

# **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 2017



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## Trustees' report

### Advisers and principal addresses

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

**Auditor:** Deloitte LLP  
Statutory Auditors  
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**Bank:** HSBC PLC  
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**Solicitors:** Addleshaw Goddard LLP  
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Berwin Leighton Paisner LLP  
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London EC4R 9HA

Pinsent Masons LLP  
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London EC2A 4ES

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## TRUSTEES' REPORT

The Trustees are pleased to present their annual report and audited financial statements for the group for the year to 31 December 2017.

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 Mission Statement, Vision and Values form 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.

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. 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 and other charitable activities.

### **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
- 75 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 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, 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 also provides a wide range of allied professional services including a full imaging service to both outpatients and inpatients and has its own pathology facility, specialist eye centre and physiotherapy provision, including hydrotherapy pool and gym.

We pride ourselves on the ability to put together large medical and surgical teams around the individual patient with complex clinical problems and the need for reconstructive surgery. This is supported by a world class Intensive Care unit providing complex level 2 and level 3 facilities with Intensive Care Consultants and resident Intensive Care research fellows to assist our specialist nursing team which includes an outreach service to our main wards.

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. The Charity operates with high nurse to patient ratios and has invested significantly in the development of 32 Clinical nurse specialist roles to support patients through their treatment pathways. Consultants and patients are also supported by 24 hour RMO cover and clinical research fellows.

### **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.

For many patients suffering from blood-related cancer such as leukaemia, a stem cell transplant is often the only chance of a cure and the London Clinic takes great pride in being the only independent hospital in the UK to offer bone marrow and peripheral blood stem cell collection.

Anthony Nolan, the UK's blood cancer charity, has been working with The London Clinic for over 17 years to provide bone marrow and peripheral blood stem cell collection services for their unrelated stem cell donors. Our facilities include a large dedicated area for collecting the stem cells from donors' blood using apheresis machines. 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. Additionally the Charity contributes to the funding of Clinical Research Fellows from Queen Mary University London working in our Haematology department.

The work carried out by the stem cell unit at The London Clinic is supported by our on-site pathology laboratory, which includes a dedicated stem cell laboratory that is accredited by both JACIE and UKAS and regulated by the HTA. In addition to supporting the in-house bone marrow collection service, the stem cell laboratory also carries out work for Anthony Nolan, BBMR and DKMS and a major NHS trust.

Charitable status has allowed the Charity to invest in new technologies and treatments and, by doing so, the Charity has helped develop expertise and techniques which have gone on to have general application elsewhere. Recent developments include being the first UK private hospital to introduce iTind treatment for non-cancerous enlarged prostates and an innovative deep brain stimulation (DBS) system to treat Parkinsons.

The Charity is recognised as one of the leading institutes of Radiation-Oncology in Europe and recently became the first hospital in the UK to offer prostate cancer patients a new treatment called SpaceOAR®. This is a treatment that protects the patient from the possibility of rectal damage sustained during radiotherapy treatment.

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

Other innovations include the use of molecular radiotherapy for the treatment of liver cancer which involves injecting millions of radioactive spheres into the hepatic artery. This treatment is not commonly available in the UK but the Charity is able to offer this treatment to its patients through the practice of a globally renowned oncologist.

The Charity was also the first UK hospital to perform colorectal interoperative radiotherapy which targets a single dose of low energy radiation directly to the tumour and can be used during surgery.

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. Since the opening of the unit the Charity has become the first private hospital in the UK to offer SpyGlass™ a new non-surgical service for the removal of stones from the bile duct.

Caring is one of our hospitals core values and one of the ways we demonstrate this through the quality of the oncology counselling service and palliative care service we provide to patients and their loved ones when they are facing a life-threatening illness. Our multidisciplinary service is provided free of charge to all inpatients and those attending for day case treatment. The team is led by our consultant in palliative medicine with support provided by a team of specialist nurses and counsellors. The quality and benefit of this service was described and rated as 'Outstanding' in our recent CQC report.

The Charity supports a dedicated clinical trials unit, the Advanced Therapies Centre (ATC), which project manages phase I to IV clinical trials as sponsor and host site. This provides patients with access to new treatments through clinical trials with medicines, medical devices and pioneering health technologies. In addition the Charity participates in special access programmes for early access to specialised clinical procedures, which are often not available elsewhere. Four projects in 2017 are Academic and assist in driving forward research in these areas for public benefit generally.

The ATC has hosted or sponsored 10 research projects for 164 patients on trial throughout 2017. The team provides research governance, trial management and quality assurance and facilitates collaboration with Universities, Charities and NHS hospitals.

The Charity operates its own pathology laboratory services and provides an extensive on-site repertoire covering allergy, biochemistry, endocrinology, haematology, blood transfusion, histology, cytology, immunology, virology, microbiology, point-of-care testing and stem cell processing. The laboratory team provides support for intraoperative Mohs and parathyroid surgical procedures. All the Charity's laboratory services are accredited by UKAS under the ISO15189:2012 standard.

### **Training**

The Charity believes that training and development for all staff is fundamental to its growth and success and for the benefit of the wider healthcare sector. 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 also funds specialist oncology and 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 Immediate Life Support (ILS) (adult) and basic paediatric life support courses. All training courses are also open to healthcare staff from the NHS and other hospitals on a cost recovery basis.

As part of its wider commitment to training and development in the sector 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.

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

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 providing them with valuable development for their future roles with other healthcare providers. In addition our physiotherapy department take up to 6 students per year from Kings College London for 5-6 weeks at a time.

The Charity funds career development and enrichment through its Staff Training and Education Fund and last year 47 applications were approved for a range of training and study including an MSC in acupuncture and training in psychology. We have also begun working with a local secondary school to provide two weeks' work experience in a range of clinical settings.

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 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. The 2017 lecture was delivered by Mr Samer Nashef, Consultant Cardiothoracic Surgeon who spoke on monitoring the quality of clinical care, how measuring the risk of treatment allows prediction of the outcome and the impact of these developments.

### **Clinical governance and quality of care**

The Trustees continue to place an overriding importance on ensuring the delivery of high quality, efficient and patient centred care. Key clinical governance activities are delivered consistently and robustly such as clinical audit, clinical effectiveness, clinical risk, staff performance management and training. These activities are underpinned by a governance framework covering committee structure, performance reporting, learning culture and policy management.

Key governance committees are well embedded within the Clinics committee structure including the weekly Quality Review Group chaired by a member of the Executive and the Incident Practice Review Group where every incident captured on the electronic incident management tool is reviewed, investigated and escalated as necessary.

The committee structure continues to grow and evolve with an emphasis placed on front line staff participation and engagement in clinical governance. Engaged staff deliver better health care and have been shown to; lower levels of patient mortality, improve resource management and deliver higher patient satisfaction results. The Medicines and Pain Management Committee and Clinical Audit Effectiveness Committee were introduced 2017 in addition to a newly structured Clinical Governance Committee. The Clinical Governance Committee is supported by a quarterly Comprehensive report providing the highest level of assurance.

The Medical Advisory Committee (MAC) continues to act as the expert advisory body on medical and clinical matters reporting to the Chief Executive. The MAC assist the Trustees and the Chief Executive in ensuring that patients receive the best possible treatment and care through ensuring that professional standards and practises are initiated, maintained, improved and observed throughout The London Clinic.

The committee structure includes all key governance activities with robust reporting's lines, escalation process, performance reporting and accountability to the executive and trustees.

The London Clinics clinical audit programme includes all clinical services and is evidence based and drives continuous quality improvement. There is participation in local, regional and national clinical audits including most recently the collection of outcomes data and compliance with the CMA Order (2014).

The Charity continues to monitor developments in Clinical Governance matters and will work with regulatory and other organisations, as appropriate, to enhance the governance framework within the private and charity healthcare sector.

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

### **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 has both a clinical audit function and in 2017 the internal audit of financial and operational performance was performed by KPMG. 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 The Clinic ensures clinical risk registers are maintained across all clinical services taking an integrated and proactive approach to risk management. Risks are identified through multiple channels including: risk assessments, key performance indicators, policy, complaints/claims, incident trends, assurance reviews, regulatory assessment, staff, patient and consultant surveys, external accreditation, national recommendations and audit.

These Clinical risks are managed as an integral part of the clinical governance framework which ensures key hospital decisions take into account the likelihood of unplanned events and the impact to the hospital and ensures the hospital is able to mitigate unplanned events.

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 and international business.



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

- 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 is now closed and managed by a sole Corporate Trustee. The Charity and the pension scheme trustee both receive external independent advice on investment strategy to assist in the management and understanding of pension risk and as part of the 2017 valuation agreed to de-risk the investment strategy and move 50% of assets into liability driven investments and absolute return bond funds. Additionally a new recovery plan was agreed to eliminate the deficit by 2025.
- Information Technology – information technology is a key component in the delivery and administration of the Charity's activity and the core IT Infrastructure 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. The core operating systems are now due for replacement and remain a risk to operational effectiveness until upgraded. A plan is being developed and in the meantime system performance is closely monitored with strong support from software providers.
- 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 is focused on delivering high quality healthcare by attracting leading consultants, specialists and staff. Additionally it is currently refocusing its strategy to capitalise on these strengths and to improve its processes to deliver better operational effectiveness and asset utilisation.

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. The recent agreement with regards to the residency rights of EU nationals reduces some of the staff related risks that were identified with Brexit.

### **Information Governance**

The Charity is committed to ensuring an effective information governance approach that underpins patient confidentiality as fundamental to maintaining our reputation as a trusted healthcare provider. Information Governance is an assurance framework that helps the Clinic comply with legal and statutory requirements, such as the Data Protection Act 1998, as well as best practice guidelines to keep personal information and business sensitive information secure. It is an effective risk based-approach and ensures we have the right governance structure, policies, training, and monitoring in place to deliver safe data handling.

The Charity has both Senior Information Risk Office (SIRO) and Caldicott Guardian and they work to make sure that Information Governance has a high profile in the clinic and that data sharing is lawful and fair. In 2017 the Charity appointed an Information Governance lead to drive our compliance strategy and our preparation for the forthcoming General Data Protection Regulation (GDPR).

### **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 Charity has a Conflicts of Interest Policy and maintains a Conflicts Of Interest Register.

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

## TRUSTEES' REPORT (continued)

- **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**

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. Following his retirement as an Executive Director in 2002, he served as a member of the European Advisory Board of Christies International until 2016.

- **Clare Maurice** (*resigned November 2017*)

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** (*resigned September 2017*)

Held various leadership roles at Vodafone including 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** (*resigned October 2017*)

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.

- **Professor John Gribben** (*appointed February 2017*)

Graduated from the University of Glasgow in 1980, trained in Hematology at University College London and in Medical Oncology at the Dana-Farber Cancer Institute, Harvard Medical School. Chair of the international workshop in non-Hodgkin's lymphoma (iwnHL) and President-elect of the European Hematology Association (EHA). Specialist in hematological cancers including lymphomas, leukemia's and bone marrow transplantation.

- **Nicholas Melhuish** was appointed as a Trustee in January 2018.

Graduated from New College, Oxford in 1991. He has 27 years of financial experience in the investment and pension fund industry and is a qualified Financial Analyst. He is also a Trustee and Chairman of the Finance Committee at the Trusthouse Charitable Foundation, a UK based grant making organisation.

### **The Interim Company Secretary is:** Georgina Holtby

A key responsibility of The Trustees 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 Governance structure of the Charity includes 3 sub committees of the Trustee Board:

Nominations Committee (established November 2017) – Chaired by Lady Otton, the Nominations Committee has responsibility for reviewing the size, structure and composition of the Board of Trustees and making recommendations with regard to the recruitment and appointment of Trustees and the Chief Executive.

Audit and Risk Committee – Chaired by Mark Brown, until his resignation in October 2017 (after which Hamish Leslie Melville acted as Interim Chair until the appointment of Nicholas Melhuish as Chair of the Audit and Risk Committee in January 2018), Lady Otton and Hamish Leslie Melville are members of the Committee. The Committee has delegated authority to review the establishment and maintenance of an effective system of integrated governance, risk management and financial, non-financial and non-clinical internal controls and internal audit, in support of the Charity's objectives.

Property, IT and Finance Committee – Chaired by Manish Chande, the Property IT and Finance Committee has delegated authority to oversee financial strategy and planning, the property and capital investment programme and the IT strategy for the Charity.

In the spirit of continuous improvement and development, an internal review of the governance arrangements in the Charity was commissioned by the Chairman in 2017. This review was led by Trustee sponsor Lady Otton and highlighted the strengths of the current governance and leadership of the Charity, with some recommendations for improvement which are being addressed in a Charity Governance plan. This will include a gap analysis to the recently revised Charity Governance code and reviewing what appropriate adjustments might be made to governance arrangements.

### The members of the Executive Board during 2017 were as follows:

Al Russell	Interim Chief Executive ( <i>appointed September 2017</i> )
Paul Holdom	Chief Executive ( <i>Resigned September 2017</i> )
Satya Bhattacharya	Medical Director ( <i>Appointed September 2017</i> )
James Brinkley	Chief Information Officer
Jonathan Coad	Property Director
Nuala Close	Matron / Director of Nursing
Geoff Cox	Operations Director
Debbie Colebourn	Marketing & Business Development Director
Marina Griffin	Strategy Director ( <i>Resigned October 2017</i> )
Fiona Morrison	Company Secretary / Head of Legal ( <i>Resigned November 2017</i> )
Simon Reiter	Chief Financial Officer

All members of the Executive Board are Key Management Personnel.

Al Russell resigned from the Board of Trustees in September 2017 with a view to taking up the position of Interim Chief Executive of the Charity. The Charity Commission was notified of this proposal and authorised Al Russell's remunerated employment as Chief Executive of the Charity.

Subsequently, after an open recruitment process conducted by the Charity with the assistance of a leading executive search firm, Al Russell was appointed to the permanent role of Chief Executive in February 2018.

The year also saw a number of other (unrelated) changes to the Board of Trustees and the Executive management team. The Trustees wish to express their thanks and appreciation to those leaving The Clinic and welcome those taking up new roles.



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

Date: 24<sup>th</sup> APRIL 2018

## STRATEGIC REPORT

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

### Achievements and performance

2017 saw a number of notable achievements for the Charity, in particular the receipt of its CQC report, but there were also challenges in particular a decline in financial performance which has necessitated the deferral of some investment projects.

The Care Quality Commission (CQC) carried out a detailed routine inspection of all of our services in November 2016 and their report was published in November 2017 and can be read on the CQC or Clinic website.

The inspection covered all services provided by the Charity and the hospital was rated as Good across all services and in all the 5 CQC measures; Safe, Effective, Well-led, Caring and Responsive.

The highlights from the CQC report were:

- End of life (palliative) care for patients is described as, and rated as "Outstanding"
- Our new Intensive Care Unit is referred to in the 'Outstanding Practice' area of the report
- Our employees were very welcoming, helpful, and friendly
- Our caring approach is consistently described as "outstanding"
- The expertise provided by our Clinical Nurse Specialists is praised
- Interpreters and our International Office are praised for the support they offer patients

We were particularly pleased that the report did not identify any requirement notices indicating high quality and consistent care across our services. We have however analysed the report and identified opportunities for improvement and consolidation as part of our culture of continuous quality improvement and learning. The improvement action plan is being managed by our clinical governance function and progress reported to front line staff, the Executive Board and the Board of Trustees.

As part of our quality and safety assurance framework we monitor a range of KPI's and we believe our outcomes sit comfortably within normal ranges for health providers of our type. Where comparable national benchmarks exist we measure our performance and were pleased to see strong performance and year on year improvements in patient falls and patient mortality reflecting the hard work of the dedicated fall prevention team. The 2015 National Audit of Inpatient Falls (NAIF) found an average of 6.63 falls per 1,000 OBD across England and Wales, compared to 1.97 at The London Clinic in 2017.

The year also saw the quality of our care and our staff recognised in other ways with three shortlisted nominations at the Laing and Buisson awards for our ICU, palliative care and medical physics teams and our Radiotherapy and medical physics departments achieved CHKS accreditation which is regarded as the most robust accreditation for healthcare and results in ISO 9007 2008 certification.

In addition to clinical KPI's The Charity considers the below to be its key operational and financial performance indicators:

	2017	2016	2015
Total admissions	21,579	22,823	23,999
Total patient days	41,314	46,506	47,758
Turnover (£ 000)	136,246	143,361	141,694
EBITDA Margin	8.6%	11.8%	15.4%
Patient satisfaction score	99%	97%	96%

## **STRATEGIC REPORT (continued)**

During the year we welcomed 91 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 impact of the retirement of a number of eminent and highly respected consultants. This combined with reduced activity from the Middle East and, for the first time for several years, from UK insurance customers. Whilst our self pay business continued to grow we saw an overall 5% reduction in admissions and turnover resulting in a significant fall in EBITDA margin.

The reduction in activity was particularly marked in Q3 when we understand that the London market in general was quieter than usual. However activity improved in the final quarter leading to year on year growth in revenues and surplus.

In 2017 The Charity set out to focus on operational improvement and despite the overall reduction in activity there have been a number of successful initiatives including the development of improved cancer pathways, particularly in the treatment of Head and Neck cancers, and our new ICU and digestive diseases unit have been established as centres of excellence in the hospital. These developments have been greatly enabled by the continued deployment of clinical nurse specialists and pathway coordinators and we will continue to invest in these specialist roles.

We have also implemented a major change programme in our Pharmacy department to ensure more dedicated support for specialist areas as well as improved operational processes.

Nursing recruitment and retention continue to be a challenge but despite this the Charity has seen a 30% reduction in expenditure on agency staff during the year and a reduction in staff turnover to 16% as the result of a number of staffing related initiatives.

Elements of our investment and development programme were deferred during the year but we continued to invest in our IT capability with a major investment in data storage, management and reporting capability. We also invested in clinical systems with the development of electronic patient notes in our ICU unit and the progression of our new image storage and reporting systems, although these will now be delivered at the start of Q2 2018, six months later than planned. Planned investment in our MRI services will also now commence in 2018.

During the year the Trustees made the decision to dispose of a property that had for many years been utilised for staff accommodation. The staff involved were given a wide range of support to find alternative accommodation and the property was vacated by mid-December with contracts for sale exchanged just prior to the end of the year.

The Charity is constantly seeking to improve the patient experience and in 2017 was the first hospital in the UK to live stream a performance from the Royal Opera House to its patients. All patients are encouraged to provide feedback and consequently a further improvement in the customer satisfaction rating (defined as likely or extremely likely to recommend) to 99% was a key achievement of the year.

### **Plans for Future Periods**

Following a strategic review in Q4 2017 the Trustees approved a refreshed strategic plan for the period to 2020.

Under the revised strategy the Charity will continue to focus on delivering its core objectives by building on what it is excellent at, whilst improving its processes and commercial agility, thus enabling it to invest further in the delivery of outstanding healthcare to more patients and the advancement of clinical excellence.

The Charity will continue to develop its major specialties of Cancer, Musculo-skeletal (including Pain management and Rehabilitation) and General surgery – particularly digestive diseases. These specialties will be underpinned by continued clinical excellence and the quality of our staff and enhanced by an improved service excellence for patients, families, consultants and our other stakeholders.

2018 will see a focus on improving how patients and consultants can make appointments and book diagnostic activity and treatments. This will also include upgrading our website to improve both information content and also the registration and bookings process.

We will also look to extend more of our services to 6 day working and increase our MRI diagnostic capacity with the deployment of the first of a new generation of 3T MRI scanners.

We will continue to improve our cancer pathways and strengthen our MDT's in line with best practice and developments in the sector as well as support consultants and patients with clinical nurse specialists and pathway coordinators.

## **STRATEGIC REPORT (continued)**

Surgery is central to healthcare provision at the London Clinic and 2018 will see a focus on making theatres easier for consultants to access flexibly thus improving speed of access to treatment. We will also improve our provision for day case patients.

IT investment will be lower than in recent years with a focus on cyber security following the challenges faced by UK healthcare in 2017.

### **Going Concern**

After making appropriate enquiries and reviewing the revised financial projections which accompanied the strategy review, 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 (2016: nil).

### **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.

The Charity has a robust policy in place which aims to minimise the risk of modern slavery, which is supported by our Whistleblowing / Raising Concerns policy and our Safeguarding of Vulnerable Patients policy. During the year, training and guidance was provided to staff.

### **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 bi-weekly communications from the Chief Executive. The senior management team meet regularly with the executive and in the later part of 2017 open forums with the CEO were introduced.

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.

The Charity is supportive of gender pay equality and recently published its gender pay statistics which show a mean or average pay gap of 9.1%. This means that on average across all salaries men are paid 9.1% more than women. Our median pay gap is (9.3)%. This means that at the midpoint of salaries paid at The London Clinic women are paid 9.3% more than men.

The mean pay gap is a result of there being more men in higher paid roles within the organisation. The median negative pay gap is as a result of having a predominantly female workforce with a larger number of women earning salaries at the median point. Whilst the Charity has a pay gap lower than the national average it is committed to reducing this further by, amongst other things, introducing job families and reviewing return to work policy.

The Charity carries out an annual employee engagement survey. In 2017 the survey told us that 93% of our employees understood our vision; 84% believed that we had strong values and principles and 75% were inspired to work here. We saw a significant increase in satisfaction with our learning and development provision with 79% of employees (up from 65%) reporting they had access to the training that they needed. This improvement reflected the actions taken following feedback in the 2016 survey. As a result of feedback from the survey we set out to improve and update our sickness absence policy. This was completed by August 2017.

## **STRATEGIC REPORT (continued)**

### **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 fell by 5.0% to £136.2m (2016: £143.4m). Incoming resources from activities are stated net of charitable and related discounts and in 2016 included a £0.9m gain on the disposal of tangible fixed assets.

The Charity is recognised by all the major providers of private health insurance in the United Kingdom and works closely with them as well as embassies and other users of its services. During the year, 5,188 patients (2016: 5,672) were admitted as inpatients and a further 16,391 patients (2016: 17,151) were treated as day cases. Total inpatient days were 24,923 (2016: 29,355). The Charity also provided 109,801 (2016: 109,106) outpatient treatments and diagnostic tests.

As identified in the 2016 report the Charity saw reduced international activity from the Middle East which saw this source of revenue down 15% for the year. In addition there was also lower activity in the UK insured market particularly in holiday periods. This was offset by increases in self pay activity and a number of new agreements with international and UK insurers. Trading in the final quarter improved with year on year growth particularly outpatient and radiotherapy activity.

Trading in early 2018 has continued to see reduced activity from Middle East embassies but the Charity has seen growth in insured and self pay admissions.

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

Net outgoing resources before other recognised gains and losses were £6.0m (2016: £4.9m). The Charity's operating costs of £141.4m (2016: £148.6m) have fallen by 4.8% reflecting lower activity levels and actions taken to reduce operating costs plus the absence of the asset impairment costs of £5.5m taken in 2016.

### **Capital Expenditure**

Tangible fixed assets, comprising buildings, equipment and construction in progress had a net book value of £222.0m (2016: £219.3m). The Charity invested £18.3m in the current year including a finance lease of £4.7m in relation to the acquisition of data storage capacity.

### **Investments**

The Charity currently holds investments with a market value of £1.1m (2016: £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 £10.6m (2016: £14.6m). The lower cash generation reflects reduced incoming resources offset by an improvement of £1.9m in net working capital.

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 2017, the Charity held cash of £9.0m (2016: £5.2m) and had unutilised banking facilities of £28.0m (2016: £36.5m). Net debt has increased from £23.3m to £28.0m.

## STRATEGIC REPORT (continued)

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 £123k.

### 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 gain of £11.4m (2016: loss of £20.4m). The deficit in the scheme, under FRS 102 section 28 assumptions, decreased from £43.7m to £30.8m principally due to a change of assumptions for valuing obligations and updated underlying membership data following the 2017 triennial valuation. The Trustees also agreed a revised investment strategy and recovery plan with the Pension Scheme Trustee which is targeted at eliminating the deficit by 2025.

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.



**Hamish Leslie Melville**

Chairman of the Board of Trustees

Date: 24<sup>th</sup> APRIL 2018



## Trustees' responsibilities statement in relation to the financial statements

The Trustees (who are also directors of The London Clinic 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 24 April 2018.

These financial statements were approved and authorised for issue by The Board of Trustees on 24 April 2018 and were signed on its behalf by:



**Hamish Leslie Melville**

Chairman of the Board of Trustees

Date: 24<sup>TH</sup> APRIL 2018

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

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Trustees of the London Clinic (the 'charitable company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of financial activities;
- the consolidated balance sheet;
- the consolidated statement of cash flows; and
- the related notes 1 to 22 including accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on other legal and regulatory requirements**

#### **Opinions 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 trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

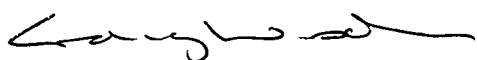
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the trustees' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Craig Wisdom ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
24 April 2018

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

For the year ended 31 December 2017

	Note	Unrestricted Funds	Restricted Funds	2017 Total	2016 Total Unrestricted and Restricted Funds
		£000	£000	£000	£000
<b>INCOME</b>					
<b>Charitable activities</b>					
Provision of hospital activities		136,246	-	<b>136,246</b>	143,361
<b>Investment income</b>	6	45	50	<b>95</b>	76
<b>Other income</b>					
Gain on disposal of tangible fixed assets		-	-	-	937
<b>Total income</b>		<b>136,291</b>	<b>50</b>	<b>136,341</b>	<b>144,374</b>
<b>EXPENDITURE</b>					
<b>Expenditure on Charitable activities</b>					
Provision of hospital activities		141,334	60	<b>141,394</b>	148,567
<b>Expenditure on raising funds</b>		<b>920</b>	<b>-</b>	<b>920</b>	711
<b>Total expenditure</b>	3	<b>142,254</b>	<b>60</b>	<b>142,314</b>	<b>149,278</b>
<b>Net loss for the year</b>		<b>(5,963)</b>	<b>(10)</b>	<b>(5,973)</b>	<b>(4,904)</b>
<b>OTHER RECOGNISED GAINS/(LOSSES)</b>					
(Loss) / Gain on investment assets	8	(80)	72	<b>(8)</b>	(168)
Actuarial gain / (loss) on defined benefit pension scheme	19	11,353	-	<b>11,353</b>	(20,442)
<b>Net movement in funds</b>		<b>5,310</b>	<b>62</b>	<b>5,372</b>	(25,514)
Total funds at 1 January		164,253	1,129	165,382	190,896
<b>Total funds at 31 December</b>		<b>169,563</b>	<b>1,191</b>	<b>170,754</b>	<b>165,382</b>

The notes on pages 21 to 35 form part of these financial statements.

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

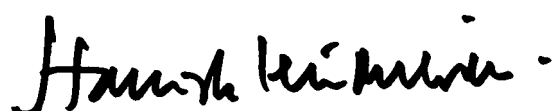
The total incoming resources for the Charity were £136,341k (2016: £144,374k) and the net loss was £5,973k (2016: £4,904). As permitted by Section 408 of the Companies Act 2006, no separate Statement of financial activities is presented in respect of the parent charity.

**Consolidated Balance Sheet**  
As at 31 December 2017

	Note	2017		2016	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	7		-		122
Tangible assets	10		<b>221,955</b>		219,332
Investments	8		<b>1,144</b>		1,195
Investment in associate	9		<b>2</b>		2
			<b>223,101</b>		<b>220,651</b>
<b>Current assets</b>					
Stocks	11	<b>2,846</b>		3,308	
Debtors: amounts falling due within one year	12	<b>26,117</b>		24,529	
Cash and cash equivalents	13	<b>9,034</b>		5,179	
		<b>37,997</b>		<b>33,016</b>	
Creditors: amounts falling due within one year	14	<b>(20,119)</b>		(16,569)	
<b>Net current assets</b>			<b>17,878</b>		<b>16,447</b>
<b>Total assets less current liabilities</b>			<b>240,979</b>		<b>237,098</b>
Creditors: amounts falling due after one year	14		<b>(39,436)</b>		(28,026)
<b>Net assets excluding pension liability</b>			<b>201,543</b>		<b>209,072</b>
Defined benefit pension scheme liability	19		<b>(30,789)</b>		(43,690)
<b>Net Assets Including Pension Liability</b>	16		<b>170,754</b>		<b>165,382</b>
<b>Funds</b>					
<b>Restricted</b>					
Revenue reserve	16	<b>654</b>		664	
Revaluation reserve	16	<b>537</b>		465	
			<b>1,191</b>		<b>1,129</b>
<b>Unrestricted</b>					
Revenue reserve	16	<b>199,070</b>		206,661	
Revaluation reserve	16	<b>1,282</b>		1,282	
<b>Unrestricted funds before pension liability</b>		<b>200,352</b>		<b>207,943</b>	
Pension deficit	19	<b>(30,789)</b>		(43,690)	
			<b>169,563</b>		<b>164,253</b>
<b>Total funds</b>	16		<b>170,754</b>		<b>165,382</b>

The Charity's net assets, including pension liability at December 2017 were £172,772k (2016: £167,277k). The variance to the consolidated accounts is made up from an investment in a subsidiary of £1,650k (2016: £1,650k), an intercompany receivable of £368k (2016: £367k) and £122k of intangible assets in 2016 which were not held by the Charity. There are no other differences between the Charity and consolidated balance sheet.

The financial statements of Trustees of the London Clinic Limited, registered number 307579, were approved and authorised for issue by The Board of Trustees on 24 April 2018 and were signed on its behalf by:



**Hamish Leslie Melville**  
Chairman of The Board of Trustees

**Consolidated Statement of Cash Flows**  
For the year ended 31 December 2017

	Note	<b>2017</b> <b>£000</b>	2016 £000
<b>Net cash flows from operating activities</b>	20	<b>10,594</b>	14,581
<b>Cash flows from investing activities</b>			
Interest received on investment income	6	<b>95</b>	76
Purchase of Charity's functional assets		<b>(14,350)</b>	(27,590)
Proceeds from the sale of property, plant and equipment		-	8,991
Purchase of investments		-	(487)
<b>Net cash flows from investing activities</b>		<b>(14,255)</b>	(19,010)
<b>Net cash flow before financing</b>		<b>(3,661)</b>	(4,429)
Repayments of borrowing		<b>(2,984)</b>	(6,000)
Cash inflow from new borrowing		<b>10,500</b>	4,500
<b>Net cash flows from financing activities</b>		<b>7,516</b>	(1,500)
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>3,855</b>	(5,929)
<b>Cash and cash equivalents at beginning of year</b>		<b>5,179</b>	11,108
<b>Cash and cash equivalents at the end of the year</b>		<b>9,034</b>	5,179
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand		<b>9,034</b>	5,179
<b>Cash and cash equivalents</b>	21	<b>9,034</b>	5,179

## Notes to the financial statements

### 1. Charity status

The Charity is incorporated in England and Wales as a company limited by guarantee not having a 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 Charity meets its day-to-day working capital requirements through its internal cash generation supported by bank borrowings.

The Charity'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.

##### - 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.

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

**2. Accounting policies (continued)**

Significant judgements and estimates (continued)

- 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 2017. 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. Due to minimal differences the Charity has chosen not to present a charity balance sheet.

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, Clinical Governance 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) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Charity. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the lower of the fair value of the asset or the present value of the minimum payments at the inception of the contract. The corresponding liability of the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between the reduction in lease obligation and interest using the effective interest method. The assets held under finance leases are included in tangible fixed assets and are depreciated and assessed for impairment losses in the same way as owned assets.

Payments of rent are expensed annually to the SOFA in accordance with the terms of the lease.



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

**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) Tangible fixed assets**

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 (Included in freehold and leasehold properties)	-	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 18.

**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)

**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>2017 Total £000</b>	2016 Total £000
<b><u>Provision of hospital activities</u></b>					
Staff costs excluding defined benefit scheme interest costs	51,327	103	15,750	<b>67,180</b>	67,679
Net pension interest expense (note 19)	1,102	-	-	<b>1,102</b>	899
Staff costs (note 5)	52,429	103	15,750	<b>68,282</b>	68,578
Amortisation of goodwill (note 7)	122	-	-	<b>122</b>	334
Auditors remuneration	-	52	-	<b>52</b>	51
Depreciation and impairment of fixed assets (note 10)	15,699	-	-	<b>15,699</b>	20,892
Operating leases - Other	5,675	-	-	<b>5,675</b>	4,701
Stocks recognised as an expense	23,278	-	-	<b>23,278</b>	25,390
Other operating expenses	16,652	14	11,620	<b>28,286</b>	28,621
	<b>113,855</b>	<b>169</b>	<b>27,370</b>	<b>141,394</b>	<b>148,567</b>
<b><u>Expenditure on raising funds</u></b>					
Bank Interest Payable	855	-	-	<b>855</b>	711
Finance charge in respect to finance leases	-	-	65	<b>65</b>	-
	<b>855</b>	<b>-</b>	<b>65</b>	<b>920</b>	<b>711</b>
<b>Total expenditure</b>	<b>114,710</b>	<b>169</b>	<b>27,435</b>	<b>142,314</b>	<b>149,278</b>

Auditor's remuneration for audit work for the period was £52k (2016: £51k) and remuneration for non-audit work, relating to IT and tax related consultancy services was nil (2016: nil).

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

	<b>2017 Total £000</b>	2016 Total £000
Auditor's remuneration	<b>52</b>	51
Salaries, wages and related costs - Allocated on time	<b>103</b>	109
Other operating expenses - Trustee costs / reimbursements	<b>-</b>	5
Other operating expenses - Legal advice	<b>14</b>	18
<b>Total Governance costs</b>	<b>169</b>	<b>183</b>
Salaries, wages and related costs - Allocated by department	<b>15,750</b>	16,009
Other operating expenses - Allocated by department	<b>11,620</b>	13,070
<b>Total Support costs</b>	<b>27,370</b>	<b>29,079</b>

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

**5. Staff and Trustees**

	<b>2017</b>	2016
	<b>£000</b>	£000
Staff costs comprise:		
Wages and salaries	<b>49,556</b>	47,488
Social security costs	<b>5,459</b>	5,311
Agency	<b>7,172</b>	10,293
Pension costs (note 19)	<b>3,393</b>	2,991
Other staff costs	<b>2,702</b>	2,495
	<b>68,282</b>	68,578

Redundancy and costs associated with the termination of employment contracts are expensed as incurred through the SOFA. During the year, redundancy and termination costs of £1,852k were formally agreed under employee contracts (2016: £895k).

	<b>2017</b>	2016
Average number of employees during the period:	<b>1,196</b>	1,150

All staff in 2017 and 2016 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>2017</b>	2016
	<b>Total</b>	Total
	<b>£000</b>	£000
Emoluments	<b>2,334</b>	2,702
Pension contributions	<b>189</b>	205
Cost associated with the termination of employment contracts and other payments	<b>1,264</b>	97
	<b>3,787</b>	3,004

The Trustees received no emoluments from the Charity during the period (2016: £nil).

The Charity reimbursed travelling and other expenses of 1 Trustee for £414 (2016: 2 Trustees for £3,448).

Private medical insurance provided to the Trustees:	<b>2017</b>	2016
	<b>£</b>	£
Professor Robin Williamson	-	834
Mr Rupert S Ponsonby	-	551
The Duchess of Devonshire DL	-	400
	-	1,785

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

**Staff and Trustees (continued)**

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

	<b>2017 No.</b>	<b>2016 No.</b>
£60,001 - £70,000*	<b>69</b>	60
£70,001 - £80,000	<b>18</b>	15
£80,001 - £90,000*	<b>14</b>	11
£90,001 - £100,000	<b>7</b>	2
£110,001 - £120,000*	<b>3</b>	1
£120,001 - £130,000	<b>1</b>	1
£140,001 - £150,000	<b>1</b>	-
£150,001 - £160,000	<b>2</b>	-
£160,001 - £170,000	<b>1</b>	2
£180,001 - £190,000	<b>1</b>	2
£190,001 - £200,000	<b>1</b>	1
£200,001 - £210,000	-	1
£260,001 - £270,000	<b>1</b>	-
£270,001 - £280,000*	-	1
£300,001 - £310,000	-	1
£430,001 - £440,000*	<b>1</b>	-
£550,001 - £560,000	-	1
£1,270,001 - £1,280,000*	<b>1</b>	-
<b>Total</b>	<b>121</b>	<b>99</b>

\*Includes redundancy and costs associated with the termination of employment contracts

In the period, the provision of money purchase benefits were provided to 118 employees of the above (2016:91 employees) and the contribution paid was £655,591 (2016: £569,405). There are 6 employees who are part of the defined benefit scheme (2016:6 employees).

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

**6. Investment income**

	Unrestricted Funds £000	Restricted Funds £000	<b>2017 £000</b>	<b>2016 £000</b>
Interest on bank balances	45	-	<b>45</b>	28
Return on fixed asset investments	-	50	<b>50</b>	48
	<b>45</b>	<b>50</b>	<b>95</b>	<b>76</b>

**7. Intangible fixed assets**

Goodwill arising from the acquisition of subsidiaries in 2011 of £5,741k has been fully amortised over 6 years on a straight line basis as at 31 December 2017. The 2017 amortisation recognised on the consolidated Statement of Financial Activities is £122k.

Notes to the financial statements (continued)

8. Fixed asset investments

Group and Charity	2017		2016	
	Cost £000	Value £000	Cost £000	Value £000
At 1 January				
Listed investments	564	1,029	564	961
Interest rate cap	487	166	-	-
<b>Total at 1 January</b>	<b>1,051</b>	<b>1,195</b>	<b>564</b>	<b>961</b>
Additions to investment				
Listed investments	-	-	-	-
Interest rate cap	-	-	487	487
<b>Total annual additions</b>	<b>-</b>	<b>-</b>	<b>487</b>	<b>487</b>
Listed investments	-	72	-	68
Interest rate cap fair value loss	-	(80)	-	(236)
<b>Fair value losses recognised on investment assets</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(168)</b>
Interest rate cap impairment	-	(43)	-	(85)
<b>Total gains / (losses)</b>	<b>-</b>	<b>(51)</b>	<b>-</b>	<b>(253)</b>
Investments carried at fair value at 31 December:				
			Due after one year	
			<b>2017</b>	<b>2016</b>
			<b>£000</b>	<b>£000</b>
Listed investments			<b>1,101</b>	1,029
Interest rate cap			<b>43</b>	166
<b>Total at 31 December</b>			<b>1,144</b>	<b>1,195</b>

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 £1,101k (2016: £1,029k).

Interest rate cap

The Group has entered into an interest rate cap to manage its interest rate exposure. The London Clinic 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's 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 £35,332,721 as at the balance sheet date (the maximum notional amount being £43,402,725) 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.

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

**9. Subsidiary and Associate undertakings**

	<b>Group</b>		<b>Charity</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Investment in subsidiary	-	-	<b>1,650</b>	1,650
Investment in associate	<b>2</b>	2	<b>2</b>	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 2017 are owned in full and are all registered in England and Wales.

**10. Tangible fixed assets**

	<b>Land and Buildings</b>				
	Freehold Property £000	Long Leasehold £000	Fixtures & Equipment £000	Construction in progress £000	Total £000
<b>Group and Charity Cost or Valuation</b>					
1 January 2017	7,484	253,117	85,403	12,829	358,833
Additions	-	3,152	10,875	4,295	18,322
Transfers	-	209	2,047	(2,256)	-
Disposals	-	(13,981)	(4,404)	-	(18,385)
Impairment	-	-	-	-	-
<b>31 December 2017</b>	<b>7,484</b>	<b>242,497</b>	<b>93,921</b>	<b>14,868</b>	<b>358,770</b>
<b>Depreciation</b>					
1 January 2017	1,249	79,759	58,493	-	139,501
Provided during the year	129	8,125	7,445	-	15,699
Disposals	-	(13,981)	(4,404)	-	(18,385)
<b>31 December 2017</b>	<b>1,378</b>	<b>73,903</b>	<b>61,534</b>	<b>-</b>	<b>136,815</b>
<b>Net Book Value</b>					
<b>At 31 December 2017</b>	<b>6,106</b>	<b>168,594</b>	<b>32,387</b>	<b>14,868</b>	<b>221,955</b>
At 31 December 2016	6,235	173,358	26,910	12,829	219,332

The net book value of fixtures and equipment held under finance lease is £6.9m (2016: £nil). There are no other assets held under finance lease.

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, creating a charge on the above properties with a current loan of £37.0m (2016: £28.5m).

On the 22 January 2018, the Trustees of The London Clinic completed the sale of a freehold property at Vernon House, 5-8 St Mark's Square, Primrose Hill, NW1 7NT. The property is recorded in these financial statements at historic cost with a carrying value at reporting date of £2.6m. Disposal proceeds are in excess of this value.

**11. Stock**

**Group and Charity**

	<b>2017</b>	2016
	<b>£000</b>	£000
Raw materials and consumables	<b>2,846</b>	3,308

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

**12. Debtors**

**Group and Charity**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Amounts falling due within one year</b>		
Trade debtors	<b>22,945</b>	20,954
Other debtors	<b>741</b>	431
Prepayments and accrued income	<b>2,431</b>	3,144
	<b>26,117</b>	24,529

Amounts owed to the Charity by subsidiary undertakings totals £368k (2016: £367k). This consolidates to nil at a Group level.

**13. Cash and cash equivalents**

**Group and Charity**

	<b>2017</b>	2016
	<b>£000</b>	£000
Cash and cash equivalents	<b>9,034</b>	5,179

**14. Creditors: amounts falling due within one year**

**Group and Charity**

	<b>2017</b>	2016
	<b>£000</b>	£000
Trade creditors	<b>7,128</b>	3,934
Taxation and social security	<b>1,863</b>	1,841
Other creditors	<b>3,403</b>	3,490
Accruals*	<b>6,829</b>	7,304
Obligations under finance leases	<b>896</b>	-
	<b>20,119</b>	16,569

\* Includes an accrual for capital expenditure of £0.71m (2016: £1.41m).

**Creditors: amounts falling due after one year**

**Group and Charity**

	<b>2017</b>	2016
	<b>£000</b>	£000
Bank loan due 2 - 5 years	<b>37,000</b>	28,500
Obligations under finance leases due 2 – 5 years	<b>2,786</b>	-
Borrowing costs capitalised	<b>(350)</b>	(474)
	<b>39,436</b>	28,026

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.

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

	<b>Revaluation reserve</b>		<b>Revenue reserve</b>		<b>Total</b>
	Restricted	Unrestricted	Restricted	Unrestricted	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group and Charity</b>					
1 January 2017 per prior year financial statements	465	1,282	664	162,971	165,382
Net incoming deficit	-	-	(10)	(5,963)	(5,973)
Gain / (loss) on investment assets	72	-	-	(80)	(8)
Actuarial gain on defined benefit pension scheme	-	-	-	11,353	11,353
<b>At 31 December 2017</b>	<b>537</b>	<b>1,282</b>	<b>654</b>	<b>168,281</b>	<b>170,754</b>

The Charity has reserves of £172,772k as at December 2017 (2016: £167,277k). The variance to the Group reserves are outlined in notes 9 and 12 of the notes to the financial statements.

**16. Analysis of assets and liabilities between fund**

	<b>Revaluation reserve</b>		<b>Revenue reserve</b>		<b>Total</b>
	Restricted	Unrestricted	Restricted	Unrestricted	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group</b>					
Fixed asset investments	537	-	564	43	1,144
Other fixed assets	-	1,282	-	220,675	221,957
Creditors due after one year	-	-	-	(39,436)	(39,436)
Current assets	-	-	90	37,907	37,997
Current liabilities	-	-	-	(20,119)	(20,119)
<b>Total funds excluding pension liability</b>	<b>537</b>	<b>1,282</b>	<b>654</b>	<b>199,070</b>	<b>201,543</b>
Pension liability	-	-	-	(30,789)	(30,789)
<b>Total net assets</b>	<b>537</b>	<b>1,282</b>	<b>654</b>	<b>168,281</b>	<b>170,754</b>
<b>Charity net assets</b>	<b>537</b>	<b>1,282</b>	<b>654</b>	<b>170,299</b>	<b>172,772</b>

	<b>Revaluation reserve</b>		<b>Revenue reserve</b>		<b>Total</b>
	Restricted	Unrestricted	Restricted	Unrestricted	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group</b>					
Fixed asset investments	465	-	564	166	1,195
Other fixed assets	-	1,282	-	218,174	219,456
Creditors due after one year	-	-	-	(28,026)	(28,026)
Current assets	-	-	100	32,916	33,016
Current liabilities	-	-	-	(16,569)	(16,569)
<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 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)**

**17. Capital Commitments**

	<b>2017</b>	2016
<b>Group and Charity:</b>	<b>£000</b>	£000
Committed and contracted	<b>868</b>	5,903

The Board of Trustees have approved a capital expenditure budget of £10.0 million for 2018 (2017: £23.6 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:

<b>Group and Charity:</b>	<b>2017</b>	2016
<b>Land &amp; Buildings</b>	<b>£000</b>	£000
- within one year	<b>4,692</b>	4,692
- between one and five years	<b>18,768</b>	18,768
- after five years	<b>450,522</b>	455,214
	<b>473,982</b>	478,674

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.

**19. Pension schemes**

The Charity operates a UK-based defined contribution 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 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 2017
Method of valuation	Projected unit method

Assumptions of annual increase:

Investment returns before retirement	3.10%
Investment returns after retirement	3.10%
Gilt yield at the valuation date	1.47%
Pensionable salaries (in line with CPI)	2.20%
Salary inflation	2.50%

At the date of the valuation the actuarial value of the scheme assets was sufficient to cover 71% 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 December 2025.

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

**Pension schemes** (continued)

The employer expects to contribute £3.6m to the defined benefit plan in the year to 31 December 2018. At 31 December 2017 there were no outstanding contributions due to the defined contribution scheme.

Total pension charge for the year including the defined contribution scheme was £3,393k (2016: £2,991).

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 2017. 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.

During the year the employer added a salary sacrifice scheme to its existing auto enrolment and stakeholder schemes. The schemes offer 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>2017</b>	2016
	<b>£000</b>	£000
Fair value of plan assets	<b>85,418</b>	80,465
Present value of funded obligations	<b>(116,207)</b>	(124,155)
<b>Net liability</b>	<b>(30,789)</b>	(43,690)

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

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Interest expense net of return on assets, included in staff costs</b>	<b>1,102</b>	899
<b>Actual gain / (loss) during the year on plan assets</b>	<b>7,247</b>	6,783

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

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening defined benefit obligation	<b>(124,155)</b>	(98,677)
Interest cost	<b>(3,164)</b>	(3,699)
Actuarial gain / (loss)	<b>6,168</b>	(24,425)
Benefits paid	<b>4,944</b>	2,646
<b>Closing defined benefit obligation</b>	<b>(116,207)</b>	(124,155)

Changes in fair value of plan assets are as follows:

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening fair value of plan assets	<b>80,465</b>	73,661
Interest income	<b>2,062</b>	2,800
Actuarial gain	<b>5,185</b>	3,983
Contributions by employer	<b>2,650</b>	2,667
Benefits paid	<b>(4,944)</b>	(2,646)
<b>Closing fair value of plan assets</b>	<b>85,418</b>	80,465

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

**Pension schemes** (continued)

Analysis of actuarial gains / (losses) recognised in Other Comprehensive Income:

	<b>2017</b>	2016
	<b>£000</b>	£000
Asset return less interest income recognised in P&L	<b>5,185</b>	3,983
Experience gains on benefit obligation	<b>821</b>	343
Effect of assumptions changes on benefit obligation	<b>5,347</b>	(24,768)
<b>Total actuarial gain / (loss) recognised:</b>	<b>11,353</b>	(20,442)

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

	<b>2017</b>	2016
	<b>%</b>	%
Equities (including property)	<b>28%</b>	44%
Bonds	<b>13%</b>	30%
Other	<b>12%</b>	23%
Cash	<b>47%</b>	3%

As part of the 1<sup>st</sup> January 2017 Triennial valuation a revised investment strategy was agreed. This strategy is designed to reduce the risk and volatility associated with scheme assets and will see approximately 50% of funds invested in Liability Driven Investment and Absolute return bond funds. At the year end the divestments from existing funds had taken place prior to reinvestment in 2018, consequently there was a substantial cash holding at 31<sup>st</sup> December 2017.

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

	<b>2017</b>	2016
	<b>%</b>	%
Discount rate at 31 December	<b>2.4%</b>	2.6%
Expected return on plan assets at 31 December	<b>2.4%</b>	2.6%
Future salary increases	<b>2.3%</b>	2.4%
Future pension increases	<b>3.1%</b>	3.2%

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

	2013	2014	2015	2016	<b>2017</b>
	£000	£000	£000	£000	<b>£000</b>
Defined benefit obligation	(85,422)	(103,851)	(98,677)	(124,155)	<b>(116,207)</b>
Plan assets	62,725	70,193	73,661	80,465	<b>85,418</b>
(Deficit)	(22,697)	(33,658)	(25,016)	(43,690)	<b>(30,789)</b>
Experience adjustment on obligation	(723)	(191)	838	343	<b>821</b>
Actuarial gain on plan assets	2,431	3,834	1,286	3,983	<b>5,185</b>

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

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

<b>Group and Charity</b>	<b>2017 £000</b>	<b>2016 £000</b>
Net loss for the year	<b>(5,973)</b>	(4,904)
Interest received	<b>(95)</b>	(76)
Depreciation of tangible fixed assets	<b>15,699</b>	20,892
Amortisation of goodwill	<b>122</b>	334
Impairment of interest rate cap	<b>43</b>	86
Net retirement benefit charge less contributions	<b>(1,548)</b>	(1,768)
Decrease / (Increase) in stock	<b>462</b>	(152)
(Increase) / decrease in debtors	<b>(1,588)</b>	4,552
Increase / (decrease) in creditors	<b>3,472</b>	(3,446)
Gain on tangible fixed assets	-	(937)
<b>Net cash inflow from operating activities</b>	<b>10,594</b>	14,581

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

	<b>At 1 Jan 2016 £000</b>	<b>Cash Flows £000</b>	<b>At 31 Dec 2017 £000</b>
Cash and cash equivalents	5,179	3,855	9,034
Debt due within one year	-	-	-
Debt due after one year	(28,500)	(8,500)	(37,000)
Total	(23,321)	(4,645)	(27,966)

**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 Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.