

# Annual Report

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2008/09

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The UK's largest independent healthcare provider



General Healthcare Group

## Our mission

To grow our position as the UK's largest independent healthcare provider, working with the best consultants to deliver the best quality patient care, the best clinical practice and the best possible clinical outcomes.

## Contents

- 1 Achievements and highlights
- 2 Chairman's statement
- 4 CEO statement
- 6 Business review
- 8 Operating company performance
- 12 GP engagement
- 14 New spread
- 16 The Consultants' Choice
- 18 Patient care
- 20 Quality accounts
- 22 Clean as a whistle: infection prevention and control
- 24 Magnet for the best: our people
- 26 Corporate social responsibility
- 28 Environmental initiatives
- 30 Corporate governance
- 32 Executive committee

## General Healthcare Group at a glance

### Key highlights

- Integrated seven ex-Nuffield hospitals into the BMI estate
- Acquired new hospitals in Darlington and in central London
- Opened six new outreach clinics and outpatient units
- Refurbished 30 wards, 25 hospital receptions and opened the country's first 24-7 private emergency care centre
- Invested £25 million in imaging equipment including four MRI scanners, four CT scanners and one of only four gamma knives in the country, invested £7 million in new theatres and £8 million in clinical IT systems to ensure we continue to be 'The Consultants' Choice'
- Continued our commitment to clinical excellence by publishing our 'Quality Accounts' demonstrating our ongoing commitment to deliver quality services to our patients
- Provided an extra 3,000 staff training days in 2008/09

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The UK's No. 1 independent healthcare provider

7,000+

consultant specialists

67

hospitals & treatment centres

9,200

permanent employees

89%

of the GB population live less than an hour from a BMI hospital

2,900

beds

99%

patient satisfaction rating of good, very good or excellent (*Patient satisfaction survey carried out by Howard Warwick & Associates, Jan - Sept 2009*)

250,000

inpatient visits per year

115

specialties & services

1million

outpatient visits per year

# Chairman's statement



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Our focus has clearly been on maintaining our position as the UK's number 1 independent healthcare provider whilst ensuring we deliver excellent service to our stakeholders, consultants, GPs and patients.

Position

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2008/09 has been an exciting year for General Healthcare Group and a year in which much has been achieved. Over the last three years the Company has been transformed in terms of scale and quality; and financially it is well positioned to continue to take advantage of positive fundamental trends. Therefore, I am pleased to report that, against a backdrop of economic turbulence, GHG has again delivered excellent results.

During 2008/09 we continued to acquire and expand our footprint. We can now proudly say that circa 90% of the UK population live less than an hour from a BMI facility. We are only now beginning to see the real benefits of the scale and national coverage that we have created.

Our focus has been on strengthening our position as the UK's number 1 independent healthcare provider whilst ensuring we deliver excellent service to our stakeholders, consultants, GPs and patients. Maintaining and extending our leading position requires us to invest in our business. During 2008/09 we invested £45m, and over the last three years we have invested circa £150 million in our existing estate and a further £150 million in new facilities.

During this year we were one of the first independent operators to publish our 'quality accounts' to communicate publicly our excellent patient satisfaction levels, our clinical outcomes and our rigorous management of infection control within all of our facilities.

BMI Healthcare remains committed to servicing the independent healthcare sector and the majority of our revenue and caseload is derived from our private patients. We have a collaborative and productive working relationship with the NHS and are pleased to work with the public sector to deliver Choose and Book services in many of our facilities, helping the NHS deliver its core business.

For the full year 2008/09 our caseload grew by 5.9% and our revenue by 7.6%. Our operating company (OpCo) delivered £220.6 million of EBITDAR and £93.9 million of EBITDA, an increase on the prior year of 8.3% and 13.3% respectively.

We strive to be the most efficient operator and we are very proud that each of our key metrics are industry leading - reflecting the hard work, dedication and experience of all our staff. On behalf of the Board and shareholders I would like to express our gratitude and praise to them.

With an ageing population we anticipate an increasing role for the independent sector. Looking forward, the company enjoys good prospects as fundamental trends are positive. General Healthcare Group is well positioned to take advantage of this.

**Sir Peter Gershon**  
Chairman, Nov 2009

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The UK's No. 1 independent  
healthcare provider

#### Notable achievements this year include:

- Geographical gaps have been filled through acquisition or build and a central London core created to service our hospitals within the M25
- An increased investment in capital equipment to ensure that we stay at the forefront of independent healthcare and respond to consultants' requests for the most technologically advanced equipment and facilities – underpinning our positioning as 'The Consultants' Choice'
- An increased focus on GP engagement with the recruitment of Primary Care Managers, focusing on further enhancing our relationships with GPs local to each of our hospitals
- The expansion of our National Enquiry Centre to service better consultant, GP and patient enquiries and ensure the patient is well looked after from initial enquiry to final discharge
- Focus on providing career paths for internal management and development of employee skill sets through additional training.

# CEO statement

I am delighted to report once again that General Healthcare Group has delivered another really solid performance across all our key metrics in the year 2008/09. This is the third successive year of outstanding performance.

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Ensuring our hospitals' commitment to delivering the highest standard of service and care to patients, consultants and everyone associated with us.

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## Commitment



The improvements put in place over the last three years have demonstrably differentiated the business by quality, scale, employee capability and customer satisfaction.

Our company is an efficient business that continues to have significant opportunity and potential. This is a business every stakeholder can be proud of.

The UK economy has had a turbulent year. Nevertheless demand for private healthcare remained strong and with an ageing population this dynamic is set to continue.

We also sought to expand our geographic presence and introduce new services to many of our hospitals through our ongoing investment programme.

We are pleased to report industry leading results

- Turnover up 7.6%
- Operating Company EBITDA up 13.3%\*
- Patient/customer satisfaction maintained at all time highs – 99% good, very good or excellent, with 98% recommending to friends and family.
- Continued focus on infection prevention with no hospital acquired MRSA bacteraemias in the last 12 months\*\*

In the year 2008/09 we have acquired facilities in Darlington and Oxford, and opened new units in central & west London, Aberdeen and Swindon. We also won a major contract to manage the Coombe Wing Private Patient Unit within Kingston NHS Trust.

We have doubled spend on staff training over the last three years and in the coming year we will continue to invest in the training and development of our staff, recognising them as the best people in the industry.

In 2008/09 we have seen privately insured and corporate business remain firm but the self pay element reduce sharply. To mitigate this we have augmented and grown our capacity by offering Choose and Book in carefully targeted hospitals. It is expected that the NHS funded activity will continue to play an important role in the independent sector, as the legislative policy of Choose and Book rolls out further. BMI Healthcare however remains very much a private healthcare provider that makes some capacity available to the NHS to service its customers, where it is efficient and effective to do so. This now represents circa 10% of our caseload.

I am pleased to report that in the last year both our clinical staff and our management have again been recognised as leaders in the sector.

12 of our hospitals were listed in the Nursing Times Top 100 and individual staff have received significant employment, leadership and management awards. Most positively however, as it underpins our business, we are now delivering patient satisfaction almost 10% points clear of the market – a real barometer for future referrals.

The objective for the year was to strengthen further our position as the number 1 healthcare provider in the UK, further emphasising our commitment to delivering the highest standard of service and care to patients, consultants and all our stakeholders.

In short, BMI Healthcare has had another strong year and we are well placed to continue to leverage our market leading position and exploit the many incremental growth opportunities as the market consolidates.

We have completed a major refurbishment programme of wards and reception areas across 23 of our hospitals and have invested significantly in leading edge scanning and imaging equipment.

The business review that follows gives further detail about what has been happening in our business and the industry.

I am proud of the achievements of this company and its transformation into an efficient service-led business that has the potential to extend its leadership and grow significantly.

**Adrian Fawcett**

Chief Executive Officer, Nov 2009

“ Our company is an efficient business that continues to have significant opportunity and potential. ”

\* See financial review

\*\* To Aug 09

# Business review

BMI Healthcare, the acute private hospital division of General Healthcare Group, is the largest independent provider of private healthcare in the UK.

The Group has 67 hospitals and treatment centres throughout the UK, each having an enviable reputation for providing excellent medical and surgical facilities supported by state-of-the-art equipment and a high standard of nursing care.

BMI hospitals receive over 250,000 in-patient and 1,000,000 out-patient visits each year, and perform more complex surgery than any other independent private healthcare provider in the country. Nearly half the procedures undertaken for patients are of a major or complex nature.

BMI hospitals attract consultants from a wide range of specialties, most of whom have extensive experience gained within the NHS. Supported by BMI Healthcare's high calibre staff, they are able to undertake a wide range of procedures from routine investigations to the most complex, high acuity cases such as cardiac surgery and neurosurgery.

BMI Healthcare is committed to providing a consistent, high quality service to local communities. 89% of the GB population live less than an hour from a BMI hospital.

Total healthcare spending in the UK reached £136 billion in 2008, compared with £60 billion a decade earlier, with the share of gross domestic product going to health rising to 9.4% from 6.9% in 1998, putting the UK roughly on par with the European Union average.

Pressures on the British healthcare system are likely to grow and forecasts look challenging, with public spending across the board likely to be curtailed by crippling

government debt over the next five years. Exacerbating the problem are the demographic realities of a sicker, ageing population, and the additional expense of new technologies being developed to treat them.

A June 2009 paper by the NHS Confederation, the membership body for the institutions making up the National Health Service, predicted that the NHS would face a "very severe contraction in its finance with an £8-£10 billion cut in real terms likely in the three years from 2011."

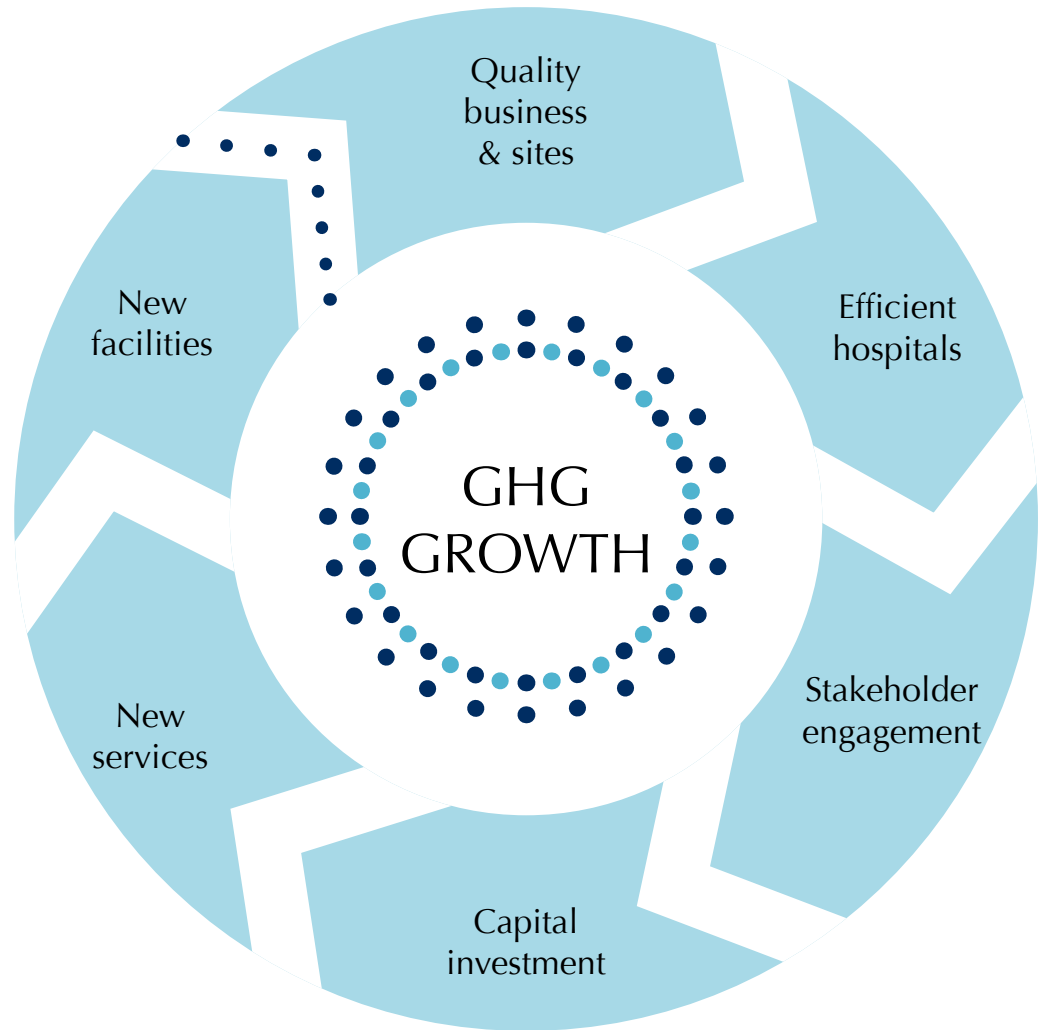
The King's Fund, in a July 2009 report, discussed three potential scenarios for funding of the English NHS from 2011/12 to 2016/17: a "tepid" outlook, with annual real increases of 2% for the first three years and 3% for the final three years; a "cold" outlook of zero real change in funding; and an "arctic" scenario that foresees annual real reductions of 2% for the first three years, falling to 1% for the final three years. Given this lack of funding growth, there will be an increasing role for the private

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BMI Healthcare’s core focus remains the private sector and providing quality healthcare for insured and self pay patients.

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## Focus



sector, even if NHS efficiencies can offset some of the budget pressure.

Falling NHS budgets will prevent capacity expansion, and cost savings may impact on quality in the NHS, further increasing demand for high quality private sector services offering choice of consultants, and high standards of cleanliness.

In 2009 General Healthcare experienced tough trading conditions due to the weak economy, and it is expected that

challenging market conditions will continue to impact growth of the core business in the short term. However excellent opportunities for business development remain and smaller operators are seeking security through partnerships with larger organisations.

BMI Healthcare’s core focus remains on the private sector and providing quality healthcare for insured and self pay patients.

BMI hospitals are connected to the NHS Choose and Book

service and offer a range of services under the Extended Choice Network. We have been very selective in listing Choose and Book services to ensure best utilisation of our spare capacity.

In BMI Healthcare we recognise the importance of our relationships with our key stakeholders, the consultants who work in our hospitals and the GPs who refer their patients to us.

In 2009 we have further expanded our teams of Primary Care Managers who are responsible for liaison with GPs local to our hospitals, ensuring they are fully aware of our products and services and facilitating and easing the referral process.

# Operating company performance

## Financials

- 8 Directors' report for financial statements
- 8 Corporate finance activities
- 8 Capital projects
- 8 Financing
- 9 Operating performance
- 10 Group profit and loss
- 11 Cash flow
- 11 Borrowings

## Directors' report for financial statements

General Healthcare Group has produced strong revenue and profit growth during a challenging year. Revenue has increased 7.6% from 2008 levels which, coupled with improved efficiency has seen its EBITDA margin increase from 10.7% to 11.3%. EBITDA grew by 13.3% to £94m.

## Corporate finance activities

During 2009 General Healthcare Group has strengthened its position as the leading private healthcare provider in the UK. The Group has broadened its geographical coverage and improved its performance through the strategic acquisitions of City Medical and Fitzroy Square in central London, The Thornbury Radiosurgery Centre in Sheffield and The Woodlands private hospital in Darlington.

## Financing

The operating company has net debt of £180m, less than two times headline EBITDA. In addition undrawn facilities of £69m remain available. There is no refinancing required until 2013.

## Capital projects

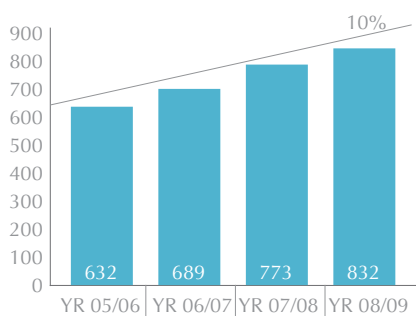
The Group has continued to set aside a significant proportion of free cashflow for improvements in the infrastructure of the business, investing £45m during 2008/09. The Group undertook a balanced portfolio of schemes, focussing on the following:

- improving and/or extending clinical services
- improving hospital infrastructure
- enabling business process through improved IT.

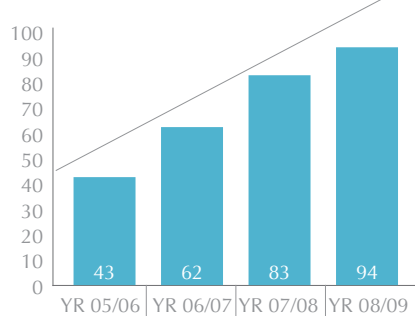
## Operating Company

The company has continued to grow top line revenue strongly. An increasing proportion of this is falling to the bottom line, delivering EBITDA growth of 13% in the year.

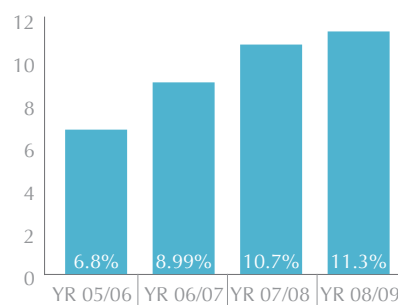
### Revenue



### EBITDA



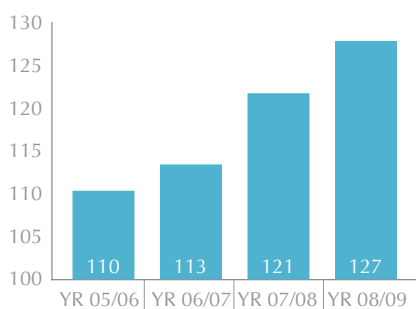
### EBITDA margin



	2009	2008	Growth
<b>Total cases</b>	<b>261,195</b>	<b>246,589</b>	<b>5.9%</b>
	<b>£'m</b>	<b>£'m</b>	<b>%</b>
<b>Revenue</b>	<b>832</b>	<b>773</b>	<b>7.6%</b>
<b>Headline EBITDA</b>	<b>94</b>	<b>83</b>	<b>13.3%</b>
EBITDA margin	11.3%	10.7%	0.6ppts
Profit before tax	35	25	40.0%
<b>Profit after tax</b>	<b>36</b>	<b>22</b>	<b>63.6%</b>
Operating cashflow	128	131	(2.3%)

Revenue growth was driven by a rise in both NHS and insured caseload more than compensating for a fall in self-pay volumes. Efficiency initiatives implemented during the year have ensured that margin has continued to expand.

## Property company



The rent received by the property company owned by the Group has increased by 5% per annum. This is made up of 2.5% annual increments within the leases plus the positive impact of an increased number of properties within the portfolio.



# GP engagement

“ Our company is an efficient business that continues to have significant opportunity and potential. ”

Feedback from GPs has underlined the importance of an easy referral process for their private patients. As a result of this we have launched a 'GP Hotline' giving doctors a totally secure and easy way of referring their patients to a BMI hospital using either web or telephone.

BMI Healthcare's national GP Hotline streamlines the referral process, providing significant benefits for both patients and GPs.

Whereas the traditional referral process can take up to a week to secure an appointment, BMI has reduced this time to two hours via the new service.

Bearing in mind the overflowing in-trays in medical practices across the country, this reduction in practice administration time has been welcomed by GPs. Following a consultation, a GP can phone BMI's National Enquiry Centre and dictate a referral letter to a professionally trained advisor, who will then make a courtesy call to the patient.

The fast tracking system provides peace of mind for patients, who can relax knowing that their diagnosis is under way and a consultation is being arranged.

The medical knowledge of BMI advisors, coupled with their practice experience, allows them to understand the pressures facing GPs and has resulted in a fast and efficient service, which meets the needs of GPs and their practice staff.



**Dr John Tobias,**  
*Elmwood Medical Centre*

## The Primary Care Team

A Primary Care Team has been established within BMI Healthcare to build strong relationships with GPs who play the pivotal role in referring patients to BMI consultants. The 10,500 GP practices in the UK are segmented and targeted by the team with a view to developing ongoing activity to strengthen the referral pathway to BMI hospitals.

The key focus is to promote our hospital services and relevant consultants, the team engages with GPs and practice managers to actively refer patients to BMI hospitals. Choose and Book is another area that is discussed and GPs are very often keen to select us as a private provider of NHS services, due to our low infection rates and the fact that patients care is led and delivered by the consultants.

A large part of the work of the Primary Care Team is getting consultants to engage and network with local GPs, as this will support and generate further referrals. A programme of educational talks is conducted, with both in-surgery meetings and larger seminars being held. Other healthcare professionals are also visited, such as physiotherapists, optometrists and dentists, and we have developed some excellent referral pathways into our hospitals from these allied groups.

With a strong strategic focus in the coming year, targeted selling of our core messages and further enhancements to the GP and consultant interface we are very confident that the Primary Care Team will be an instrumental part of the success of BMI Healthcare in 2009/10.

“ I have been using the GP Hotline for the last three months or so. It has enabled me to arrange an appointment for my patients with a consultant of my choice within minutes of seeing the patient, in an extremely efficient way. I know that one telephone call will generate the appointment, the referral letter and the patient contact/notification. It's a 'one-stop shop' solution for me. ”

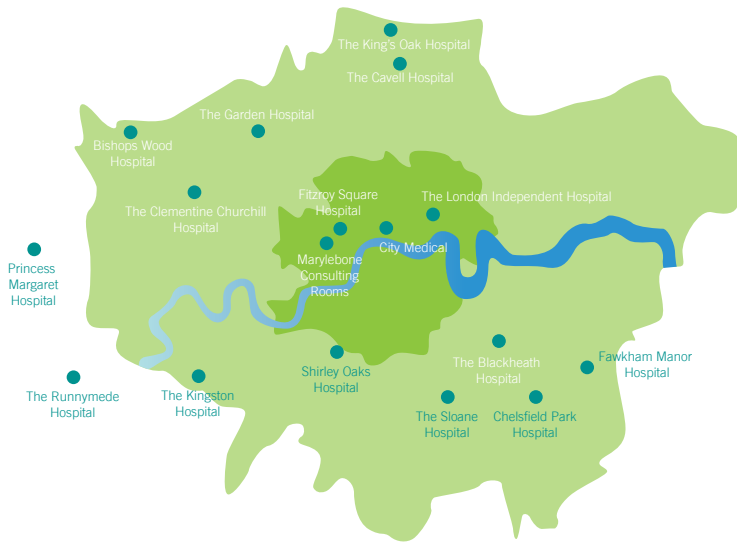
# Comprehensive coverage: Private Medical Insurer relationships



The insured market has proven to be robust in a very challenging economic climate. BMI continued to grow its insured revenue in the financial year to September 30th and also grew its market share.

BMI provides healthcare for policy-holders of every insurer in the market: companies such as AIG, Aviva, Axa PPP, Bupa, Cigna, CS Healthcare, PruHealth, Simply Health, Standard Life and WPA, among others, cover over 70% of our business. Our deserved reputation for quality healthcare and outcomes means that BMI is the premium hospital provider of choice for the insurance market.

BMI already provides more services to PMI companies than any other hospital group and in 2008/9 has made strong progress in developing relationships with a number of the key groups. To build on this position we are focussing on ensuring that our product offer precisely matches their requirements and represents the highest quality outcomes. We have worked closely with insurers to assist them by managing their claims risk, providing quality performance measures and improving the patient journey.



BMI's growing network of hospitals and clinics is also particularly attractive to Insurers by enabling them to offer members a consistently high quality service on a national basis. Our acquisition strategy is in part driven by a desire to close any remaining gaps in our national coverage. This is particularly apparent in London, where we have grown our infrastructure to include 14 hospitals and clinics within the M25.

BMI Healthcare is increasingly known for not only our traditional secondary care market, but the complete end-to-end clinical service, from first-line diagnostics and early intervention through to surgical outcome.

Our extensive national footprint and strong clinical focus has also allowed us to enter new corporate markets. For example, the expansion of our Intelligent Health product range allows us to support employers, either directly or via their insurer or broker, by offering primary care, health assessments, physiotherapy and employee health risk management capabilities, as well as clinically-evidence based whiplash rehabilitation pathways for the medico-legal market.

Increasingly insurers are also looking to BMI to provide national, tailored networks for their customers, where because of our reach and flexible product offer, large businesses can rely on us for a total healthcare solution.

## Case study

Working with Honda's HR team and the group's Insurer, BMI Healthcare has created a bespoke solution to meet all its corporate healthcare requirements including:

- Full service capability centred around the high quality facilities of the BMI Ridgeway hospital
- Simplified booking for Health Screening
- Rapid access to diagnostic and outpatient consultations
- Excellent employee treatment and minimal disruption to employee and employer alike
- Corporate rates reflective of the BMI-centric nature of relationship

“

Honda recognises that private healthcare is a valuable benefit for employees, whatever the economic climate. ”

Our investment in facilities and equipment is highly influenced by the needs of our Insurance partners and their clients. All parties will share in the benefits to patient care and case management from over £25m of new imaging and surgical equipment and more than £8m in systems and process development, during 2008/9 alone.



7,000+

Consultants choose to work with GHG

# The Consultants' Choice



BMI Healthcare is proud to be able to claim it is 'The Consultants' Choice,' with more consultants choosing to work in our hospitals than any other independent provider. Consultants consistently rate us better than the competition in key categories such as the quality of facilities and nursing staff.\*

As part of our commitment to providing excellent equipment and facilities we regularly consult with our doctors to ensure we are investing in the support services they need.

An example of our support and investment is in the recent opening of the first hi-tech operating theatre of its kind installed at BMI Mount Alvernia Hospital.

The Stryker i-suite theatre opens as the second stage of a £6m development at Mount Alvernia, and features wide screen high-definition (HD) monitors, HD imaging capabilities and is the first in Europe to use "shadowless" lamps.

The HD monitors in the operating theatre enable surgeons to see from every angle when operating and the high-tech installation allows surgeons to perform newer, more complex surgery keeping up with the latest treatments.

The theatre is future-proof, allowing for upgrades to keep up with the very latest advances in surgery and Mr Iain Jourdan, Consultant Surgeon at BMI Mount Alvernia, said of the i-suite: "I am very impressed with this new, state-of-the-art theatre. Everything is integrated and, very importantly, mobile, which allows surgeons to perform more efficiently and to the highest level."

Eileen Scrase, Executive Director of the hospital, commented: "We are pleased to be leading the way in surgery and technology in Surrey."

"Our new ergonomic theatre will allow surgeons to perform more complex surgeries, which means patients will be offered the latest treatments available and the highest standard of healthcare."

\* Source ORC research June 2007



“ I have treated private patients at BMI The London Independent Hospital for 10 years and can wholeheartedly recommend it. The cardiac catheterisation suite is a state-of-the-art facility with expert, helpful and friendly staff. Their positive and flexible attitude helps me and, more importantly, provides an excellent environment for my patients.

Dr Charles Knight  
Consultant Cardiologist

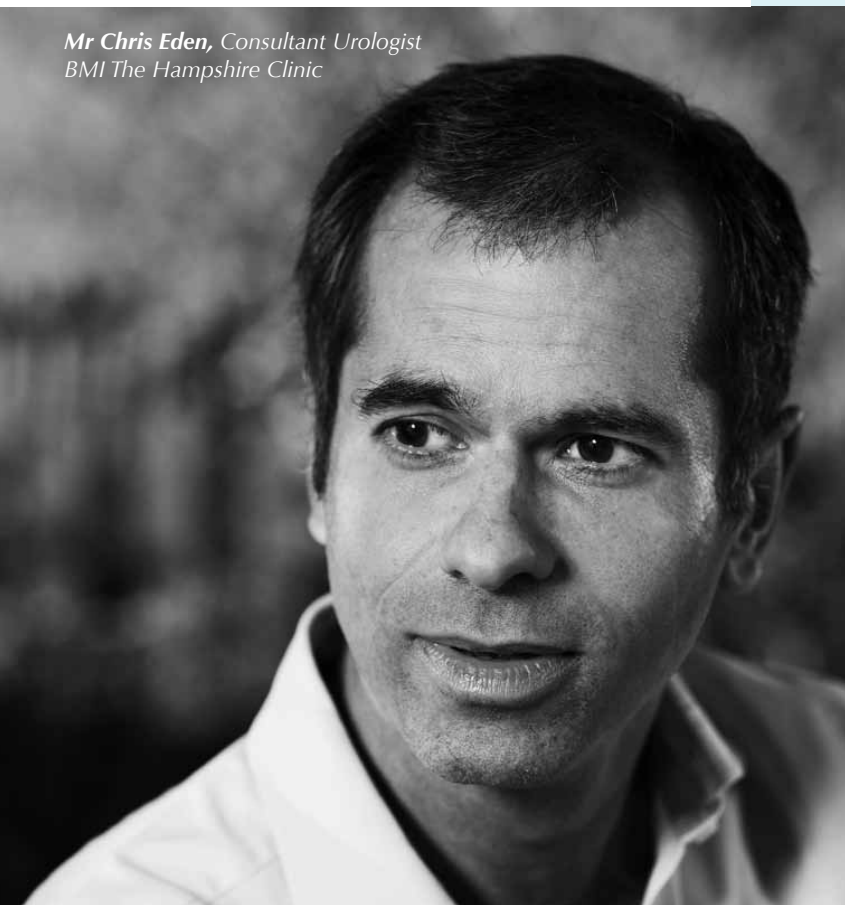
“ As part of our commitment to providing excellent equipment and facilities we regularly consult with our doctors to ensure we are investing in the support services they need. ”

A close-up photograph of a female nurse in a light blue short-sleeved uniform. She is smiling warmly as she applies a white adhesive bandage to a patient's arm. The patient's hand is visible in the foreground, and the nurse's hands are carefully positioning the bandage. The background is bright and slightly out of focus, suggesting a clinical setting.

# Patient care

After 64-year-old advisory teacher Geoff Martel of Guernsey was diagnosed with localised prostate cancer in the summer of 2008, he knew he wanted to find the procedure and surgeon that would provide him with the best possible outcome, so he travelled 150 miles to be treated by Mr Chris Eden, Consultant Urologist at BMI The Hampshire Clinic in Basingstoke. Today, Geoff's cancer is in remission, and he is praising Mr Eden and the hospital for the excellent treatment he received to restore his health.

*Mr Chris Eden, Consultant Urologist  
BMI The Hampshire Clinic*



“

The staff at The Hampshire Clinic were also excellent. Nothing was too much trouble and their attention to detail was amazing. They explained everything that went on before and after the procedure – I couldn't fault a thing.

”

## Geoff's story: "My GP was astounded by my recovery"

During a routine check up in 2008 Geoff received a blood test, which revealed a high Prostate Specific Antigen (PSA) reading, an early indicator of prostate problems. Geoff then underwent a series of follow-up blood tests and examinations, which confirmed a positive cancer diagnosis.

Geoff knew he had to make some serious decisions about his treatment. He was pleased to find he would be a likely candidate for laparoscopic radical prostatectomy (LRP), the minimally invasive procedure to remove the prostate gland. Geoff had read that, compared to traditional open surgery, LRP offered greater patient comfort, shorter recovery times and reduced bleeding.

Geoff's daughter, a physiotherapist, recommended he look into seeing Mr Chris Eden, who had successfully treated some of her clients. After speaking with another patient who was full of praise for the urologist, Geoff was certain that Mr Eden was the surgeon he wanted.

Geoff felt it would be well worth paying to be treated privately and he went to see Mr Eden at The Hampshire Clinic in May 2009. Geoff felt immediately reassured by his knowledge and long experience in performing LRPs and two weeks later Geoff returned to the hospital for his procedure and was extremely pleased with the care he received.

"Everything went just as Mr Eden said it would and even at the precise times," said Geoff. "The staff at The Hampshire Clinic were also excellent. Nothing was too much trouble and their attention to detail was amazing. They explained everything that went on before and after the procedure – I couldn't fault a thing."

Geoff was also surprised at how quickly he started feeling better following his procedure:

"The scars had healed within two weeks and, now, you would hardly notice a thing. I was up and walking around within 24 hours. I actually felt more discomfort and pain during and after my biopsy than I did after the operation. I was able to do most things, including walking most mornings and evenings."

Geoff returned to work only two weeks and two days after surgery. "My doctor was astounded by my recovery and was delighted when he saw me looking so fit and raring to get back to work!"

Today, Geoff's cancer appears to have been cured with only a 1% chance of it returning in the future. "I feel relieved, and very pleased to have been seen by Mr Eden."

# Quality accounts

As the UK's largest supplier of acute surgical services, BMI Healthcare has been at the forefront of the drive to improve clinical and non-clinical standards across the independent acute provider sector. It has called for and contributed to regulation in a positive way, improved its reporting protocols and welcomes the opportunity to demonstrate its commitment to high quality patient care and continuous improvements.



“ Our patients have a justifiable expectation of the highest quality, safe and effective service. ”

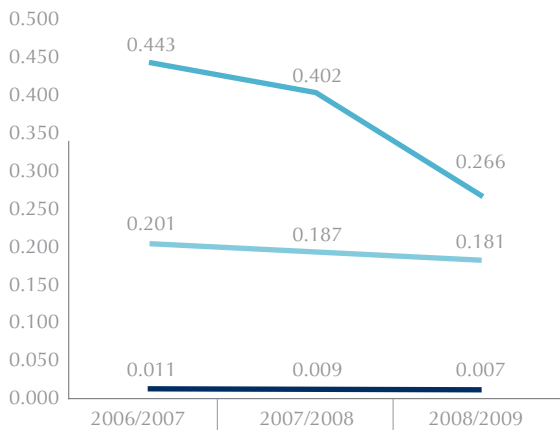
BMI has built up a comprehensive multi-disciplinary clinical governance framework encompassing local hospital and corporate levels in order to:-

- Ensure the setting of standards in line with regulation and the latest evidence based protocols.
- Support implementation with skilled staff who undertake ongoing professional development and investment in equipment and environment to keep up with fast moving technological developments in healthcare.
- Monitor all aspects of service delivery by collection of patient feedback, clinical outcome and adverse incident data
- Analyse and review the data to facilitate the planning and implementation of appropriate actions for improvement and the minimisation of any risks identified.

Due to the nature of healthcare, complications are unavoidable in some cases but we strive to ensure that we have reduced this to the minimum.

The following graph for the rate of unplanned re-admission and unplanned returns to operating theatre demonstrate an ongoing year on year reduction in any adverse incidents/complications.

### Complications



#### BMI Healthcare complications per 100 patients

- Re-admission within 31 days
- Unplanned return to theatre
- DVT

Overall these readmission and return to theatre rates are around half the levels experienced in the private sector as a whole \*

### Patient Satisfaction

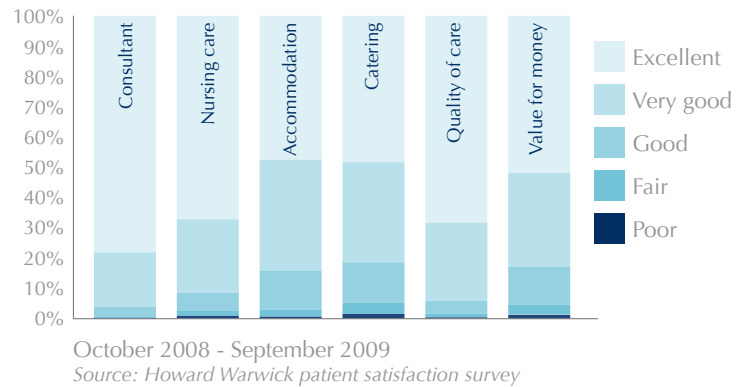
Emphasis on clinical excellence, patient care and overall quality has led to BMI recording market leading customer satisfaction scores in independent surveys run in all of our hospitals. Similar surveys are also run in the NHS and the results

BMI received satisfaction surveys back from 43,584 inpatient and day-case patients in the last 12 months. This compares to 72,000 across the whole of the NHS received by NHS.

Satisfaction with overall quality –  
**NHS 75.6%                      BMI 98.4%**

Our overall rating of our care and our intention to recommend scores have both improved year on year insert numbers and source.

### Patient satisfaction overall rating scores



“ Over three quarters of patients rate their consultants and over two thirds rated their nursing and overall care as excellent. ”

Not only do we monitor quality for the purpose of ongoing analysis and improvement, but the results are also used to monitor the effect that any changes in service or corporate cost efficiency drives, which are as demonstrated below.

New initiatives have been undertaken in nursing, where a recruitment drive has led to increasing the number of employed nurses and switching away from Agency nurses as well as the introduction of smarter working practices. This has led to improving patient satisfaction scores over the last 9 months of 2008/09.

During the same period, we have achieved a 5% point increase in satisfaction with our catering, where new menus and presentation have been introduced and have been supported by staff awareness and training initiatives.

# Clean as a whistle:

infection  
prevention &  
control



## Cleanliness

“ Environmental cleanliness is an important factor in infection prevention and our patients rate the cleanliness of our facilities highly.

Prof. Duncan Empey  
Group Medical Director

”

## Hospital acquired infection

Infection prevention remains a key concern for patients. An opinion poll carried out in August 2009 for BMI Healthcare shows that cleanliness and hygiene are the biggest concerns for the public in receiving treatment in NHS hospitals. Fears over risk of hospital acquired infection and superbugs such as C.Difficile and MRSA, as well as general hospital cleanliness now top the list of concerns for prospective patients (29%), followed by standards of treatment and care (26%) and then waiting lists (20%).

The COMRES poll was conducted using an entirely open question and the public were asked to name their biggest concerns about being treated in an NHS hospital.



### Range of infections in NHS vs. BMI Healthcare\*

Clostridium difficile cases per 1,000 bed days  
MRSA bacteraemias (blood infection) cases per 10,000 bed days

\* BMI - Reported via corporate surveillance reporting mechanism (Oct 2008 to Sept 2009)

NHS - Health Protection Agency (May 2008 to April 2009)

## Effectiveness

BMI Healthcare, in common with other providers of acute healthcare in the independent sector, not only focuses on the immediacy of service delivery but also on its contribution to the growth and development of a high quality health system in the UK. Through a commitment to a programme of clinical governance, BMI Healthcare remains accountable to patients, their doctors, other healthcare agencies and itself for the scope and standard of the care it delivers.

Every BMI hospital/facility has a local framework through which clinical effectiveness, clinical incidents and clinical quality are monitored and analysed. Where appropriate, action is taken to improve continuously the quality of care. This is through the work of a multidisciplinary group and the Medical Advisory Committee in each hospital. At corporate level the clinical governance board has an overview and ensures that there is corporate learning and quality improvement.

General Healthcare Group initiated a clinical indicator project in 2007. This is now a joint development in conjunction with all other independent sector providers, the Department of Health, the Care Quality Commission and the NHS Information Centre.



9,200

dedicated permanent  
healthcare and support  
staff looking after patients  
across the country

# Magnet for the best: our people



## Care

“ Quality of care and attention to patients is a key differentiator between us, the NHS, and our competitors. ”

Every month nearly 14,000 people are engaged in employment with GHG. These are mainly long term permanent staff and 'bank' staff on part-time ad hoc hours, who may have a long-standing relationship with the company. Just over half of our employees have a clinical role, as nurses, pharmacists, physiotherapists or radiographers, and the majority of the others are in roles directly assisting our patients, for example in reception or housekeeping.

Our staff are therefore at the centre of the patient experience and, as such, shape the way the company is perceived. They provide the care, commitment, professionalism and service that underpin our position as the leading private healthcare provider in the UK.

At GHG, we are committed to creating a working environment that attracts and retains talented individuals, engages and motivates them to deliver their best, provides recognition for contribution, provides excellent and ongoing development opportunities and ensures this is achieved with a healthy regard for work-life balance and individual wellbeing.

GHG is committed to promoting equality of opportunity for all its employees and aims to create a culture where staff respect and value each other's differences. We seek to remove any barriers, bias or discrimination that prevent individuals from realising their potential and contributing fully to the company's performance.

Our current management training programmes include sessions on fair selection and managing diversity. In the autumn of 2009, we will be launching specific training on diversity in conjunction with enhanced tracking of equal opportunity data. We have always provided flexible working arrangements to enable us to appeal to people in as wide a range of personal circumstances as possible, and this remains a key strength within our employment proposition.

Our success is inextricably linked with the knowledge and expertise of our employees, and despite the current economic pressures, we increased our level of investment in training and development last year.

We created and delivered a ground-breaking programme for our Health Care Assistants (HCAs), which blends classroom and practical training for all new and recent recruits. This programme ensures that our HCAs are equipped to provide a consistently high standard of patient care, while enabling Registered Nurses to focus on clinical support.

In late summer 2009, we commenced delivery of a portfolio of national nursing training programmes. These include cross-training in theatre skills to provide the opportunity for ward nurses to develop in this area, return to practice programmes, and ongoing professional development seminars.

During 2008/09, we delivered over 2,000 days of management, leadership and commercial development programmes for middle management. These programmes are designed to support the significant organisational change underway and to facilitate a shared culture across the UK business. This continues and will be expanded further to provide a related programme for supervisors.

At senior levels, we will be launching a leadership development programme within two years to support our aim of filling the majority of senior vacancies through succession and development.

We have begun to implement online mandatory clinical training, which provides the required theory component through a series of online modules, together with classroom-based practical training. This gives employees flexibility over when they complete training, and ensures consistency of standards and automated monitoring of compliance.

Quality of care and attention to patients is a key differentiator between us, the NHS, and our competitors. Customer care will therefore be a major area of focus in 2009/10. In the autumn of 2009 we will launch an integrated programme of initiatives which brings together training in customer care skills, operating standards and care pathways for all hospital-based staff. This will be complemented by a national award programme for teams and individuals that recognises exceptional delivery of customer service or patient care.

“ Our staff are at the centre of the patient experience and, as such, shape the way the company is perceived. ”

# Corporate social responsibility

General Healthcare is committed to corporate social responsibility and this is carried through in all our employment policies, environmental policies and our interactions with the local communities around our hospitals.

## Health & Safety

Health and safety policies are integrated into all Group operations to ensure the safety and wellbeing of our employees, patients and their visitors. Health and safety committees operate in all business units with the following terms of reference:

- Instigate, develop and implement measures designed to ensure workplace health and safety
- Monitor compliance with Occupational Health and Safety legislation, regulations and codes of practice
- Formulate, review and disseminate policies and procedures relating to health and safety, which are to be carried out or complied with within the workplace
- Monitor incident statistics and specific reports as necessary
- Provide risk assessments of major safety hazards and develop appropriate mitigation of exposure to risks
- Ensure readiness for fire and allied peril exposures.

## Sponsorship

### Charities and fundraising

The Group supported many charitable organisations through sponsorship and fundraising efforts, including walks, marathons, golf tournaments, coffee mornings and fancy dress days. To ensure that our hospitals maintain strong ties with their local communities, many of our charity events are locally focused, and we encourage our staff to be actively involved.

## Corporate sponsorship

At a corporate level, our operating company, BMI Healthcare, supported the following organisations and campaigns:

**The Royal College of Surgeons (RCS)** is England's leading surgical and educational organisation and receives worldwide recognition.

BMI Healthcare has agreed to provide sponsorship over three years to support training and development programmes offered by the College to the next generation of consultant surgeons.

**Royal College of General Practitioners (RCGP)** is an academic organisation for general practitioners in the UK.

In 2008/09, BMI Healthcare sponsored the annual National Primary Care Conference, a national showcase for the college, general practice and primary care and worked with the RCGPs to develop a series of educational seminars delivered by our consultants.

**Wellbeing of Women (WoW)** raises money to invest in medical research and to support the development of specialist doctors and nurses working in the field of reproductive and gynaecological health. WoW was BMI Healthcare's official charity partner this year.



## Hospital initiatives

BMI Healthcare hospitals support events on the national healthcare calendar that raise awareness of specific illnesses or health conditions and often provide early diagnosis screening opportunities. These included hypertension, hip replacement therapy, stress, allergies, prostate cancer, cervical and breast cancers, coronary artery calcium, moles and other skin blemishes.

## Patient support groups

BMI Healthcare hospitals hosted and organised support groups for patients who have undergone cancer treatments as well as cosmetic and obesity surgery.

Up Front, a breast cancer support group based at BMI The Chiltern Hospital, was established in January 2005 by two specialist breast care nurses and five women who had breast cancer. Currently there are well over 200 members from the surrounding area who attend group support sessions.

A special event was held this year to mark the first anniversary of the weight loss surgery patient support groups at BMI Chelsfield Park Hospital and BMI The Alexandra Hospital. These were among the first hospitals to launch patient support groups in conjunction with the UK's leading patient association for weight loss, the British Obesity Surgery Patient Association (BOSPA).



# Support

“

Our UK business supported charitable organisations through sponsorship and fundraising efforts, including walks, marathons, golf tournaments, coffee mornings and fancy dress days.

”

## Other sponsorship and fundraising events

In addition, hospitals provided ongoing, ad hoc support to schools, children's hospices and associations for the disabled.

The charities supported during the year included:

- Action Medical Research
- British Arts Foundation
- Children in Need
- Delta, the national charity for deaf children
- Kent Air Ambulance
- Lemon Tree Foundation, Africa
- National Blind Children's Society
- North London Hospice
- Saint Luke's Cheshire Hospice
- Sport Relief
- Warwickshire and Northamptonshire Air Ambulance service
- White Lodge Centre in Chertsey



# Environmental initiatives

## Environmental initiatives

During the last year, GHG increased its focus on the direct and indirect impact our business has on the environment. In 2008/09, we launched a group-wide initiative to deliver excellence across procurement and supply chain management, facilities management, property development, catering and housekeeping. Central to this, is our carbon management programme, EcoNomics, which involves changing business practices across our hospitals and offices, affecting all staff, to reduce our impact on the environment.

Our initial focus has been on energy initiatives, however the programme will cover:

- Energy
- Waste
- Water
- Purchasing and Logistics
- Asset Management & Capital Investment

The Carbon Trust, commissioned last year to review the carbon emissions of our business, estimated our total carbon footprint at 42,419 tonnes. This was primarily composed of energy used in our hospitals. This work has provided a clear focus in the short term to reduce our energy consumption through The Big Turn Off initiative, which has been the main focus of activity this year. In the meantime, further planning and research continues to shape a broader strategy for 2009/10 and beyond.



## Carbon

The 'Big Turn Off' has created initial focus and action across the estate. In order, however, to reduce our impact on the environment significantly, and meet our targets and future legislation, our focus in 2009/10 will be on delivering the wider strategy. Changing staff behaviour will continue to be fundamental to our carbon management success.

“ Our overriding aim is to incorporate carbon reduction measures into our corporate asset management and capital strategy. ”

## Corporate Asset Management and Capital Investment Strategy

GHG owns and operates more than 67 private hospitals and treatment centres, as well as ancillary offices and buildings. Maintenance standards of these properties are being improved to incorporate carbon management, in particular with regard to energy and water. We are developing long-term plans to review the way in which heating and cooling systems are operated, as part of a strategy to replace them progressively with more energy efficient systems and renewable energy sources.

Our overriding aim is to incorporate carbon reduction measures into our corporate asset management and capital strategy, with the following key objectives:

- Build carbon assessment into lifecycle costs for replacement or additional capital plant or equipment
- Ensure buildings operate to minimum carbon efficiency standards
- Develop capital replacement programme to support the objectives of the carbon management programme
- Provide sufficient funding for specific investments in technology in support of the carbon management programme under the control of the Green Policy Project Manager
- Ensure our buildings meet current environmental legislative requirements
- Ensure new buildings and refurbishments are carried out to BREEAM 'excellent' criteria to minimise their carbon impact.\*

\* BREEAM (BRE Environmental Assessment Method) is the leading and most widely used environmental assessment method for buildings. It sets the standard for best practice in sustainable design and has become the de facto measure used to describe a building's environmental performance.

# Corporate governance

## Corporate governance philosophy

The Group acknowledges that, in return for its licence to operate, it is subject to the rules and constraints of society and stakeholder imperatives. In combining the twin requirements of conformance and performance, the Group strives to maintain the highest standards of discipline, integrity and transparency in supporting an appropriate legal, regulatory and institutional foundation.



## Overall Structure

The corporate governance of the Group is led by the Board of General Healthcare Group.

This governance encompasses both the business aspects and the service and safety aspects of the Group's activities, and committees of the Board have been established to deal with the specific components of this.

The constitution and function of the Board Committees is as follows:

### Audit Committee

The Audit Committee is chaired by Sir Peter Gershon (Group Chairman) and has three members, all non-executive directors. The Committee's responsibilities include: overall responsibility for internal and external audit of the Group's financial activities and financial reporting, the appointment and remuneration of external auditors, the company's internal controls, and other financial and business risk issues, including certain compliance functions.

### Executive Committee

The Executive Committee is chaired by Adrian Fawcett (Group Chief Executive) and comprises the Group's senior executive functional and divisional heads. Its role is to address all Group operational matters and it is the principle executive decision-making body within the Group.

### Finance and Investment Committee

The Finance and Investment Committee is chaired by Vaughan Firman (Chief Financial Officer of Netcare in South Africa). Its role is to review potential capital investments and capital projects, and undertake follow-on post acquisition reviews.

### Remuneration Committee

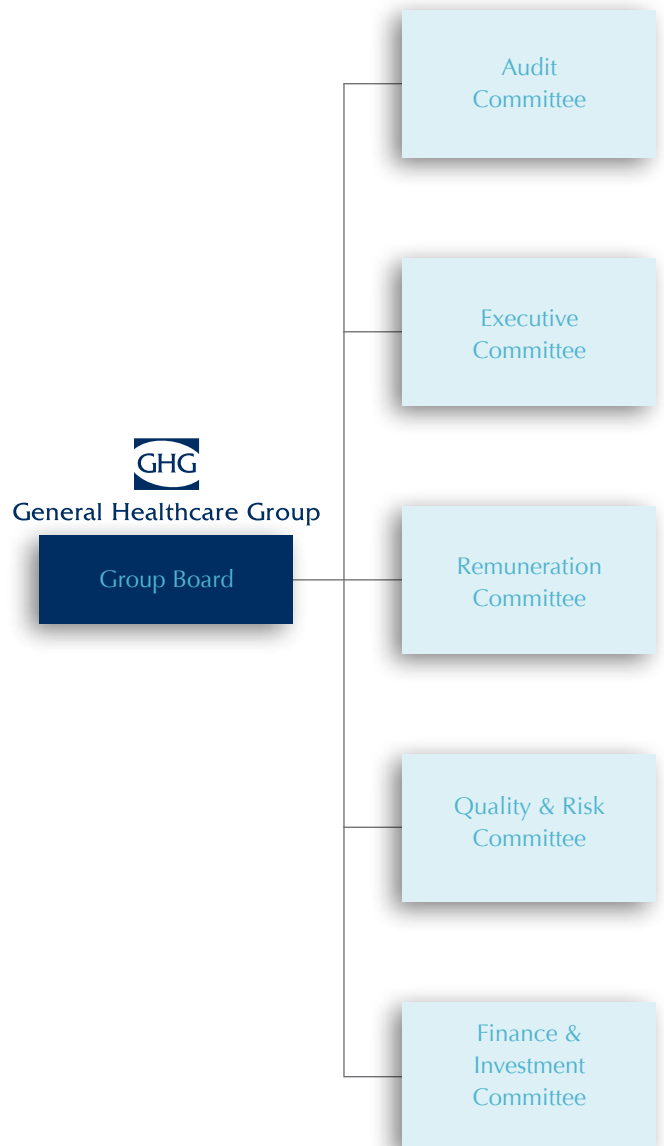
The Remuneration Committee is chaired by Sir Peter Gershon (Group Chairman). The Committee reviews and sets the Group's remuneration strategy and salary and benefit levels across the Group, to ensure competitiveness of remuneration. It also monitors the management equity arrangements in place.

### Quality and Risk Committee

The Quality and Risk Committee is chaired by Sir Peter Gershon (Group Chairman) and its role is to monitor the safety, effectiveness and quality of the Group's operational activities. It also monitors the Group's regulatory compliance, operational conformity to internal policy, and the level of risk retained by the Group.

The Board comprises executive and non-executive Directors. The 16 non-executives are generally appointed by and drawn from the Group's investors, although the non-executive Chairman, Sir Peter Gershon, is independent of the shareholders.

The three executive Directors comprise the Chief Executive, the Chief Financial Officer, and the General Counsel. The Chief Executive is responsible for the day-to-day operations of the Group and its strategic development. The Chief Financial Officer is responsible for the financial management of the Group and the General Counsel is responsible for advice to the Board and the executive, and for the Group's compliance with its responsibilities and relations with external agencies.



## Group profit and loss

The Group is delighted to have produced a strong financial performance in a climate of economic uncertainty as a result of the global economic downturn. The Group's focus for 2010 and beyond remains on investment in its asset base and service provision, and on maintaining and further improving its first-class facilities. This investment, coupled with the highest levels of clinical standards, will ensure that General Healthcare Group builds on its position as the market's leading private healthcare group.

	2009 £'m	2008 £'m	%
<b>Revenue</b>	<b>832</b>	<b>773</b>	<b>7.6%</b>
<b>Group EBITDA</b>	<b>221</b>	<b>204</b>	<b>8.3%</b>
Non-recurring items	(7)	(6)	16.7%
Depreciation	(65)	(67)	3.0%
Profit on sale of assets	-	2	
Interest and other finance charges	(132)	(129)	(2.3%)
Swap costs	2	(1)	
<b>Profit before tax</b>	<b>19</b>	<b>3</b>	<b>533.3%</b>
Tax	(3)	8	
<b>Profit after tax</b>	<b>16</b>	<b>11</b>	<b>45.5%</b>

The growth in EBITDA has fallen directly to the bottom line, represented by a £16m increase in profit before tax. Interest and finance charges have remained stable due to swapping out the variable loan interest rate for a fixed interest rate. The marginal increase in finance charges is due to the full year effect of the PropCo debt raised on the prior year acquisition of the ex-Nuffield hospitals.

## Group cash flow

	2009 £'m	2008 £'m	%
<b>EBITDA (after non-recurring items)</b>	<b>214</b>	<b>198</b>	<b>8.1%</b>
Capital expenditure	(45)	(48)	6.3%
Changes in working capital	(39)	(17)	(129.4%)
<b>Operating cash flow</b>	<b>130</b>	<b>133</b>	<b>(2.3%)</b>
Nuffield acquisition (net)		(118)	
Net interest paid	(125)	(124)	(0.8%)
Tax paid	(3)	(2)	(50.0%)
<b>Movement in net debt</b>	<b>2</b>	<b>(111)</b>	
Debt raised	-	120	
Debt repaid	(20)	(28)	28.6%
<b>Movement in cash</b>	<b>(18)</b>	<b>(19)</b>	<b>5.3%</b>
Cash at beginning of the year	59	78	
<b>Cash at end of the year</b>	<b>41</b>	<b>59</b>	

The Group generated £130 million of operating cashflow. This was negatively affected by the working capital outflow experienced during the year. This is primarily due to the change in case mix from self pay (payment upfront) to NHS (prolonged payment days). Working capital was also adversely affected during the year by the catch-up in payments to creditors, which built up during the introduction of the Shared Service Centre in 2008. This is not expected to recur going forward.

## Borrowings

At the end of September 2009, gross bank debt was £1,925.1m, with unamortised finance costs of £26.7m and cash of £40.6m – giving a net debt position of £1,857.8m. No new debt facilities were entered into during 2009.

The Group has undrawn loan facilities of £72.7m, of which £3.7m is held undrawn as guarantees and letters of credit, leaving facilities of £69.0m available to finance working capital and for general corporate purposes.

The bank loan facilities require the Group to comply with certain financial covenants. The directors' forecasts show that the Group will be able to operate within the level of its current facilities and will comply with its financial covenants throughout the forecast period.

# General Healthcare Group executive committee



*Top row (L to R):* Phil Wieland, Stephen Collier, Guy Blomfield

*Middle row (L to R):* John von Klempener, Catherine Ward, Adrian Fawcett, Professor Duncan Empey

*Bottom row (L to R):* Phil Pegler, Belinda Moore

## Adrian Fawcett

### Chief Executive Officer

Adrian Fawcett is Chief Executive Officer of General Healthcare Group.

He also sits on the Board of the Department of Work & Pensions.

Previously, Adrian was the Chief Operating Officer for Punch Taverns plc. He joined Punch from Interbrew where he was Corporate Vice President of the Belgian brewer.

## Phil Wieland

### Chief Financial Officer

Phil Wieland joined the General Healthcare Group as Group Financial Controller in April 2006 and was subsequently promoted to Chief Financial Officer in January 2007.

He had previously been employed by BSKyB, holding numerous senior finance positions including Supply Chain Finance Director and Group Financial Controller. Phil qualified as a Chartered Accountant with PwC in 1998 and holds an honours degree from Leeds University.

## Stephen Collier

### General Counsel

Stephen Collier is a barrister employed in the field of healthcare and has worked with GHG since the 1980's, having previously been in practice at the Bar.

Stephen has a graduate degree in law from University College London, and a Masters gained at the LSE.

## Professor Duncan Empey

### FRCP, Group Medical Director

Duncan Empey is a Fellow of the Royal College of Physicians and joined General Healthcare Group as Group Medical Director in 2008. Prior to that, he was Medical Director at Capio Healthcare from 2005 to 2007.

Duncan is Honorary Consultant Physician to Barts and The London NHS Trust. He

has held the post of Honorary Consultant Physician to King Edward VII's Hospital, Sister Agnes, in London since 1995. He is also Foundation Professor and Dean of the Bedfordshire and Hertfordshire Postgraduate Medical School.

## Guy Blomfield

### Group Strategy & Commercial Director

Guy Blomfield joined GHG in October 2007, coming from Oasis Healthcare plc.

Before joining Oasis, Guy held a number of management consultancy roles, ultimately as owner and Managing Director of Imcis Ltd, a specialist strategy consultancy with expertise in pubs, franchise operations, apparel and food retailing, with Marks and Spencer plc as a key client. He has an Honours degree in Accounting and Finance and an MSc in Corporate Finance.

## Catherine Ward

### Group Human Resources Director

Catherine Ward has extensive experience within HR management and consultancy. Previous HR Director positions include roles at BAA, where she was HR Director for Heathrow Airport, and the BBC, where she managed major restructuring initiatives.

As a consultant she has worked for KPMG and for SHL as Consultancy Director.

Catherine has a BSc in Biology and an MSc in Organisation Behaviour, both from the University of London, and qualified as a CIPD.

## Belinda Moore

### Group Marketing Director

Belinda Moore joined GHG in May 2007 from Britvic plc where she was Head of Marketing and Operations for the International division.

Before joining Britvic, Belinda held a series of senior marketing roles in a number of leading FMCG and blue chip

organisations including Whitbread plc, Thomson Travel Group, Gillette Company and International Distillers & Vintners.

She also spent six years in pharmaceutical sales and marketing for the Wellcome Foundation. Belinda has an Honours Degree in Russian and Soviet Politics.

## Phil Pegler

### Managing Director Hospital Development

Phil Pegler joined General Healthcare Group in October 2007. In his current role, Managing Director - Hospital Development, he is responsible for commercial delivery of new initiatives across the group.

Phil had previously been employed by Punch Taverns Plc, holding numerous senior operational roles.

Phil holds an honours degree in Business Studies from Manchester and an MBA from Birmingham.

## John von Klemperer

### Managing Director Hospital Operations

John von Klemperer joined General Healthcare Group in September 2006 as Regional Director and was promoted to Managing Director - South Division in October 2008. In July 2009 he was appointed to his current role as Managing Director - Hospital Operations for the BMI Group.

Prior to joining GHG, John served in a similar position for Netcare Hospital Group in South Africa where he was employed for 16 years.

John completed the Executive Development Programme at the University of the Witwatersrand, Johannesburg, in 1981.



# General Healthcare Group

4 Thameside Centre, Kew Bridge Road  
Brentford, Middlesex, TW8 0HF  
Tel: 0208 232 5100

[www.generalhealthcare.co.uk](http://www.generalhealthcare.co.uk)