

Trustees of the London Clinic Limited

A company limited by guarantee and registered
in England and Wales No. 307579

A registered Charity No. 211136

Trustees' report and consolidated financial statements

31 December 2013



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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
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Victoria Street
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Hertfordshire AL1 3TF

Bank: HSBC PLC
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60 Queen Victoria Street
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Solicitors: Eversheds LLP
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London EC2V 7WS

Linklaters LLP
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30 Crown Place
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CHAIRMAN'S STATEMENT

2013 has been another successful year for The London Clinic. Despite the adverse economic environment, the Charity has continued to grow and develop its operations in furtherance of its charitable objectives. 2013 has given us much to celebrate: for example, this year saw the re-naming of The Duchess of Devonshire Wing, the launch of our new GP Education Programme, the achievement of JACIE accreditation for stem cell transplant and this year we were proud recipients of an award for Student Nursing Placement of the Year 2013, to name but a few achievements.

The Charity continues to demonstrate that we are prepared to take a pioneering approach to fulfilling its mission to improve the health of our community and the public at large.

I am delighted to welcome Lady Otton onto the Charity's Board of Trustees. She brings a great wealth of experience and knowledge with her which will enhance the skills already on our Board. In particular she has expertise in the charitable sector.

The primary aim of the Charity is to provide excellence in patient care, whilst also focusing on our other charitable activities, both locally and amongst the wider community.

In the forthcoming year, I am confident that we will build on our success as an independent hospital and continue to enhance our other charitable activities and make an effective contribution to the advancement of healthcare.

On behalf of the Trustees, I would like to thank all of the people who work for the Charity. The commitment, skill and enthusiasm they display is an inspiration to us all.



Professor Robin Williamson
Chairman

CHIEF EXECUTIVE'S WELCOME

This year, the publication of Robert Francis QC's report following the public enquiry into Mid Staffordshire NHS Foundation Trust has brought the issue of patient welfare and quality of care into sharp focus for all healthcare providers. The Charity remains firmly committed to providing the highest quality and safe care to all of our patients. The Francis Report has provided us with an opportunity to renew this commitment and to explore the ways that we can improve the patient experience further, which is our continuing aim.

Patient care and wellbeing will remain at the top of The Charity's agenda, by putting patients first, by having compassion and care at the heart of all that we do, by always striving to improve and by acting at all times with integrity.

One of the many benchmarks by which we measure the success of our constant drive to improve quality is through the appraisals made by the Care Quality Commission and I am delighted that we have enjoyed another year of outstanding results.

At the Charity we are dedicated to setting the standards for the overall patient experience in private medical care. As a charity, we put the needs of our patients first and we have therefore welcomed the review of the independent sector undertaken by the Competition & Market Authority this year. Our hope is that the outcome of the Authority's report will ultimately improve the healthcare market for all patients.

This year also marked the beginning of a major programme of refurbishment and improvements to the Charity's site, with the first steps being taken to renovate the main hospital building.

My colleagues on the Executive Board and I are indebted, as ever, to the continued commitment and dedication of all of our colleagues around the Clinic and our dedicated consultants and I would like to thank them for their hard work this year.

A handwritten signature in black ink, appearing to read 'Paul Holdom', with a stylized, flowing script.

Paul Holdom
Chief Executive

TRUSTEES' REPORT

The Trustees present their report and audited financial statements for the group for the year to 31 December 2013. Trustees of the London Clinic Limited (the "**Charity**") is a company limited by guarantee registered in England and Wales (No. 307579) and a registered Charity (No.211136).

In accordance with section 17 of the Charities Act 2011, the Trustees confirm that they have had regard to the Charity Commission's guidance (both general and supplementary) in relation to public benefit.

Purpose and Mission

The London Clinic 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. A key focus of the Charity is to offer a comprehensive range of services to patients, providing the best, personalised healthcare with a breadth of surgical and medical expertise. It has a long-standing international reputation for clinical excellence and progressive care.

The Charity's charitable status ensures it remains free from the demands of shareholders, allowing its entire surplus to be reinvested back into healthcare facilities 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 indirectly, which benefits from the Charity's contributions to medical research and training.

Our Objectives

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, including 77 professors with admitting privileges.

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 care that we show and the quality that we provide as a charity is recognised through exceptional feedback that we have received from the Care Quality Commission and our patients. Patients continue to give outstanding reviews of the Charity's facilities and quality of service.

Our Activities

The year under review saw the continued expansion of our services and multi-million pound investment in our facilities, both to extend the scope of the services available to patients and also to safeguard and maintain the quality of our existing facilities.

The Charity's activities are reported below in relation to these three key areas of its functions - medical care, research and best practice, and training.

Medical care

The Charity offers 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 over 240 beds, and has fourteen operating theatres, including a Hybrid theatre, a five-theatre Endoscopy suite and a twin dedicated Minimally Invasive Treatment and Day Surgery Unit.

The Charity offers a broad range of services to patients, from minor procedures to highly complex surgery. It continues to provide level 2 and 3 critical care to ensure the highest quality of acute intensive care facilities are always available in its dedicated Critical Care Unit. It is one of very few centres in the independent healthcare sector providing this level of critical care and allows the charity to take on the most complex cases as well as avoiding the need to transfer patients to the NHS if their condition dictates. A critical care backup service is also made available to other London independent hospitals and the NHS.

It has invested heavily in cancer services, technology and facilities, to offer patients the expertise and reassurance they need. The multi-disciplinary team approach to patient care helps the expert clinicians who practice at the Charity to offer the most individual, tailored course of treatment possible. In recent years the Charity has invested in the CyberKnife Robotic Radiosurgery System - a non-invasive and pain free alternative to surgery for the treatment of both cancerous and non-cancerous tumours. This treatment is not widely available on the NHS. The Charity also operates the Varian Trilogy System with Rapid Arc technology, which delivers radiation directly into tumours, thereby lessening the risk of attacking the surrounding healthy tissue, at a greater speed than other conventional radiotherapy treatments.

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

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

Research and Best Practice

The outstanding 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 now the UK's first 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 and the British Bone Marrow Registry providing bone marrow and stem collection and harvesting. Highly skilled medical staffs are able to use the Charity's state of the art facilities to support the Charity in providing a calm and relaxing environment for the life-saving donors who have agreed to give their bone marrow for patients in need of transplants. In 2013, the Charity achieved Centre of Excellence status to the Anthony Nolan Trust and now provides training to other collection centres. The Charity collected 365 donations and 67 bone marrow harvests in the period. The Charity also supports the full time employment of a dedicated bone marrow nurse who works within the Charity and outside to promote the aims of stem cell transplantation.

The Charity's charitable status has allowed it to invest heavily in new technologies and treatments and by doing so 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 with specialised in depth knowledge in both the field of radiotherapy technology as well as clinical application. The Charity now provides a specialist clinical training programme to physicians, oncologists and radiation technologists from other healthcare institutions and departments across the UK, in the use and application of specialist Radiation-Oncology software and technology.

The Charity has established a dedicated clinical trials unit, the Advanced Therapies Centre, to take advantage of the pre-eminent facilities available, particularly within the Duchess of Devonshire Wing, to provide phase 2 and 3 clinical trials. This will provide patients with access to treatments through clinical trials and new medicines and technologies and access to named patient programmes and specialised clinical procedures, which are often not available elsewhere and drive forward translational research in these areas for public benefit generally.

The Advanced Therapies Centre has supported 32 research projects throughout 2013 presently in various stages from set up and protocol development to close out in collaboration with Academic University and other NHS Hospitals. The trials extend to investigational medicinal products, medical devices and simple bench top research using tissue and blood samples.

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

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

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

The Charity coordinates multi-disciplinary meetings for cancer and non-cancer care, which are accredited by the appropriate Royal Colleges. These meetings provide the opportunity for peer discussion and review of the

diagnosis and care plans of patients receiving treatment for cancer with the full multi-disciplinary team caring for each patient.

The Charity has established a 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.

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

In 2013 the Charity sponsored and supported the Extreme Everest project, an expedition to study the effects of oxygen deprivation (hypoxia) at altitude, in order to develop treatments that will benefit critically ill patients in intensive care units. Sea level testing for the event took place at The London Clinic in December 2012 and January 2013.

In 2013 the Charity made a commitment to sponsor the Royal Society of Medicine's Annual Lectures which promotes the exchange of information and ideas on the science and practice of medicine.

Training

For each clinical speciality, 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, colo-rectal, pain, radiotherapy, cancer nursing and preoperative assessment. The Charity is proud of its high nurse to patient ratio that provides the patient with the highest standard of nursing care in the sector.

The Charity believes that training and development for all staff is fundamental to its growth and success. Clinical and management training is provided in-house and staff are supported financially to attend courses and achieve qualifications.

The Charity has also funded specialist chemotherapy training for our nurses at The Royal Marsden NHS Foundation Trust.

The Charity has a fully equipped clinical skills laboratory for staff to support an on-going programme of training in clinical skills, treatments and early preventative interventions. The programme is accredited and oversubscribed.

The Charity is accredited by United Kingdom British Resuscitation Council to provide advanced adult and paediatric life support courses. All training courses are also open to healthcare staff from the NHS and other hospitals on a cost recovery basis.

The Charity provides a number of training courses, workshops and study days for student nurses.

The Charity provides training placements to undergraduate student nurses as part of The London Clinic's provided/partnership with City University's School of Nursing.

The Charity continued to work closely with its local community on a number of projects, for example, in collaboration with a local school providing students with work experience & education days.

Working with The London Evening Standard and City Gateway, the Charity is helping young people get back into the working environment by offering apprenticeships in a variety of areas around the Charity's clinical and administrative facilities.

Trustees and Management

The Trustees of the Charity are the members of the Company and form the Board of Trustees, which is empowered by the Articles of Association of the Company to act as its Board of Directors. Trustees are nominated and elected by the Board of Trustees. An appropriate induction and training programme is created to meet the individual needs of new Trustees.

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

Professor Robin Williamson

Pancreatobiliary surgeon. President of the Royal Society of Medicine 2008-2010. Former Professor and Director of Surgery at the Royal Postgraduate Medicine School and the Hammersmith Hospital, London. Retired from NHS practice in March 2009 but continues as Anatomy Demonstrator at Imperial College.

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.

Lady Otton (appointed 25 September 2013)

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 a trustee at Marie Curie Cancer Care. She is currently a trustee of the Institute of Cancer Research.

Mr 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, assisted in a number of important historic buildings restorations in central London. Trustee of The Canal and River Trust.

Mr Rupert S Ponsonby

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

Mr Hamish Leslie Melville

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

The Company Secretary at 31 December 2013 was Fiona Morrison.

Professor Robin Williamson is acting Chairman of the Audit Committee and Mr Leslie Melville and Mr Ponsonby are members of that Committee. The Audit Committee meetings are also attended by the Charity's auditors and the relevant members of the Executive Board, the Group Financial Controller and the Head of Internal Audit.

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

The Trustees of the Charity meet quarterly to consider strategic, operational, financial and clinical governance issues presented by the Executive Board. The Executive Board is responsible for advising the Trustees on the strategic direction of the Clinic and for the preparation of annual budgets and business plans in line with the agreed strategy. The Clinic's financial performance against operational and capital expenditure budgets are also reported monthly to the Trustees.

The members of the Executive Board at 31 December 2013 were:

Mr Paul Holdom, Chief Executive

Mr Anthony Beecroft, Capital Planning Director

Mr Simon St Clair Carter, Medical Director

Ms Nuala Close, Matron / Director of Nursing

Ms Debbie Colebourn, Marketing Director

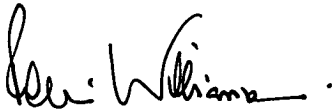
Ms Marina Griffin, Director of Operations

Ms Gillian Irvine, Human Resources and Training Director

Ms Fiona Morrison, Company Secretary / Head of Legal

Mr Sanjay Shah, Chief Financial Officer (resigned 31 January 2014)

The Medical Advisory Committee, which comprises a representative group of senior clinicians, advises the Trustees on clinical matters. The Trustees are invited to attend the meetings of that Committee along with relevant members of the Executive Board. The Committee reviews all applications by clinicians for admitting rights to the Charity. The Charity also holds regular consultant group meetings to discuss developments and other matters relevant to their speciality.

A handwritten signature in black ink, appearing to read 'Robin Williamson', followed by a small dot.

Professor Robin Williamson
Chairman of The Board of Trustees

STRATEGIC REPORT

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

Incoming Resources

The Charity's incoming resources before investment income and donations for the year have increased by 4.2% to £136.6m (2012: £131.1m). Incoming resources from activities are stated net of charitable and related discounts.

During the year, 7,152 patients (2012: 7,281) were admitted as inpatients and a further 14,315 patients (2012: 14,219) were treated as daycases. Total inpatient days were 37,932 (2012: 37,054). The Charity also provided 104,665 (2012: 104,235) outpatient treatments. 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.

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

Net Incoming Resources

Net incoming resources before other recognised gains and losses were £9.9m (2012: £12.7m). The Charity has continued to increase revenues and invest in front line services for the future. It is anticipated, however, that financial performance will remain under pressure throughout 2014. The Charity's operating costs of £126.8m (2012: £118.5m) have risen by 7%.

Capital Expenditure

In 2013 the Charity invested £10.6m (2012: £15.3m) in the renewal and replacement of Clinic's infrastructure.

In the past 5 years, the Charity's accumulated retained surplus has been £73.0m and during this period £119.1m has been spent in capital expenditure for the furtherance of the Charity's charitable objectives.

Fixed Assets

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £198.2m (2012: £202.4m). The Charity invested £10.6m in the current year and £119.1m over the last 5 years.

Investments

The Charity currently holds investments with a market value of £1.0m (2012: £0.8m). The Charity's investment policy is to provide income while protecting capital from the effects of inflation. The policy was maintained throughout the year and is still currently in force. The Charity monitors the performance of the investment manager against various benchmarks and responds accordingly.

Working Capital and Liquidity

The Charity has generated strong net cash inflows from operating activities of £22.9m (2012: £25.1m). This has been achieved through continued good trading performance and careful cash management, which has allowed capital investment to be undertaken during the year.

Net current assets have increased to £15.5m (2012 net current liabilities £14.3m) following the renewal of the Charity's banking facilities in 2013. 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 2013, the Charity held cash of £8.1m and had unutilised banking facilities of £48.0m. Net debt has improved from £20.5m to £8.1m, showing the Charity's strong financial position.

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

The Charity's reserves are derived from the provision of medical services, which have been generally stable over the years. As a consequence, the Trustees believe that the Charity is well placed to manage its business risks. The Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the financial statements.

Taxation

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

Accounting Policies

The principal accounting policies remain unchanged over the last period of accounts and are disclosed in note 2 to the accounts on pages 20 to 22.

Strategic Review for 2014

During 2014 the Charity will maintain the focus on achieving its objectives and will continue to invest further in medical technology, facilities, clinical and nursing support that will enable the introduction of new services and treatments to patients and the wider community.

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

In 2014, the Charity will continue to promote its oncology and specialist services, to the consultant community and a broad range of potential patients.

The Charity will also continue its on-going redevelopment programme to update inpatient bedrooms and expand its clinical facilities, which will include additional bedrooms and a replacement of infrastructure on the main clinic site, including new critical beds which meet new stringent regulations.

Governance and Internal Control

The Trustees strongly support the principles of corporate governance and aim, where appropriate, to comply with the requirements for listed companies.

The Trustees have overall responsibility for ensuring that the Charity has appropriate systems of controls, financial and otherwise. The Trustees are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

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

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

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

The Audit Committee meets twice a year. The Audit 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 an annual review 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 Committee reviews the internal audit reports, which are also circulated to the Charity's external auditors.

The Trustees confirm that the major risks to which the Charity is exposed have been reviewed and systems have been established to mitigate those risks. The Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 2.

Principal Risks and Uncertainties

The most significant risks facing the Charity arise from the on-going expansion and redevelopment programme and the possible impact of the further concentration of the private medical insurance market, which could impact future reimbursement levels and legislation relating to charities.

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

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 Charity was subject to Care Quality Commission (CQC) inspections in January 2013 and January 2014. The CQC concluded that standards were being met in the areas tested (treating patients with respect, care standards, protecting patients from harm, staffing standards and quality standards).

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

Reserves and Reserves Policy

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

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 redevelopment 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.

During the year, the defined benefit pension scheme resulted in an unrealised actuarial gain of £5.3m (2012: loss £8.8m). The deficit in the scheme under FRS17 assumptions decreased from £28.8m to £22.7m principally due to an increase in the value of the scheme assets. The Trustees have implemented a programme to reduce the deficit over a period of time. The scheme was closed to new employees on 1 January 2002.

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

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 an annual staff briefing day. 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 people. All candidates are selected and appointed on the basis of their ability to perform the duties of the job. All employees are encouraged to develop their career through training and development.

Related parties

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

Auditor

Each of the Trustees at the date of approval of this report confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the 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 June 2014.

These financial statements were approved by The Board of Trustees on 25 June 2014 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Robin Williamson', followed by a horizontal line.

Professor Robin Williamson
Chairman of The Board of Trustees

Statement of Trustees' responsibilities in relation to the financial statements

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

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

In preparing these financial statements, the Trustees are required to:

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

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

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

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

We have audited the financial statements of Trustees of the London Clinic Limited for the year ended 31 December 2013, which comprise the Consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account and a Statement of Total Recognised Gains and Losses), the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 2013, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

26 June 2014

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

For the year ended 31 December 2013

INCOMING RESOURCES FROM GENERATED FUNDS	Note	Unrestricted Funds £000	Restricted Funds £000	2013 Total £000	2012 Total £000
Voluntary income					
Donations and gifts		-	-	-	53
Investment income	5	-	44	44	56
Charitable activities					
Provision of hospital activities		136,610	-	136,610	131,064
Total incoming resources		136,610	44	136,654	131,173
RESOURCES EXPENDED					
Charitable activities					
Provision of hospital activities		124,348	185	124,533	114,174
Governance costs		149	-	149	154
Interest Payable		800	-	800	2,725
Net Pension Cost		1,286	-	1,286	1,448
Total resources expended	3	126,583	185	126,768	118,501
Net income/ (expenditure) for the year		10,027	(141)	9,886	12,672
OTHER RECOGNISED GAINS/(LOSSES)					
Gain on investment assets	7	-	160	160	91
Actuarial gain/ (loss) on defined benefit pension scheme	18	5,264	-	5,264	(8,812)
Net movement in funds		15,291	19	15,310	3,951
Total funds at 1 January		160,106	1,423	161,529	157,578
Total funds at 31 December		175,397	1,442	176,839	161,529

The notes on pages 20 to 30 form part of these financial statements.

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

The total incoming resources for the Charity were £136,654k (2012: £131,173k) and the net income was £9,887k (2012: £12,673k).

Consolidated balance sheet

At 31 December 2013

	Note	2013		2012	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	6		1,123		1,457
Tangible assets	9		198,238		202,389
Investments	7		965		805
Investment in associate	8		2		2
			200,328		204,653
Current assets					
Stocks	10	2,739		2,664	
Debtors:					
- amounts falling due within one year	11	22,922		19,015	
Cash and cash equivalents	12	8,139		30,769	
		33,800		52,448	
Creditors: amounts falling due within one year	13	(18,292)		(66,730)	
Net current assets /(liabilities)			15,508		(14,282)
Total assets less current liabilities			215,836		190,371
Creditors: amounts falling due after one year	13		(16,300)		-
Net assets excluding pension liability			199,536		190,371
Defined benefit pension scheme liability	18		(22,697)		(28,842)
NET ASSETS INCLUDING PENSION LIABILITY	15		176,839		161,529
FUNDS					
RESTRICTED					
Revenue reserve	15	1,077		1,219	
Revaluation reserve	15	365		204	
			1,442		1,423
UNRESTRICTED					
Revenue reserve	15	196,844		187,698	
Revaluation reserve	15	1,250		1,250	
Unrestricted funds before pension liability		198,094		188,948	
Pension deficit	18	(22,697)		(28,842)	
Total funds	15		176,839		160,106
			176,839		161,529

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 25 June 2014 and were signed on its behalf by:



Professor Robin Williamson
Chairman of The Board of Trustees

Charity balance sheet

At 31 December 2013

	Note	2013		2012	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		198,489		202,645
Investments	7		965		805
Investment in subsidiary	8		1,998		1,998
Investment in associate	8		2		2
			201,454		205,450
Current assets					
Stocks	10	2,739		2,664	
Debtors:					
- amounts falling due within one year	11	22,938		19,029	
Cash and cash equivalents	12	8,139		30,769	
		33,816		52,462	
Creditors: amounts falling due within one year	13	(18,292)		(66,730)	
Net current assets / (liabilities)			15,524		(14,268)
Total assets less current liabilities			216,978		191,182
Creditors: amounts falling due after one year	13		(16,300)		-
Net assets excluding pension liability			200,678		191,182
Defined benefit pension scheme liability	18		(22,697)		(28,842)
NET ASSETS INCLUDING PENSION LIABILITY	15		177,981		162,340
FUNDS					
RESTRICTED					
Restricted reserve	15	1,077		1,219	
Revaluation reserve	15	365		204	
			1,442		1,423
UNRESTRICTED					
Unrestricted reserve	15	197,986		188,509	
Revaluation reserve	15	1,250		1,250	
Unrestricted funds before pension liability		199,236		189,759	
Pension deficit	18	(22,697)		(28,842)	
Total funds	15		177,981		162,340

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved by The Board of Trustees on 25 June 2014 and were signed on its behalf by:



Professor Robin Williamson
Chairman of The Board of Trustees

Consolidated cash flow statement

For year ended 31 December 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	19	22,853	25,092
Return on investment and servicing of finance			
Interest received on investment income	5	44	56
Capital expenditure and financial investments			
Purchase of Charity's functional assets	9	(10,577)	(15,277)
Receipts from sale of fixed assets investments	7	-	365
		10,577	(14,912)
Net cash inflow before financing		12,320	10,236
Management of liquid resources			
Decrease in short term cash investments		-	10,000
Financing			
Net repayment of loan		(34,950)	(1,667)
(Decrease) / increase in cash and cash equivalents		(22,630)	18,569

Reconciliation of net cash flow to movements in net funds

		2013 £000	2012 £000
(Decrease) /increase in cash and cash equivalents		(22,630)	18,569
Decrease in liquid resources		-	(10,000)
Cash outflow from financing		34,950	1,667
Net debt at 1 January		(20,481)	(30,717)
Net debt at 31 December	20	(8,161)	(20,481)

Notes to the accounts

(Forming part of the financial statements)

1. Charity status

The charitable Company is limited by guarantee and does not have share capital.

Every member undertakes to contribute to the assets of the Charity in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, such amount as may be required not exceeding £1 for the payment of the debts and liabilities contracted before he or she ceases to be a member.

The Charity is exempt from the Income and Corporation Taxes Act 2010 on its charitable activities.

2. Accounting policies

The following accounting policies have been applied consistently in both the current and preceding year in dealing with items which are considered material in relation to the Charity's financial statements.

Accounting bases

The accounts, incorporating the Statement of Financial Activities (SOFA), have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, UK law and also applicable UK accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties and investments.

Going Concern

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.

Basis of consolidation

The group financial statements consolidate the accounts of the parent Company and its subsidiaries made up to 31 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated statement of financial activities from the date of acquisition to the date of disposal. In accordance with the Companies Act 2006, the Charity is exempt from the requirement to present separately its own statement of financial activities.

Incoming resources

Incoming resources from activities in furtherance of charitable objectives are included in the consolidated statement of financial activities. Incoming resources comprise fees for the provision of treatment to patients and other hospital services, and represent the total amounts receivable in the ordinary course of business for goods and services after discounts and value added tax where applicable. Donations and gifts are accounted for on receipt except where the donation is returnable in the event that the condition of the donation is not met.

Resources expended

Governance costs are associated with the governance arrangements of the Charity and relate to the general running of the Charity. These costs include audit, legal advice for the Trustees and costs associated with meeting constitutional and statutory requirements such as the cost of Trustees meetings and the preparation of statutory accounts. Support costs are the costs which enable charitable activities to be undertaken. These include all costs within the following departments: Finance, Human Resources, Information Technology, Property Management, Marketing, Operations, Security, Medical Director and Corporate Affairs.

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

Notes (continued)

Accounting policies (continued)

Intangible fixed assets - Goodwill

In accordance with Financial Reporting Standard No.10 (Goodwill and intangible assets) goodwill arising on the acquisition of a business is capitalised and amortised over its useful economic life. Useful economic lives are determined on a case by case basis, as disclosed in note 6. Impairment reviews are carried out after the first full year following acquisition and at any other time that the Trustees believe an indication for impairment may have occurred.

Tangible fixed assets and depreciation

Expenditure on plant and machinery and on the acquisition, alteration, and reconstruction of building is capitalised. Depreciation is charged to write off the cost or valuation less the estimated residual value of fixed assets in equal instalments over their estimated useful economic lives as follows:

Freehold property	-	50 years
Long leasehold property	-	Shorter of 50 years or length of lease
Building refurbishments	-	8 – 20 years
(included in freehold and leasehold properties)		
Fixtures and equipment	-	3 – 15 years

No depreciation is provided on construction in progress including sites purchased for redevelopment. Capitalised construction costs include directly attributable fees, expenses and finance charges. The interest rate applied to funds provided for property development is the rate payable on borrowings raised specifically for the development. Interest is capitalised until the property is ready for use, if the total capitalised cost is less than the open market value.

In accordance with Financial Reporting Standard No.15 (Tangible Fixed Assets) the book value of fixed assets at cost or valuation as at 30 September 1999 has been retained and these valuations will not be updated. Subsequent additions are capitalised at cost. The value below which fixed assets are not capitalised is currently £1,000.

Investments

Listed investments are stated at market value as at the balance sheet date. Realised and unrealised gains and losses on investments during the period are shown in the Consolidated Statement of Financial Activities (SOFA) on page 16.

Stocks

Stocks, which comprise goods used in the provision of services to patients and other customers, are valued at the lower of cost and net realisable value. Cost means purchase price less trade discounts. Net realisable value means estimated selling price less trade discounts and all costs of sale. Provision is made for obsolete, slow moving or defective items where appropriate.

Cash flow and liquid resources

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

Leases

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

Pension and other post-retirement benefits

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Defined benefit scheme assets are held separately from those of the Charity. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit

Notes (continued)

Accounting policies (continued)

Pension and other post-retirement benefits (continued)

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

The actuarial valuation is obtained at least tri-annually and is updated in the accounts at each balance sheet date. The resulting defined benefit asset or liability is shown separately on the face of the balance sheet. A pensions reserve has been created within the unrestricted funds in compliance with paragraph 335 of the SORP.

Pension costs for the defined contribution scheme are charged to the accounts on an accrual basis in accordance with the requirements of FRS17 Retirement Benefits. Details of the Charity's pension schemes are disclosed in note 18 to the accounts. The difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Reserves

The Charity's reserves comprise restricted funds (representing donations received for specific purposes) and unrestricted funds.

Unrestricted funds comprise the accumulated surpluses and deficits of the Charity, which have not been restricted for any specific purpose, and include funds invested in the functional fixed assets of the Charity.

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

3. Total resources expended

Resources expended in the year comprise:

	Direct Charitable (Hospital) £000	Governance Costs £000	Support Costs £000	2013 Total £000	2012 Total £000
Staff costs (note 4)	50,074	69	7,803	57,946	53,823
Depreciation of fixed assets (note 9)	15,013	-	-	15,013	12,872
Impairment (note 9)	2,204	-	-	2,204	-
Amortisation of goodwill (note 6)	334	-	-	334	334
Operating leases - Plant and machinery	26	-	-	26	243
Operating leases - Other	3,378	-	-	3,378	3,373
Bank Interest Payable	800	-	-	800	2,725
Auditor's remuneration: fees payable to the Charity's auditor for the audit of the Charity's annual accounts	-	58	-	58	56
Net pension cost (note 18)	1,286	-	-	1,286	1,448
Other operating expenses	36,963	22	8,738	45,723	43,627
	110,078	149	16,541	126,768	118,501

Auditor's remuneration for non-audit work for the period was nil (2012: £24k).

Notes (continued)

4. Staff and Trustees

Staff costs comprise:	2013	2012
	£000	£000
Wages and salaries	38,071	37,146
Social security costs	4,474	4,469
Bank and agency	11,895	9,300
Other pension costs (note 18)	3,506	2,908
	57,946	53,823

Average number of employees during the period	1,042	1,045
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All staff in 2013 and 2012 were employed in fulfilling the provision of medical services, which is the sole purpose of the Charity.

The Trustees received no emoluments from the Charity during the period (2012: £nil).

Private medical insurance provided to the Trustees:-	2013	2012
	£	£
Mr Michael D Abrahams CBE DL	-	9,386
Professor Robin Williamson	9,101	8,792
Mr Rupert S Ponsonby	5,253	4,679
The Duchess of Devonshire DL	4,486	4,396
	18,840	27,253

The Charity reimbursed travelling and other expenses of 3 Trustees for £3,174 (2012: 2 Trustees for £5,618).

Accommodation has been provided within the hospital premises, on an occasional basis, without charge, to Professor Robin Williamson as Chairman and to Paul Holdom, Chief Executive to enable them to fulfil their duties.

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

	2013	2012
	No.	No.
£ 60,001 - £70,000	24	30
£ 70,001 - £80,000	11	8
£ 80,001 - £90,000	4	3
£ 90,001 - £100,000	2	1
£100,001 - £110,000	2	3
£110,001 - £120,000	0	2
£120,001 - £130,000	2	1
£130,001 - £140,000	1	-
£140,001 - £150,000	1	1
£150,001 - £160,000	2	2
£160,001 - £170,000	1	1
£170,001 - £180,000	2	1
£180,001 - £190,000	1	-
£280,001 - £290,000	-	1
£310,001 - £320,000	-	1
£380,001 - £390,000	-	1
£390,001 - £400,000	1	-
£410,001 - £420,000	-	1
£850,001 - £860,000*	1	-
Total	55	57

*Includes contractual payments in lieu of notice

In the period, the provision of money purchase benefits were provided to 44 employees of the above (2012:24 employees) and the contribution paid was £339,116 (2012: £319,195). There are 10 employees who are part of the defined benefit scheme (2012:13 employees.)

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

Notes (continued)

5. Investment Income

	2013	2012
	£000	£000
Interest on bank balances and short term investments	<u>44</u>	<u>56</u>

6. Intangible fixed assets

Goodwill

	2013	2012
	£000	£000

Group

Cost

At 1 January	5,741	5,741
Additions	-	-
31 December	<u>5,741</u>	<u>5,741</u>

Amortisation

1 January	4,284	3,950
Provided during the year	334	334
31 December	<u>4,618</u>	<u>4,284</u>

Net book value as at 31 December	<u>1,123</u>	<u>1,457</u>
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Goodwill arising during the prior year is being amortised over 6 years on a straight line basis.

7. Fixed asset investments

Group and Charity

2013

2012

Listed investments

	Cost	Value	Cost	Value
	£000	£000	£000	£000
At 1 January	565	805	1,020	1,079
Disinvestment	-	-	(455)	(365)
Revaluation	-	160	-	91
At 31 December	<u>565</u>	<u>965</u>	<u>565</u>	<u>805</u>

Staff Training & Education Fund

The staff training and education fund was established for the training and education of staff from all disciplines. The fund is financed by the investment income generated by the managed M&G investment, Charifund, which is based in the UK, and donations from patients. The value of the fund held in the M&G Charifund, was £965k (2012: £805k). The objectives of the fund are the furtherance of training and education.

8. Subsidiary and Associate undertakings

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Investment in subsidiary	<u>-</u>	<u>-</u>	<u>1,998</u>	<u>1,998</u>
Investment in associate	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

None of the undertakings have a material effect on the group accounts. A list of subsidiary undertakings can be obtained from the Charity's principal address at 20 Devonshire Place, London, W1G 6BW. The subsidiaries as at December 2013 are owned in full and are all registered in England and Wales.

Notes (continued)

9. Tangible fixed assets

Group	Land and Buildings				Total
	Freehold Property £000	Long Leasehold £000	Fixtures & Equipment £000	Construction in progress £000	
Cost or Valuation					
1 January 2013	15,045	199,573	59,980	15,678	290,276
Additions	-	1,635	4,406	7,025	13,066
Transfers	-	71	86	(157)	-
Disposals	-	(14)	(756)	(4)	(774)
31 December 2013	15,045	201,265	63,716	22,542	302,568
Depreciation					
1 January 2013	735	51,876	35,276	-	87,887
Provided during the year	129	7,140	7,744	-	15,013
Disposals	-	(14)	(756)	(4)	(774)
Impairment	-	-	2,204	-	2,204
31 December 2013	864	59,002	44,468	(4)	104,330
Net Book Value					
At 31 December 2013	14,181	142,263	19,248	22,546	198,238
At 31 December 2012	14,310	147,696	24,706	15,677	202,389

Charity	Land and buildings				Total
	Freehold Property £000	Long Leasehold £000	Fixtures & Equipment £000	Construction in progress £000	
Cost or valuation					
1 January 2013	15,296	199,573	59,980	15,678	290,527
Additions	-	1,635	4,406	7,025	13,066
Transfers	-	71	86	(157)	-
Disposals	-	(14)	(756)	(4)	(774)
31 December 2013	15,296	201,265	63,716	22,542	302,819
Depreciation					
1 January 2013	730	51,876	35,276	-	87,882
Provided during the year	134	7,140	7,744	-	15,018
Disposals	-	(14)	(756)	(4)	(774)
Impairment	-	-	2,204	-	2,204
31 December 2013	864	59,002	44,468	(4)	104,330
Net Book Value					
At 31 December 2013	14,432	142,263	19,248	22,546	198,489
At 31 December 2012	14,566	147,696	24,706	15,677	202,645

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

Accumulated capitalised financing costs of £2.9m (2012: £2.9m) are included in tangible fixed assets. The difference between the Group's and the Charity's opening fixed asset balance is due to a historic difference in accounting policy over the capitalisation of finance costs. On January 2013, a mortgage debenture between the Charity and its bankers was sealed, creating a charge on the above properties with a current loan of £17.0m (2013: £51.3m).

Notes (continued)

10. Stocks

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Raw materials and consumables	<u>2,739</u>	2,664	<u>2,739</u>	2,664
Consignment stock not included in balance sheet	<u>1,818</u>	1,693	<u>1,818</u>	1,693

11. Debtors

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	20,199	15,957	20,199	15,957
Amounts owed by subsidiary undertakings	-	-	14	14
Other debtors	485	463	485	463
Prepayments and accrued income	<u>2,238</u>	2,595	<u>2,240</u>	2,595
	<u>22,922</u>	19,015	<u>22,938</u>	19,029

12. Cash and short term investments

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Cash and cash equivalents	<u>8,139</u>	30,769	<u>8,139</u>	30,769

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

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade creditors	3,491	4,090	3,491	4,090
Taxation and social security	1,613	1,537	1,613	1,537
Bank loan due in less than 1 year	-	51,250	-	51,250
Other creditors	4,066	2,423	4,066	2,423
Accruals*	<u>9,122</u>	7,430	<u>9,122</u>	7,430
	<u>18,292</u>	66,730	<u>18,292</u>	66,730

* Includes the year end capital accrual of £2.9m (2012: £0.5m).

(b) Creditors: amounts falling due after one year

	Group		Charity	
	2013	2012	2013	2012
	£000	£000	£000	£000
Bank loan due 2 – 5 years	<u>16,300</u>	-	<u>16,300</u>	-

Floating interest rates on bank borrowing facilities of £65m are based on LIBOR. The bank borrowings are secured by a fixed and floating charge on certain assets of the Charity.

Notes (continued)

14. Reserve movements for year

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
Group					
1 January 2013	204	1,250	1,218	158,856	161,528
Net incoming resources	-	-	(141)	10,027	9,886
Other recognised gain	161	-	-	5,264	5,425
31 December 2013	365	1,250	1,077	174,147	176,839
Charity					
1 January 2013	204	1,250	1,218	159,668	162,340
Net incoming resources	-	-	(141)	10,357	10,216
Other recognised gain	161	-	-	5,264	5,425
31 December 2013	365	1,250	1,077	175,289	177,981

15. Analysis of net assets by fund

	Revaluation reserve		Revenue reserve		Total
	Restricted £000	Unrestricted £000	Restricted £000	Unrestricted £000	£000
Group					
Fixed asset investments	365	-	600	-	965
Other fixed assets	-	1,250	-	196,844	198,094
Net current assets	-	-	477	-	477
Total funds excluding pension liability	365	1,250	1,077	196,844	199,536
Pension liability	-	-	-	(22,697)	(22,697)
Total net assets	365	1,250	1,077	174,147	176,839
Charity					
Fixed asset investments	365	-	600	-	965
Other fixed assets	-	1,250	-	197,986	199,236
Net current assets	-	-	477	-	477
Total funds excluding pension liability	365	1,250	1,077	197,986	200,678
Pension liability	-	-	-	(22,697)	(22,697)
Total net assets	365	1,250	1,077	175,289	177,981

16. Capital commitments

	2013 £000	2012 £000
Group and Charity:		
Committed and contracted	5,763	1,295

The Board of Trustees have approved a capital expenditure budget of £29.2 million budget for 2014 (2013: £27.9 million).

Notes (continued)

17. Operating lease commitments

Group and Charity	2013		2012	
	Land & Buildings	Other	Land & Buildings	Other
Expiry date	£000	£000	£000	£000
- less than one year	-	32	-	32
- between one and five years	7	-	7	-
- after five years	3,459	-	3,468	-
	3,466	32	3,475	32

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

18. Pension schemes

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

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

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

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

Assumptions of annual increase:

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

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

The ongoing funding contributions to the scheme were 22.7% (2012: 22.7%) of pensionable salaries. Employee contribution rates were based on earnings and ranged between 5% and 7.5%.

During the year the employer contributed an additional £2.15m in respect of past service benefits. Further contributions will be made each year to ensure that the scheme's deficit is eliminated over 12 years from the actuarial valuation on 1 January 2012. The employer expects to contribute £3.2m to the defined benefit plan in the year to 31 December 2014. At 31 December 2013 there were no outstanding contributions due to the defined contribution scheme.

Total pension charge for the year including the defined contribution scheme was £3,506k (2012: £2,908k).

The actuarial valuation has been updated by an independent qualified actuary to take account of the requirements under FRS 17 in order to assess the liabilities of the scheme at 31 December 2013. The projected unit method is used to value the liabilities of the defined benefit pension scheme. As the defined benefit scheme is closed to new employees the current service costs under the projected unit method will increase as the members of the scheme approach retirement.

Notes (continued)

18. Pension Schemes

In addition to the defined benefit scheme the employer operates a defined contribution scheme. The standard employer contributions are 5% to the defined contribution scheme with the employee contributing a minimum of 3%. Certain members of the defined contribution scheme receive higher employer contributions. Contributions to the workplace pension scheme are 1% each from the employer and the employee on earnings over £5,668.

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	2013	2012
	£000	£000
Present value of funded obligations	(85,422)	(84,466)
Fair value of plan assets	62,725	55,624
Net liability	<u>(22,697)</u>	<u>(28,842)</u>

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

	2013	2012
	£000	£000
Interest on obligation	3,717	3,551
Expected return on plan assets	(2,431)	(2,103)
Net cost / return	1,286	1,448
Current service cost	1,155	1,062
Total	<u>2,441</u>	<u>2,510</u>

Actual return during the year on plan assets	<u>5,746</u>	<u>(4,277)</u>
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Changes in present value of the defined benefit obligation are as follows:

	2013	2012
	£000	£000
Opening defined benefit obligation	84,466	71,012
Service cost	1,155	1,062
Interest cost	3,717	3,551
Actuarial (gain) / loss	(1,949)	10,986
Benefits paid	(1,967)	(2,145)
Total	<u>85,422</u>	<u>84,466</u>

Changes in fair value of plan assets are as follows:

	2013	2012
	£000	£000
Opening fair value of plan assets	55,624	50,596
Expected return	2,431	2,103
Actuarial gain	3,315	2,174
Contributions by employer	3,322	2,896
Benefits paid	(1,967)	(2,145)
Total	<u>62,725</u>	<u>55,624</u>

Net actuarial gain / (loss)	<u>5,264</u>	<u>(8,812)</u>
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The major categories of plan assets as a percentage of total plans assets are as follows:

	2013	2012
	%	%
Equities	37	40
Bonds	25	37
Other	33	19
Cash	5	4

Notes (continued)

18. Pension Schemes (continued)

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

	2013	2012
	%	%
Discount rate at 31 December	4.7	4.4
Expected return on plan assets at 31 December	4.7	4.3
Future salary increases	2.3	2.3
Future pension increases	3.1	2.7

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

	2009	2010	2011	2012	2013
	£000	£000	£000	£000	£000
Defined benefit obligation	(70,378)	(70,213)	(71,012)	(84,466)	(85,422)
Plan assets	43,906	48,205	50,596	55,624	62,725
(Deficit)	(26,472)	(22,008)	(20,416)	(28,842)	(22,697)
Experience adjustment on plan liabilities	89	1,505	907	(1,268)	(723)
Experience adjustment on plan assets	3,802	531	(3,773)	2,174	2,431

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

Group	2013	2012
	£000	£000
Net income for the year	9,886	12,672
Interest received	(44)	(56)
Depreciation of tangible fixed assets	17,217	12,872
Amortisation of goodwill	334	334
Net retirement benefit charge less contributions	(881)	(386)
Increase in stock	(75)	(582)
Increase in debtors	(3,907)	(1,650)
Increase in creditors	323	1,888
Net cash inflow from operating activities	22,853	25,092

20. Analysis of changes in net debt

	At 1 Jan 2013	Cash Flows	Other Changes	At 31 Dec 2013
	£000	£000	£000	£000
Cash and equivalents	30,769	-	(22,630)	8,139
Debt due within one year	(51,250)	51,250	-	-
Debt due after one year	-	(16,300)	-	(16,300)
Total	(20,481)	34,950	(22,630)	8,161

21. Taxation

Trustees of the London Clinic Limited is a registered Charity and as such is exempt from taxation on its income and gains to the extent they are applied to its charitable purposes.