d) Basis of consolidation

The Group financial statements consolidate the accounts of the parent Company and its subsidiaries made up to 31 December 2016. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of financial activities from the date of acquisition to the date of disposal.

In accordance with section 408 of the Companies Act 2006, the Charity is exempt from the requirement to present separately its own Statement of Cash Flows.

e) Income

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.

f) Expenditure and recoverable VAT

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 Services.

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.

All expenditure is recorded as costs against the activity for which the expenditure was incurred gross of VAT, the recoverable portion of VAT, which is immaterial in value, is recorded against other administrative costs.

g) Operating leases

All leases the Charity has entered into are classified as operating leases and payments of rent are expensed annually to the SOFA in accordance with the terms of the lease.



**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

**h) Intangible fixed assets - Goodwill**

In accordance with FRS 102.18 (Intangible Assets) and FRS 102.19 (Business Combinations and Goodwill), the 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 7. 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.

**i) Property, plant and equipment**

Expenditure on plant and machinery and on the acquisition, alteration, and reconstruction of buildings costing £1,000 or more is capitalised at cost and depreciated over the economic useful life to be held at cost less accumulated depreciation. 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 <i>(Included in freehold and leasehold properties)</i>	-	8 – 25 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 and expenses excluding costs of borrowing. Interest costs incurred from borrowings for capital projects are expensed through the SOFA.

In accordance with Financial Reporting Standard 102, section 35.10 the book value of 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.

**j) Investments**

Listed investments are stated at market value as at the balance sheet date. Realised and unrealised gains and losses on investments during the year are shown in the Consolidated Statement of Financial Activities (SOFA) on page 17.

**k) 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.

**l) 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.

**m) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**n) Creditors and provisions**

Creditors and provisions are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing from any discounts due.

**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

**o) Financial instruments**

The Group has entered into an interest rate cap to manage its risk associated with interest rate fluctuations. The measurement basis adopted in the preparation of these financial statements is provided in note 8.

All other financial assets and financial liabilities are of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest rate method.

**p) 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 year 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 as Other Recognised Gains / (Losses) in the SOFA. Defined benefit scheme assets are held separately from those of the Charity. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond.

The actuarial valuation is obtained at least triennially 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 10.93 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 FRS102.28 Employment 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.

**q) Fund accounting and 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.

**Notes to the financial statements (continued)**

**3. Total Expenditure**

	Direct Charitable (Hospital) £000	Governance £000	Support £000	<b>2016 Total £000</b>	2015 Total £000
<b><u>Provision of hospital activities</u></b>					
Staff costs excluding defined benefit scheme interest costs	51,561	109	16,009	<b>67,679</b>	62,237
Net pension interest expense (note 19)	899	-	-	<b>899</b>	1,122
Staff costs (note 5)	52,460	109	16,009	<b>68,578</b>	63,359
Amortisation of goodwill (note 7)	334	-	-	<b>334</b>	334
Auditors remuneration	-	51	-	<b>51</b>	174
Depreciation and impairment of fixed assets (note 10)	20,892	-	-	<b>20,892</b>	15,191
Operating leases - Other	4,701	-	-	<b>4,701</b>	4,565
Stock	25,390	-	-	<b>25,390</b>	24,612
Other operating expenses	15,528	23	13,070	<b>28,621</b>	27,176
	<b>119,305</b>	<b>183</b>	<b>29,079</b>	<b>148,567</b>	135,411

**Expenditure on raising funds**

Bank Interest Payable	<b>711</b>	-	-	<b>711</b>	872
<b>Total expenditure</b>	<b>120,016</b>	<b>183</b>	<b>29,079</b>	<b>149,278</b>	136,283

Auditor's remuneration for audit work for the period was £51k (2015: £58k) and remuneration for non-audit work, relating to IT and tax related consultancy services was nil (2015: £116k).

**4. Analysis of governance and support costs**

	<b>2016 Total £000</b>	2015 Total £000
Auditor's remuneration	<b>51</b>	58
Salaries, wages and related costs - Allocated on time	<b>109</b>	164
Other operating expenses - Trustee costs / reimbursements	<b>5</b>	24
Other operating expenses - Legal advice	<b>18</b>	54
<b>Total Governance costs</b>	<b>183</b>	300
Salaries, wages and related costs - Allocated by department	<b>16,009</b>	14,711
Other operating expenses - Allocated by department	<b>13,070</b>	12,079
<b>Total Support costs</b>	<b>29,079</b>	26,790

**Notes to the financial statements (continued)**

**5. Staff and Trustees**

	<b>2016</b>	2015
	<b>£000</b>	£000
Staff costs comprise:		
Wages and salaries	<b>43,555</b>	40,476
Social security costs	<b>5,311</b>	4,891
Bank and agency	<b>14,226</b>	12,599
Pension costs (note 19)	<b>2,991</b>	3,234
Other staff costs	<b>2,495</b>	2,159
	<b>68,578</b>	63,359

Redundancy and contract termination costs are expensed as incurred through the SOFA. During the year, redundancy and termination costs of £895k were formally agreed under employee contracts (2015: £728k).

	<b>2016</b>	2015
Average number of employees during the period:	<b>1,150</b>	1,082

All staff in 2016 and 2015 were employed in fulfilling the provision of medical services, which is the purpose of the Charity.

The key management personnel of the Charity comprise the Trustees and the members of the Executive Board. The total employee benefits of the key management personnel was as follows:

	<b>2016</b>	2015
	<b>Total</b>	Total
	<b>£000</b>	£000
Emoluments	<b>2,702</b>	2,671
Pension contributions	<b>205</b>	234
Contract termination and other payments	<b>97</b>	300
	<b>3,004</b>	3,205

Accommodation has been provided within the hospital premises, on an occasional basis, without charge, to Paul Holdom, Chief Executive to enable him to fulfil his duties.

The Trustees received no emoluments from the Charity during the period (2015: £nil).

The Charity reimbursed travelling and other expenses of 2 Trustees for £3,448 (2015: 2 Trustees for £4,428).

Private medical insurance provided to the Trustees:	<b>2016</b>	2015
	<b>£</b>	£
Professor Robin Williamson	<b>834</b>	9,319
Mr Rupert S Ponsonby*	<b>551</b>	6,159
The Duchess of Devonshire DL	<b>400</b>	4,472
	<b>1,785</b>	19,950

\*Resigned as at 31 December 2015

**Notes to the financial statements (continued)**

**5. Staff and Trustees (continued)**

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

	<b>2016 No.</b>	<b>2015 No.</b>
£60,001 - £70,000	<b>60</b>	39
£70,001 - £80,000	<b>15</b>	17
£80,001 - £90,000	<b>11</b>	8
£90,001 - £100,000	<b>2</b>	1
£100,001 - £110,000	<b>-</b>	1
£110,001 - £120,000	<b>1</b>	-
£120,001 - £130,000	<b>1</b>	1
£160,001 - £170,000	<b>2</b>	2
£170,001 - £180,000	<b>-</b>	1
£180,001 - £190,000	<b>2</b>	-
£190,001 - £200,000	<b>1</b>	2
£200,001 - £210,000	<b>1</b>	1
£250,001 - £260,000*	<b>-</b>	1
£270,001 - £280,000*	<b>1</b>	-
£300,001 - £310,000	<b>1</b>	-
£360,001 - £370,000	<b>-</b>	1
£410,001 - £420,000*	<b>-</b>	1
£540,001 - £550,000	<b>-</b>	1
£550,001 - £560,000	<b>1</b>	-
<b>Total</b>	<b>99</b>	<b>77</b>

\*Includes contract termination payments

In the period, the provision of money purchase benefits were provided to 91 employees of the above (2015:72 employees) and the contribution paid was £569,405 (2015: £469,820). In 2016, contributions towards the defined benefit scheme ceased and the scheme closed to future accrual. There are 6 employees who are part of this scheme (2015:9 employees).

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

**6. Investment income**

	Unrestricted Funds £000	Restricted Funds £000	<b>2016 £000</b>	<b>2015 £000</b>
Interest on bank balances	28	-	<b>28</b>	51
Return on fixed asset investments	-	48	<b>48</b>	48
	<b>28</b>	<b>48</b>	<b>76</b>	<b>99</b>

**Notes to the financial statements (continued)**

**7. Intangible fixed assets**

**Goodwill**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Group Cost</b>		
At 1 January	<b>5,741</b>	5,741
Additions	-	-
31 December	<b>5,741</b>	5,741
<b>Amortisation</b>		
At 1 January	<b>5,285</b>	4,951
Provided during the year	<b>334</b>	334
31 December	<b>5,619</b>	5,285
Net book value as at 31 December	<b>122</b>	456

Goodwill arising during the 2011 year is being amortised over 6 years on a straight line basis.  
The amortisation is included within the 'Expenditure on hospital activities' balance in the SOFA.

**8. Fixed asset investments**

**Group and Charity**

	<b>2016</b>		2015
	<b>Cost</b>	<b>Value</b>	<b>Cost</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January			
Listed investments	564	961	564
Interest rate cap	-	-	-
<b>Total at 1 January</b>	<b>564</b>	<b>961</b>	<b>564</b>
Additions to investment			
Listed investments	-	-	-
Interest rate cap	487	487	-
<b>Total annual additions</b>	<b>487</b>	<b>487</b>	<b>-</b>
Fair value gains and (losses)			
Listed investments	-	68	-
Interest rate cap amortisation	-	(85)	-
Interest rate cap fair value loss	-	(236)	-
<b>Total losses</b>	<b>-</b>	<b>(253)</b>	<b>-</b>

Investments carried at fair value at 31 December:

**Group and Charity**

	<b>Due after one year</b>	
	<b>2016</b>	2015
	<b>£000</b>	£000
Listed investments	<b>1,029</b>	961
Interest rate cap	<b>166</b>	-
<b>Total at 31 December</b>	<b>1,195</b>	961

## Notes to the financial statements (continued)

### 8. Fixed asset investments (continued)

#### Listed investments

Listed investments relate entirely to the staff training and education fund which 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 received by the charity. The value of the fund held in the M&G Charifund at 31 December was £1,029k (2015: £961k).

#### Interest rate cap

The Group has entered into an interest rate cap to manage its interest rate exposure. The Group pays a premium which buys the right, but not the obligation, to receive the difference between the strike, in this case 1.75% and the underlying index being 1 month GBP LIBOR.

The group calculates the fair value of this interest rate option using a modified Black Scholes' model using market input data for volatility and interest rates. In order to estimate forward interest rates and calculate discount factors to apply to estimated future cash flows the applicable yield curves derived from quoted interest rates are used. The interest rate cap has a notional value of £28.8m as at the balance sheet date (the maximum notional amount being £43.4m) and matures on the 31 October 2020. The cap settles on a monthly basis.

The cap is not designated for hedge accounting and mark-to-market movements in the fair value of the cap are recognised in the income statement as they occur.

### 9. Subsidiary and Associate undertakings

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Investment in subsidiary	-	-	1,650	1,650
Investment in associate	2	2	2	2

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 2016 are owned in full and are all registered in England and Wales.

### 10. Tangible fixed assets

	Land and Buildings				
	Freehold Property £000	Leasehold Improvements £000	Fixtures & Equipment £000	Construction in progress £000	Total £000
<b>Group</b>					
<b>Cost or Valuation</b>					
1 January 2016	15,296	229,645	74,081	25,923	344,945
Additions	-	15,020	9,354	4,196	28,570
Transfers	242	9,355	2,239	(11,836)	-
Disposals	(8,054)	(903)	(271)	-	(9,228)
Impairment	-	-	-	(5,454)	(5,454)
<b>31 December 2016</b>	<b>7,484</b>	<b>253,117</b>	<b>85,403</b>	<b>12,829</b>	<b>358,833</b>
<b>Depreciation</b>					
1 January 2016	1,119	72,987	51,115	-	125,221
Provided during the year	130	7,660	7,649	-	15,439
Disposals	-	(888)	(271)	-	(1,159)
<b>31 December 2016</b>	<b>1,249</b>	<b>79,759</b>	<b>58,493</b>	<b>-</b>	<b>139,501</b>
<b>Net Book Value</b>					
<b>At 31 December 2016</b>	<b>6,235</b>	<b>173,358</b>	<b>26,910</b>	<b>12,829</b>	<b>219,332</b>
At 31 December 2015	14,177	156,658	22,966	25,923	219,724

**Notes to the financial statements** (continued)

**10. Tangible fixed assets** (continued)

	<b>Land and buildings</b>				
	Freehold Property	Leasehold Improvements	Fixtures & Equipment	Construction in progress	Total
<b>Charity</b>	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
1 January 2016	15,296	229,645	74,081	25,923	344,945
Additions	-	15,020	9,354	4,196	28,570
Transfers	242	9,355	2,239	(11,836)	-
Disposals	(8,054)	(903)	(271)	-	(9,228)
Impairment	-	-	-	(5,454)	(5,454)
31 December 2016	<b>7,484</b>	<b>253,117</b>	<b>85,403</b>	<b>12,829</b>	<b>358,833</b>
<b>Depreciation</b>					
1 January 2016	1,119	72,987	51,115	-	125,221
Provided during the year	130	7,660	7,649	-	15,439
Disposals	-	(888)	(271)	-	(1,159)
31 December 2016	<b>1,249</b>	<b>79,759</b>	<b>58,493</b>	<b>-</b>	<b>139,501</b>
<b>Net Book Value</b>					
<b>At 31 December 2016</b>	<b>6,235</b>	<b>173,358</b>	<b>26,910</b>	<b>12,829</b>	<b>219,332</b>
At 31 December 2015	14,177	156,658	22,966	25,923	219,724

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

In January 2013, a mortgage debenture between the Charity and its bankers was sealed. The net book value of the assets with a loan-related charge over them is £28.5m (2015: £30.0m).

On 29 February 2016 The Trustees of The London Clinic completed the sale of freehold property at 16 Devonshire Place, London W1G 6HY. The property was recorded at historic cost with a carrying value at point of sale of £8.1m. Disposal proceeds were in excess of this to a value of £937k.

In 2016 the Charity reviewed and made changes to its hospital development plans for the period to 2020. In doing so it assessed the carrying value of previously capitalised design and development fees and made an impairment of £5.5m. The design and development costs were recorded under construction in progress since inception and had not been depreciated.

**11. Stock**

	<b>Group</b>		<b>Charity</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Raw materials and consumables	<b>3,308</b>	3,156	<b>3,308</b>	3,156
Consignment stock not included in balance sheet	<b>2,271</b>	2,248	<b>2,271</b>	2,248



Notes to the financial statements (continued)

12. Debtors

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Amounts falling due within one year</b>				
Trade debtors	20,954	25,755	20,954	25,755
Amounts owed by subsidiary undertakings	-	-	367	366
Other debtors	431	491	431	491
Prepayments and accrued income	3,144	2,835	3,144	2,835
	<b>24,529</b>	<b>29,081</b>	<b>24,896</b>	<b>29,447</b>

13. Cash and cash equivalents

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Cash and cash equivalents	<b>5,179</b>	<b>11,108</b>	<b>5,179</b>	<b>11,108</b>

14. Creditors

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade creditors	3,934	7,264	3,934	7,264
Taxation and social security	1,841	1,493	1,841	1,493
Other creditors	3,490	3,682	3,490	3,682
Accruals*	7,304	6,745	7,304	6,745
	<b>16,569</b>	<b>19,184</b>	<b>16,569</b>	<b>19,184</b>

\* Includes the year end capital accrual of £2.12m (2015: £1.14m).

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loan due 2 - 5 years	28,500	30,000	28,500	30,000
Borrowing costs capitalised	(474)	(608)	(474)	(608)
	<b>28,026</b>	<b>29,392</b>	<b>28,026</b>	<b>29,392</b>

Floating interest rates on bank borrowing facilities of £65m are based on LIBOR plus a margin fixed bi-annually based upon the Group's leverage. The bank borrowings are secured by a fixed and floating charge on certain assets of the Group.

In November 2015 the Charity extended the lending facility secured in January 2013 for a 5-year term, maturing in 2020.

The cost of securing the financing facility for the Group are being amortised over the term of the loan.

Notes to the financial statements (continued)

15. Reserve movements for year

	Revaluation reserve		Revenue reserve		Total
	Restricted	Unrestricted	Restricted	Unrestricted	
	£000	£000	£000	£000	£000
<b>Group</b>					
1 January 2016 per prior year financial statements	397	1,282	635	188,582	190,896
Net incoming resources/(deficit)	-	-	29	(4,933)	(4,904)
(Loss)/gain on investment assets	68	-	-	(236)	(168)
Actuarial loss on defined benefit pension scheme	-	-	-	(20,442)	(20,442)
<b>At 31 December 2016</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>162,971</b>	<b>165,382</b>
<b>Charity</b>					
1 January 2016 per prior year financial statements	397	1,282	635	190,142	192,456
Net incoming resources/(deficit)	-	-	29	(4,598)	(4,569)
(Loss)/gain on investment assets	68	-	-	(236)	(168)
Actuarial loss on defined benefit pension scheme	-	-	-	(20,442)	(20,442)
<b>At 31 December 2016</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>164,866</b>	<b>167,277</b>

16. Analysis of net assets by fund

2016	Revaluation reserve		Revenue reserve		Total
	Restricted	Unrestricted	Restricted	Unrestricted	
	£000	£000	£000	£000	£000
<b>Group</b>					
Fixed asset investments	465	-	564	166	1,195
Other fixed assets	-	1,282	-	206,495	207,777
Net current assets	-	-	100	-	100
<b>Total funds excluding pension liability</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>206,661</b>	<b>209,072</b>
Pension liability	-	-	-	(43,690)	(43,690)
<b>Total net assets</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>162,971</b>	<b>165,382</b>
<b>Charity</b>					
Fixed asset investments	465	-	564	-	1,029
Other fixed assets	-	1,282	-	208,556	209,838
Net current assets	-	-	100	-	100
<b>Total funds excluding pension liability</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>208,556</b>	<b>210,967</b>
Pension liability	-	-	-	(43,690)	(43,690)
<b>Total net assets</b>	<b>465</b>	<b>1,282</b>	<b>664</b>	<b>164,866</b>	<b>167,277</b>

**Notes to the financial statements (continued)**

**16. Analysis of net assets by fund (continued)**

2015	Revaluation reserve		Revenue reserve		Total
	Restricted	Unrestricted	Restricted	Unrestricted	
	£000	£000	£000	£000	£000
<b>Group</b>					
Fixed asset investments	367	-	564	-	961
Other fixed assets	-	1,282	-	213,598	214,880
Net current assets	-	-	71	-	71
<b>Total funds excluding pension liability</b>	<b>367</b>	<b>1,282</b>	<b>635</b>	<b>213,598</b>	<b>215,912</b>
Pension liability	-	-	-	(25,016)	(25,016)
<b>Total net assets</b>	<b>367</b>	<b>1,282</b>	<b>635</b>	<b>188,582</b>	<b>190,896</b>
<b>Charity</b>					
Fixed asset investments	367	-	564	-	961
Other fixed assets	-	1,282	-	215,158	216,440
Net current assets	-	-	71	-	71
<b>Total funds excluding pension liability</b>	<b>367</b>	<b>1,282</b>	<b>635</b>	<b>215,158</b>	<b>217,472</b>
Pension liability	-	-	-	(25,016)	(25,016)
<b>Total net assets</b>	<b>367</b>	<b>1,282</b>	<b>635</b>	<b>190,142</b>	<b>192,456</b>

**17. Capital Commitments**

	2016	2015
Group and Charity:	£000	£000
Committed and contracted towards tangible fixed assets	<b>5,903</b>	12,134

The Board of Trustees have approved a capital expenditure budget of £23.6 million for 2017 (2016: £38.9 million).

**18. Operating lease commitments**

The group's future minimum lease payments under non-cancellable operating leases to the term of the lease are as follows:

Group and Charity:	2016	2015
Land & Buildings	£000	£000
- within one year	<b>4,692</b>	3,928
- between one and five years	<b>18,768</b>	15,710
- after five years	<b>455,214</b>	441,365
	<b>478,674</b>	461,003

The leases relate to the land and buildings of the main Clinic sites in London. They have been classified as operating leases since inception and continue to be treated as such under FRS 102 criteria.

**Notes to the financial statements (continued)**

**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. During 2015, following a period of consultation, the defined benefit was closed to future accrual.

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 2014
Method of valuation	Projected unit method

Assumptions of annual increase:

Investment returns before retirement	4.85%
Investment returns after retirement	4.85%
Gilt yield at the valuation date	3.50%
Pensionable salaries (in line with CPI after 2012)	2.40%
Salary inflation	2.70%

At the date of the valuation the actuarial value of the scheme assets was sufficient to cover 69% of the benefits that had accrued to the members after allowing for future increases in earnings.

During the year the employer contributed an additional £2.65m in respect of past service benefits. Further contributions will be made each year to ensure that the scheme's deficit is eliminated by 31 March 2023.

The employer expects to contribute £2.65m to the defined benefit plan in the year to 31 December 2017. At 31 December 2016 there were no outstanding contributions due to the defined contribution scheme.

Total pension charge for the year recognised in the SOFA was £2,991k (2015: £3,234k), the contribution towards the defined benefit scheme was nil (2015: £1,519k).

The actuarial valuation has been updated by an independent qualified actuary to take account of the requirements under FRS 102 in order to assess the liabilities of the scheme at 31 December 2016. 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.

The defined contribution scheme, introduced in 2015 is available to all staff with a minimum of three months' service. The scheme offers a range of employer pension contributions, from a minimum of 1% to a maximum of 10%, dependent on the employee's own contribution rate. In order to obtain the maximum employer contribution of 10% the employee contributes 7%.

**Employee benefit obligation**

The amounts recognised in the Balance Sheet are as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Fair value of plan assets	<b>80,465</b>	73,661
Present value of funded obligations	<b>(124,155)</b>	(98,677)
<b>Net liability</b>	<b>(43,690)</b>	(25,016)

**Notes to the financial statements (continued)**

**19. Pension schemes (continued)**

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

	<b>2016</b>	2015
	<b>£000</b>	£000
Service cost	-	668
Interest expense net of return on assets	<b>899</b>	1,122
<b>Total included in staff costs</b>	<b>899</b>	1,790
<b>Actual gain during the year on plan assets</b>	<b>6,783</b>	3,738

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

	<b>2016</b>	2015
	<b>£000</b>	£000
Opening defined benefit obligation	<b>(98,677)</b>	(103,851)
Service cost	-	(668)
Interest cost	<b>(3,699)</b>	(3,574)
Actuarial (loss) / gain	<b>(24,425)</b>	5,923
Benefits paid	<b>2,646</b>	3,493
<b>Closing defined benefit obligation</b>	<b>(124,155)</b>	(98,677)

Changes in fair value of plan assets are as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Opening fair value of plan assets	<b>73,661</b>	70,193
Interest income	<b>2,800</b>	2,452
Actuarial (loss) / gain	<b>3,983</b>	1,286
Contributions by employer	<b>2,667</b>	3,223
Benefits paid	<b>(2,646)</b>	(3,493)
<b>Closing fair value of plan assets</b>	<b>80,465</b>	73,661

Analysis of actuarial gains / (losses) recognised in Other Recognised Gains/(Losses):

	<b>2016</b>	2015
	<b>£000</b>	£000
Asset return less interest income recognised in P&L	<b>3,983</b>	1,286
Experience gains on benefit obligation	<b>343</b>	838
Effect of assumptions changes on benefit obligation	<b>(24,768)</b>	5,085
<b>Total actuarial (loss)/gain recognised:</b>	<b>(20,442)</b>	7,209

The main categories of plan assets as a percentage of total plan assets are as follows:

	<b>2016</b>	2015
	<b>%</b>	%
Equities (including property)	<b>44%</b>	40%
Bonds	<b>30%</b>	30%
Other	<b>23%</b>	29%
Cash	<b>3%</b>	1%

**Notes to the financial statements (continued)**

**19. Pension schemes (continued)**

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

	<b>2016</b>	2015
Discount rate at 31 December	<b>2.6%</b>	3.8%
Expected return on plan assets at 31 December	<b>2.6%</b>	3.8%
Future salary increases	<b>2.4%</b>	2.1%
Future pension increases	<b>3.2%</b>	3.0%

Amounts for the current and previous four periods are as follows:

	2012	2013	2014	2015	<b>2016</b>
	£000	£000	£000	£000	£000
Defined benefit obligation	(84,466)	(85,422)	(103,851)	(98,677)	<b>(124,155)</b>
Plan assets	55,624	62,725	70,193	73,661	<b>80,465</b>
(Deficit)	(28,842)	(22,697)	(33,658)	(25,016)	<b>(43,690)</b>
Experience adjustment on obligation	(1,268)	(723)	(191)	838	<b>343</b>
Actuarial gain / (loss) on plan assets	2,174	2,431	3,834	1,286	<b>3,983</b>

**20. Reconciliation of net income to net cash inflow from operating activities**

<b>Group</b>	<b>2016</b>	2015
	£000	£000
Net income for the year	<b>(4,904)</b>	5,511
Interest received	<b>(76)</b>	(99)
Aborted capital projects	-	53
Depreciation and amortisation of tangible fixed assets	<b>20,892</b>	15,191
Amortisation of goodwill	<b>334</b>	334
impairment of interest rate cap	<b>86</b>	-
Net retirement benefit charge less contributions	<b>(1,768)</b>	(1,433)
Increase in stock	<b>(152)</b>	(165)
Decrease in debtors	<b>4,552</b>	5,375
(Decrease)/increase in creditors	<b>(3,446)</b>	4,467
Gain on tangible fixed assets	<b>(937)</b>	-
<b>Net cash inflow from operating activities</b>	<b>14,581</b>	29,234

**21. Analysis of changes in net debt**

	<b>At 1 Jan 2015</b>	<b>Cash Flows</b>	<b>Other Changes</b>	<b>At 31 Dec 2016</b>
	£000	£000	£000	£000
Cash and cash equivalents	11,108	(5,929)	-	5,179
Debt due within one year	-	-	-	-
Debt due after one year	(30,000)	1,500	-	(28,500)
Total	(18,892)	(4,429)	-	(23,321)

**22. Taxation**

Trustees of the London Clinic Limited is a registered charity and as such is exempt from tax on income and gains falling within section 505 of the Income and Corporation Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

**23. Post balance sheet events**

There have been no events subsequent to 31 December 2016 which materially impact on the results reported.