Contents

1  Achievements and highlights
2  Chairman’s statement
4  CEO’s statement
8  Business review
10 The patient experience
14 Investing in our hospitals
18 Investing in our network
20 Investing in the community
22 Investing in our clinical delivery
24 Investing in our people
26 Corporate social responsibility
28 Financial review
33 BMI hospital locations
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 practices and the best possible clinical outcomes.

Key highlights

• Announced the purchase of 3 Abbey hospitals and a joint venture with Transform, as well as acquiring new hospitals in central London and Southend and opening outreach clinics in key catchment areas
• Refurbished 7 hospitals, 8 wards and 16 theatres
• Invested in 3 new theatres and 2 new cardiac suites
• Completed 7 imaging suite upgrades, installed 6 new MRIs and 4 CT scanners
• Launched a new pathology model and a new decontamination service
• Delivered 8,600 training days

1
The UK’s No.1 independent healthcare provider

73
hospitals & healthcare facilities

90%
of the GB population live within 1 hour of a BMI hospital

99%
patient satisfaction rating of good, very good or excellent

115
specialties & services

105
HDU and ITU beds

9,270
permanent employees

2,927
beds

275,000
inpatient visits per year

1 million
outpatient visits per year

(Patient satisfaction survey carried out by Howard Warwick & Associates, 12 months to Sept 2010)
I am pleased to report that despite the challenging trading conditions of 2009/10 General Healthcare has been able to deliver another excellent set of results, meeting our latest estimates and continuing to deliver growth in a market where the number of insured lives has fallen.

The results this year demonstrate the strength of the business strategy being deployed. The year has seen us deliver revenues of £855M up £23M and 2.8% year on year. At £222.1M EBITDA (pre exceptional items) improved 0.7% over 2009 and has increased by almost 50% since the shareholders acquired the business in 2006.

Over the last four years the Group has been transformed in financial performance, quality and scale, and 90% of the UK population now live less than an hour from a BMI facility. We are just beginning to see the real benefits of the scale and national coverage that we have created.

During the last year we have acquired and opened new units in central London, expanded our geographies by implementing a hub and spoke strategy around our largest hospitals and at the close of the year we were able to announce the acquisition of a share in Transform as well as three Abbey hospitals, located in Liverpool, Stirling and Gisburn.

FY 2010 has seen changing market conditions in the healthcare sector – ABI statistics demonstrate a fall in insured lives of 4.2% (calendar year to Dec 2009), the first significant negative movement in the market for a number of years. The self pay sector has been impacted by the challenging economic climate and has yet to demonstrate sustained recovery as patients continue to postpone decisions on elective surgery.

Despite these external factors the company has been successful in managing patient mix and profit margins. We have maximised the opportunities to work with the NHS and have increased the volume of choose and book patients being treated in our hospitals. This ensures we utilise our spare capacity and protect our overall revenue and profitability.

As the UK’s number 1 independent healthcare provider our focus remains on ensuring that we deliver excellent service to our stakeholders – patients, consultants and GPs. We continue to invest in capital to ensure that our facilities and equipment meet the demands of the sector. In 2010 we have completed hospital-wide ward and theatre refurbishments, built new theatre and cardiac suites, completed endoscopy and imaging suite upgrades and installed 6 new MRIs and four new CT scanners. Major change initiatives have included the upgrading and modernisation of both our pathology and decontamination services.

We have further expanded our national contact centre to manage patient, GP and consultant enquires and ensure the patient is looked after from initial enquiry to final discharge. We continue to invest in our team of primary care managers who are critical in managing our GP relationships.

Healthcare relies heavily on the skill and commitment of its workforce and we believe that our industry leading performance is a reflection of the hard work, dedication and
I am pleased to report that despite the challenging trading conditions of 2009/10 General Healthcare has been able to deliver another excellent set of results, meeting our latest estimates and continuing to deliver growth in a market where the number of insured lives has fallen.
Over the last four years the improvements we have put in place have clearly differentiated the business in terms of quality, scale, employee capability and customer satisfaction. Our company is an efficient business that continues to have significant opportunity to grow. This is a business every stakeholder can be proud of.

2010 performance

The private market place is currently a challenging environment. The hospital and functional support teams have worked incredibly hard to deliver an outstanding performance in terms of clinical care, patient outcomes and operational efficiency. This is the heart of our business.

In terms of shareholder value we have delivered a strong performance with a growth in EBITDA of 0.7% continuing the momentum of previous years. Our revenue grew by 2.8% as a result of continued organic improvements, embracing the changing market conditions and the development of a mixed economy in healthcare. We have expanded our geographical reach, introducing new facilities and new services in new locations during the year.

Throughout 2010, despite the tough external economic environment, we have continued to focus on our core growth strategy ensuring we were well positioned to respond to the changing environment around us and could quickly adapt to the changing private and NHS demand.
I am very pleased to report that General Healthcare Group has delivered another strong performance across all our key metrics in the year 2009/10. This is the 4th year of excellent performance.

2. Stakeholder engagement
We recognise it is critical to build ‘partner of choice’ relationships with all our key stakeholders and customer groups including primary care trusts (PCTs), GPs and the leading medical insurers. Fundamental to the success of our business are our consultant partners with whom we build close collaborative partnerships. This year saw BMI launch new hospital working groups – with each hospital having a consultant representative body supporting clinical practice, hospital operations and marketing and communications at the facility. The company also introduced a new national ‘consultant reference group’ so that clinicians are at the heart of company decision making across the business – helping to harness the improvements that they can bring to process and practice.

Throughout the year we have further expanded our network of clinical experts, holding regular meetings nationally, regionally and locally to ensure we are listening to our consultant partners and helping them grow their businesses. We are committed to attracting, motivating and retaining the highest calibre staff and ensuring we continue to enhance their personal and professional development.

As part of our continuous stakeholder engagement our web site continues to evolve to provide relevant information to patient, GPs and consultants. In 2010 BMI Healthcare’s web site was the UK’s most visited private hospital site.

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**Cases of MRSA Bacteriæmias per 100,00 bed days (April 09 - March 10)**

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<tr>
<th></th>
<th>BMI Healthcare</th>
<th>NHS</th>
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**Returns to theatre %**

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<th>Independent sector average</th>
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<td>0.30*</td>
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**Readmissions %**

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<th>BMI Healthcare</th>
<th>Independent sector average</th>
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<tr>
<td></td>
<td>0.22**</td>
<td>0.50*</td>
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*latest available data IHAS 2007 clinical credentials
**Oct 09 - Sept 10
3. Efficient hospitals

We are structured to ensure we are managing our hospitals to maximise the utilisation of our fixed and variable assets. We have continued to focus on our operating costs including labour and supplies and 2010 saw another improvement in this area. Managing our costs efficiently is especially key as we move to a mixed economy model with both private and NHS patients.

In 2010 we have, as expected during what are financially pressured times for companies, seen a small downturn in privately insured and corporate business whilst self pay has yet to show a sustained recovery from the effects of the financial recession. To mitigate this we have grown our utilisation by offering Choose and Book (giving GP’s and NHS patients the choice to attend consultant slots made available at private facilities) 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 plans to make marginal capacity available to the NHS to service its customers where it is efficient and effective to do so.

Below: Stagecoach and the BMI Healthcare Healthy Heart bus

Variable cost trend

- Ward cost per EPD
- Theatre cost per case
- Supplies cost per case

FY 2006 - FY 2010
4. Capital investment

By running efficient and effective hospitals we can reinvest in our businesses to provide the highest quality services to all of our customers, thereby enhancing the return to our stakeholders. Our capital investment is directed at investment in new equipment and technology and maintenance to ensure our building and facilities are continually updated.

Capital investment in 09/10 including:
- 7 hospital wide refurbishments
- 8 ward refurbishments
- 16 theatre refurbishments
- 3 new theatres
- 2 new cardiac suites
- 18 endoscopy upgrades
- 6 new MRIs
- 7 imaging suite upgrades

6. New facilities

In 2010 we have continued to grow our business by acquiring more facilities where appropriate and we have extended our existing footprint. We have successfully adopted a hub and spoke model at many of our hospitals opening off-site consulting rooms and clinics to extend our reach into new communities. Locations include Evesham, Solihull, Sutton Coldfield and Bushey. Throughout the year we have delivered on our London strategy and extended our services at our newer locations in central London and west London and have opened our first site in Essex, BMI Southend Private Hospital. Our newest London location the Weymouth Hospital, a partnership business, represents excellence in the independent healthcare sector. The hospital, which has been specially designed at a very high specification for patients who are looking for expert medical care provided in a luxurious setting, specializes in orthopaedic, urology, chronic pain management and ear, nose and throat procedures.

In the London region (inside the M25) we now have 12 hospitals and treatment centres which include two specialist cardiac units, seven hospitals with specialist paediatric services 20 operating theatres and 37 critical care beds. We work closely with 1,200 consultant specialists treating 40,000 inpatient and day case patients with 250,000 outpatient visits. This is more capacity than any other operator.

Most recently we were delighted to announce the acquisition of three Abbey hospitals located in Gisburn, Stirling and Liverpool – all geographies accessing new populations.

BMI Healthcare has had another strong year following the last three. We are well placed to continue to leverage our market leading position and we will seek to benefit from many incremental growth opportunities as the market consolidates.

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

We are proud of our company’s achievements, the reputation of our brand and our transformation into an efficient service-led business that has the potential to extend its leadership and grow significantly.

5. New services

By introducing new products and services we are adding value to our current business as we continue to deliver on our ambitious roll out plan to extend our service offerings in our key hospitals. Examples include the opening of a neuro-rehabilitation centre in the Alexandra Hospital in Manchester, and emergency care/minor injury centres in Blackheath Hospital and Syon Clinic, west London as well as the remodelling of Fitzroy Square hospital to become a centre of excellence in women’s health.

We also joined forces with the transport group Stagecoach to launch a voluntary heart health screening programme for employees in its UK Bus division.

A state-of-the-art ‘Healthy Heart Bus’ – the first of its kind in the UK – is touring Stagecoach’s bus depots, providing free heart health check-ups for thousands of staff.

Over the next three to four years, Stagecoach employees will be given the opportunity to undergo a voluntary assessment of their cardiovascular health, as well as receiving advice on ways to maintain and improve their heart health.
UK healthcare market dynamics and outlook

According to Laing and Buisson’s Healthcare Market Review 2009-2010, the acute private healthcare market (excluding mental health, medical/physical rehabilitation, fertility regulation, and surgeons’, physicians’, and anaesthetists’ fees) was worth £3,916m in 2008, of which £3,380m went through independent hospitals and ISTCs, and a projected £431m was related to private treatment carried out in NHS hospitals. Private treatment in NHS hospitals has not grown in real terms since 2002/2003. Although the overall private acute healthcare services sector has been robust during the early part of the recent economic downturn, there has been polarised performance across business areas and more recently the sector is feeling the impact of the decisions taken by corporates during the early part of the recession. The ABI recently announced a fall of 4.2% in insured lives across Great Britain. In addition all operators have reported a significant fall in self-pay demand for acute medical/surgical treatment, including a decline in cosmetic surgery.

Choose and Book activity from the NHS has continued to grow as GPs and patients become more familiar with the process. Whilst the majority of C&B referrals are into NHS units, the private sector is playing an increasingly important role in collaborating with the public sector to ensure patients are treated in both a timely and appropriate manner.

The new coalition Government has announced a review of all public sector activity and the resulting consultation White Paper was published on 12 July 2010 setting out the Government’s intentions ahead of a Health Bill to be put to Parliament in Autumn 2010. The policy framework sets out to move commissioning and service decisions back to general practitioners, and also to provide incentives to drive wide-reaching efficiencies.

The NHS White Paper sets out potentially one of the most radical shake ups of the NHS since it was established. The vision builds on the core values and principles of the NHS – “a comprehensive service, available to all, free at the point of use, based on need, not ability to pay.”

The Government has set out how it will:

- put patients at the heart of everything the NHS does;
- focus on continuously improving those things that really matter to patients – the outcome of their healthcare;
- empower and liberate clinicians to innovate, with the freedom to focus on improving healthcare services.

The White Paper commits the Government to increase health spending in real terms in each year of this Parliament and has stated that there will be no additional long term plan for the NHS in the next five years.

Whilst this is still a consultation document the changes proposed would if implemented, provide additional opportunities for the private sector to work with the NHS. In addition it is anticipated that cuts and further pressure on funding in the public sector could lead to longer waiting lists and provide further opportunities for the independent sector, as a result of a return to growth of the self pay and insured sectors.
BMI hospitals see over 275,000 in-patient and 1,000,000 out-patient visits each year, and perform more complex surgery than any other independent private health care provider in the country.

BMI Healthcare

BMI Healthcare is the acute private hospital division of General Healthcare Group, and is the largest independent provider of private healthcare in the UK. BMI Healthcare has 73 hospitals and healthcare facilities 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 have over 275,000 in-patient and 1,000,000 out-patient visits each year, and perform more complex surgery than any other independent private health care provider in the country. Nearly half the procedures undertaken for patients are of a major or complex nature.

Our 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 and neuro surgery.
The patient experience

BMI Healthcare is committed to providing a consistent, high quality service to local communities. In patient satisfaction surveys, 98.4%* of patients said they would recommend BMI and 98.8%* rate the quality of care as good, very good or excellent.

It is key to our quality of service that we understand the differing needs of our patients and respond accordingly. As a direct result of feedback to us from our patients we have been running a major initiative over the last two years to focus on making it easier for patients to access our hospitals and to help them navigate their way through the sometimes complex healthcare environment.

People are at their most vulnerable when they are sick and knowing help is easily at hand is hugely reassuring for them.

The BMI National Enquiry Centre

Throughout 2010 BMI has further expanded our national enquiry centre based in Glasgow. This enables us to manage patient enquiries and book appointments in one easy call. Our helpline advisers generally have a medical background and are screened to ensure they are both empathetic and professional in their call handling.

Key success criteria are based on how quickly the call is answered and the quality of the call handling process. 80% of our calls are answered in 20 seconds and with extended opening hours, patients can have their queries addressed during the evening and at weekends.

Within our hospitals customer care training has been carried out throughout the year. Patients today are not only interested in the clinical care they are being offered but in all the additional elements of service that they receive from the initial engagement and interaction, to detailed advice and after care.

To ensure a consistent patient experience every hospital has a customer service champion who is responsible for rolling out staff training programmes. Many of our hospitals have developed this further by offering staff the opportunity to undergo a range of National Vocational Qualification training allowing them to carry out their roles more confidently and more efficiently.

When patients are admitted to our hospitals our complete focus is on delivery of the best possible care to ensure the fastest possible recovery and we also strive to provide ongoing support to patients throughout their recovery.
BMI Healthcare is committed to providing a consistent, high quality service to local communities. In patient satisfaction surveys, 98.5% of patients said they would recommend BMI and 98% rate the quality of care as excellent or very good.

The patient experience

When patients are admitted to our hospitals our complete focus is on delivery of the best possible care to get the best possible outcomes but also we ensure we provide ongoing support to patients throughout their recovery.


Members of the Breast Care Support Group at BMI The Clementine Churchill Hospital (CCH) in Harrow celebrated its first anniversary at a special champagne reception in May.

*(Patient satisfaction survey carried out by Howard Warwick & Associates, 12 months to Sept 2010)*
An example of this is the Breast Care Support Group at The Clementine Churchill Hospital, the group meets monthly to offer help, information and confidential support to women affected by breast cancer living in and around the Harrow area.

Megan Kilkenny, 48-year-old mother of two, who was diagnosed with breast cancer last year, became involved with the group after she underwent a mastectomy with Consultant Breast Surgeon at CCH, Mr Hemant Singhal.

After her surgery Megan was approached by her Breast Care Nurse, who asked if she wanted to join a newly formed support group. “It’s been brilliant. I was very well looked after when I was treated at The Clementine Churchill, so I knew the group would be run in the same way. Meeting other women who have had their breasts removed, survived the sickness that comes with chemotherapy and had come out the other side was really reassuring,” said Megan, who also works as a cancer patient coordinator at Northwick Park Hospital.

“The group helped me to come to terms with what was happening to me – women who would later become my friends were on hand to offer advice when needed, or just to chat about other things.”

**Patient satisfaction**

BMI Healthcare is proud of its industry leading satisfaction levels. Every patient who receives treatment in our hospitals is provided with a patient satisfaction questionnaire and we have a significantly higher response rate than other providers including the NHS.
Every patient who receives treatment in our hospitals is provided with a patient satisfaction questionnaire and we have a significantly higher response rate than other providers including the NHS.
Investing in our hospitals

GHG has an continuing commitment to the quality of every hospital facility and its services.

Mount Alvernia Hospital development

Over £6 million has been invested in BMI Mount Alvernia Hospital this year.

The programme is now complete and there have been major developments to a number of areas:

Imaging

The imaging department now has the most high-tech scanning equipment in the local area with a 128 slice CT scanner and 1.5 Tesla MRI scanner.

The new CT scanner can perform 128 slices per rotation and has the industry’s highest rotation speed of 300 milliseconds. The system is capable of performing cardiac coronary CT angiography in just four seconds and allows a whole body scan with outstanding results in a single breath-hold.

The addition of a new reception and open plan waiting area completes the improvements to the Imaging Department and enhances the overall patient experience.

Consultant Radiologist, Dr Tony Lopez said, “Cutting edge technology and even higher resolution than previously possible have brought huge improvements to the way we work at Mount Alvernia. Advanced imaging is now available on site and faster scanning times offer improved workflow with a smoother experience for the patient.”

Theatres

As part of the development, a hi-tech Stryker i-suite operating theatre was installed and is the first of its kind to use new shadowless lamps. 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 procedures.

Ambulatory Care

This new and dedicated unit includes two endoscopy and minor operations rooms, a six bay recovery area, a consulting room and a treatment room. This new unit is a superb facility for Mount Alvernia as it provides a more cohesive service for patients and consultants with all rooms contained in one purpose designed suite.
BMI Healthcare is committed to providing a consistent, high quality service to local communities. In patient satisfaction surveys, 98.5% of patients said they would recommend BMI and 98% rate the quality of care as excellent or very good.

Investing in our hospitals

Eileen Scrase, Executive Director at Mount Alvernia said, “I am pleased that we are able to continue to provide our consultants with the support and services they need to care for our patients.”

“In 2010 Mount Alvernia celebrated its 75th Anniversary of providing excellent healthcare facilities to the local population, and these improvements mean that the hospital will remain at the forefront of patient care.”

To complete the development the hospital also gained a newer, purpose designed pharmacy department, six new consulting rooms, new pre-assessment rooms, a new outpatient reception and a new waiting area with a coffee shop.

The £6 million development scheme will ensure the hospital stays at the cutting edge of technology for many years to come.
The Alexandra Hospital

A further example of our ongoing commitment to invest in facilities and medical technology to ensure the progression of clinical best practice and delivery of quality care to our patients, is the £7.5 million development programme at The Alexandra Hospital in Cheadle.

The investment at the hospital includes the new Richmond Oncology Unit, state-of-the-art operating theatres, minor procedures unit, spacious consulting rooms and modernised physiotherapy department.

The Richmond Oncology Unit opened in July as the second stage of the development and offers three consulting rooms, chemotherapy chairs, in patient bedrooms and a relaxing coffee lounge. The unit also features ‘drop in chairs’ which enable patients who are unwell following treatment, to come into the centre around the clock to be cared for by our nurses.

Victoria Banford, a patient who is undergoing chemotherapy treatment at The Alexandra Hospital, said: “The new oncology unit at the hospital is fantastic and really helps to make the time I spend at The Alexandra as positive an experience as possible under the circumstances.”

The minor procedures unit opens as the third phase of the investment, providing consultants with an accessible out patient facility and Mike Hayton, Orthopaedic Hand Surgeon at BMI The Alexandra Hospital, said of the new unit: “I’m really impressed with the fully integrated facilities which allow surgeons to perform minor procedures more efficiently and frees up the vital operating space needed for more complex surgeries.”

The Alexandra’s operating theatres, which are due to be completed in Summer 2011, will feature state-of-the-art laminar flow ventilation, which is used in modern orthopaedic operating theatres to reduce the number of airborne infective organisms, and wide screen high-definition monitors, HD imaging capabilities and ‘shadowless’ LED lights.

The Alexandra has also expanded its minor injuries unit and the ‘Emergency Care’ centre allows local people to access cost effective diagnosis and treatment for minor injuries virtually immediately. The EEC, the first of its kind in the area, provides timely diagnosis for patients, alongside advice by healthcare professionals for effective treatment.

The new Emergency Care Centre is open to adults and children over the age of three experiencing a wide range of conditions. Treatments are provided by qualified doctors and experienced nurses and provide immediate access to a wide range of experienced consultants.
Our investment at the hospital includes the new Richmond Oncology Unit, state-of-the-art operating theatres, minor procedures unit, spacious consulting rooms.
Investing in our network

The Weymouth Hospital, central London

BMI Healthcare in partnership with the Phoenix Group has opened a new purpose-built luxury hospital on Weymouth Street in central London.

Designed by the top 100 world-ranked EPR Architects and situated between Harley Street and Marylebone High Street, the new Phoenix Weymouth Hospital has lavish interiors styled to be comparable to some of the country’s finest boutique hotels. The hospital has 17 private rooms, each with a luxury en-suite bathroom, flat screen TV, Sonos surround sound entertainment system, wireless internet and air conditioning.

Equipped with four stainless steel Opitz operating theatres, a dedicated ambulatory care unit and the latest minimally invasive equipment, the hospital offers a wide variety of services including family medicine, general and laparoscopic surgery, gynaecology, ophthalmology, orthopaedics, psychiatry, physiotherapy, urology as well as advanced cosmetic and weight loss surgery. Services are provided by consultants who also practise at Charing Cross, Chelsea & Westminster, University College, The Royal Free and Barts hospitals and The London NHS Trusts.

The opening of the hospital has attracted interest both nationally and internationally with press coverage in countries such as Japan, US, Sweden and Latvia.

The Abbey Hospitals

In September 2010 we announced the acquisition of three units from Abbey Hospitals.

The Hospitals, located in Liverpool, Gisburn, and Stirling, provide specialties including plastic and cosmetic surgery, bariatric surgery, gynaecology, urology, orthopaedic surgery, general surgery and physiotherapy. The hospitals also undertake a range of contracts for a number of NHS Trusts and PCTs.

Each of these hospitals, with their existing staff and consultants, will continue to provide high standards of treatment and care. Consultant doctors and their patients will benefit from BMI Healthcare’s commitment to investing in facilities, medical technology and the progression of clinical best practice to meet each patient’s individual needs and deliver quality care.
The new Phoenix Weymouth Hospital has lavish interiors styled to be comparable to some of the country’s finest boutique hotels.
Investing in the community

During 2010 BMI Healthcare carried out a major community initiative launching the ‘BMI Clean Team’. Throughout the year infection control nurses from our hospitals visited a large number of schools to educate school children on the importance of washing their hands.

The national “BMI Clean Team” campaign was established to improve hygiene in schools and communities across the country and to raise awareness of our clean hospitals.

Over 5,200 children across the UK were trained to be expert hand washers and ‘germ detectives’.

How the Clean Teams worked

Each hospital’s “Clean Team” was led by an Infection Prevention Co-ordinator teaching each school about how germs can cause illness and can be easily spread from person to person, but that the simplest and most effective way of preventing this is by washing their hands thoroughly with soap. All pupils were asked to participate in a number of hygiene training sessions using a special hand gel that mimics germs and glows under UV light.

To show pupils how cold or flu germs generated from one child’s sneeze or cough can be passed on to classmates, pupils were divided into groups of five and one child was asked to spread the germ gel on their hands and then shake the hands of their classmates. The classmates then inspected their hands using the UV light and were amazed to see that the fake germs from the first student had been transmitted onto all four of the other members of their group.

At the end of the training session, all pupils taught were officially inducted into the “Clean Team” and asked to sign a Clean Team bubble poster to symbolise their ongoing promise to always wash their hands with soap.

In addition to this national campaign, Tell the World was introduced as a ‘grass roots’ initiative to raise the profile of BMI Healthcare within the local communities where our hospitals are based.

Up and down the country, employees embraced the opportunity to become ambassadors for their hospital and influence its success, proudly opening their doors to the public so that potential patients could visit and find out about the high quality service and care available to them.
As well as inviting people into our hospitals, Tell the World events also reached out into local communities. Every hospital developed a programme of events throughout the year, linking its services with the enjoyable charity fund-raising events traditionally supported by its staff and generating positive word-of-mouth publicity at the same time.

From offering free blood pressure and health checks in local shopping centres and at county shows, to ‘welly wanging’ in Winchester in aid of the local children’s hospice, to turning out in force to support Cancer Research UK’s popular Race for Life, staff found ingenious ways to publicise what BMI Healthcare can do for its local community.

*Top:* Year 4 pupils at Green Street Green Primary School and their teacher, Mr Chris Burchill, show off their clean hands.
Investing in our clinical delivery

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 service standards across the independent acute provider sector.

Efficient patient care requires fully integrated supporting systems so that clinical symptoms that are identified by our consultants can be confirmed by diagnostic tests. In addition pathology and diagnostic testing is used for monitoring of the efficiency of patient treatment. 70–80% of all health care decisions affecting diagnosis or treatment are influenced by laboratory medicine results according to the Carter report. It is for this reason, that when BMI reviewed our internal structure to support our clinicians with the best in class pathology technology and best quality practice, being aware of the looming increasing regulatory requirements, it was necessary for BMI Healthcare to undertake a full pathology modernisation programme.

In 2010 BMI Healthcare announced a partnership with The Doctors Laboratory (TDL) to deliver a Pathology Modernisation Programme (PMP) across our hospitals. This is an extensive and complex project that affects many aspects of our hospitals and their service provision. This programme is greatly assisting our ongoing development of clinical excellence and ensuring that we have a safe, comprehensive, high quality pathology service for all our patients to benefit from and comply with all regulatory requirements.

This strong new partnership provides the platform to combine a fully comprehensive range of pathology services, underpinned by all accredited facilities and of the highest quality assurance.

Our commitment as a health care organisation is to best quality, best practice and best outcomes in everything that we do. Many of our patients will receive treatment in theatres and out patient clinics that require the use of over 13 million surgical instruments. Ensuring instruments are clean, sterile and available at the right time every time is a hugely complex task but one that demonstrates our commitment to meeting and exceeding quality standards set inside and outside the organisation.
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 service standards across the independent acute provider sector.

Our Decontamination programme has been transforming the way we deliver this crucial activity. New National Minimum Standards Regulations have been introduced to enhance the sterilisation of theatre instrumentation in an effort to reduce infection rates across both the public and private healthcare sectors. At BMI we have made significant progress in meeting these standards through a carefully managed change programme across the business that has involved moving the decontamination service from local hospitals to purpose built hubs across the country.
Investing in our people

In seeking to grow our position as the UK’s largest independent healthcare provider we aim to work with the best teams and consultants to deliver the best quality patient care, the best clinical practice, and the best possible outcomes, and to act as a responsible organisation and employer within the communities we serve.

In the last three years the focus has been on establishing a professional infrastructure to support organisational change, process improvement and performance management. With this now in place the current phase focuses on employee engagement and the attraction, development and retention of talent, as well as community recognition as a responsible employer.

We conducted a ‘pulse survey’ in each hospital to gain an understanding of how staff viewed the organisation. 60% reported very high levels of motivation; they also reported that a key driver of satisfaction for them is opportunities for career progression and training.

The national training programmes cover key areas including management, nursing and clinical development, and customer service, setting consistently high training standards that support our aim to provide the best quality and service to our patients.

In 2009/10, we invested c.£1.5 million and delivered over 8,600 training days on national programmes.

The nursing and clinical development programme addresses the needs of different sectors of our nursing population and provides the highest standards of ongoing professional development. The programme also provides cross training in scarce skills areas, particularly theatre and anaesthetics.

The leadership and management programme provides a suite of modules in people skills, financial and commercial skills and team effectiveness. At head of department level, a new three-stage programme was launched, aimed at developing the leaders of the future.

The customer service programme is designed to help staff consider the patient experience holistically in order to deliver great service. In the current year, hospitals running this programme showed even higher patient satisfaction scores.

All of our programmes aim to provide staff with the confidence and expertise to meet the changing demands of our business to meet both short needs and longer term succession.
BMI Healthcare is committed to providing a consistent, high-quality service to local communities. In patient satisfaction surveys, 98.5% of patients said they would recommend BMI and 98% rate the quality of care as excellent or very good.

**Training is vital to be properly equipped to care for our patients and BMI healthcare have introduced a number of new training programmes.**

2010 has seen a renewed focus on supporting and developing our nurses across the business ensuring we both share best practice and embed our delivery of clinical excellence.

Cross-sections of our nursing community took part in a Nursing Strategy Day to understand where the gaps are between theory and practice, and how best to keep individuals motivated and moving forward.

The Registered Nurse practice portfolio, in which nurses document evidence that they have learned from experience in their environment, training or reading, has now been implemented. Work is also underway to review acuity – High Dependency Units and Intensive Care Units – to further develop our hospitals’ ability to undertake more complex procedures requiring more intensive intervention.
Corporate social responsibility

The environment

During the last year, GHG increased its focus on the direct and indirect impact our business has on the environment. We continued 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.

In 2010 ambitious targets were set to deliver significant energy savings and reduce our energy usage by 10% each year and our CO₂ emissions by up to 15%. All of our suppliers have contractual obligation to support sustainability.

Corporate asset management and capital investment strategy

GHG owns and operates more than 70 private hospitals and healthcare facilities, as well as ancillary offices and buildings.

Throughout the year plans have been implemented to manage plant more efficiently, including setting out a long-term replacement strategy.

Corporate governance

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 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
Our environmental objective is to maximise the sustainability of our hospitals within the communities we serve and within the environment as a whole. We will contribute to this by minimising waste and consuming the lowest practicable levels of energy and water.

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, the Group’s compliance with its responsibilities, and relations with external agencies.

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

Audit Committee – This 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.

Finance and Investment Committee – This 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 – This 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.

Corporate Social Responsibility Committee – This is chaired by Adrian Fawcett and comprises representation from key divisional heads. Its role is to agree the CSR strategy for the company and measure against key performance indicators.

Executive Committee – This is chaired by Adrian Fawcett, (CEO) 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. In 2010/11 this will be restructured as a Management Committee chaired by Stephen Collier (Group General Counsel)

Quality and Risk Committee – This 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.
Financial review

Corporate finance activities

During 2010 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 a strategic investment in the Transform group and acquisitions of Phoenix Hospital Group in central London, Southend Private Hospital in Essex and Abbey Hospitals. In addition to these acquisitions, two new ventures were started in the form of Syon Clinic in Brentford and Coombe Wing in Kingston.

In addition, the group acquired SterilPlus, which comprises three decontamination units in Glasgow, Manchester and Radlett. GHG acquired SterilPlus on the back of a decision by Vanguard AG to divest itself of its UK interests. SterilPlus will deliver the ‘gold standard’ service for instrument decontamination.

Phoenix Hospital Group has two hospitals. The consulting and diagnostic centre at 9 Harley Street has eight consulting rooms, four treatments rooms and a complete diagnostic imaging suite. The Weymouth Hospital has 17 beds and four theatres. Phoenix Hospital Group brings a unique, modern approach to providing private hospital healthcare in London.

Southend Private Hospital is a purpose-built specialist day case facility with two full theatres and a range of consulting and treatment rooms.

Transform Group is the UK’s number one cosmetic surgery group with 24 clinics operating out of the London, Manchester and Scotland regions.

The Abbey Hospitals are made up of Gisburn Park Hospital in Lancashire, Sefton Hospital in Liverpool and King’s Park Hospital in Stirling. They offer a range of specialist and general surgery together with physiotherapy departments. They also undertake a range of contracts for a number of NHS Trusts and PCTs.

Financing and treasury transactions

No significant debt refinancing occurred during the year and there is no requirement for any refinancing in the foreseeable future.
Financial review

General Healthcare Group has produced strong revenue and profit growth during a challenging year. Stripping out discontinued ISTC contracts and the Transform and Abbey acquisitions, revenue has increased 2.6% from 2009 levels which, slightly offset by more NHS cases, has seen its EBITDA margin increase from 26.2% to 26.3%. This generated EBITDA of £222.1m, up from £220.6m in 2009.

Director’s report –

“General Healthcare Group has produced strong revenue and profit growth during a challenging year. Stripping out discontinued ISTC contracts and the Transform and Abbey acquisitions, revenue has increased 2.6% from 2009 levels which, slightly offset by more NHS cases, has seen its EBITDA margin increase from 26.2% to 26.3%. This generated EBITDA of £222.1m, up from £220.6m in 2009.”

Operating performance

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th>2009</th>
<th></th>
<th>Group</th>
<th>Group Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OpCo</td>
<td>PropCo</td>
<td>Group</td>
<td>OpCo</td>
<td>PropCo</td>
<td></td>
</tr>
<tr>
<td>Total cases</td>
<td>270,867</td>
<td></td>
<td>270,867</td>
<td>261,195</td>
<td></td>
<td>3.7%</td>
</tr>
<tr>
<td>Revenue</td>
<td>£'m</td>
<td>£'m</td>
<td>£'m</td>
<td>£'m</td>
<td>£'m</td>
<td>%</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>818</td>
<td>818</td>
<td>798</td>
<td>798</td>
<td></td>
<td>2.6%</td>
</tr>
<tr>
<td>Non-continuing</td>
<td>37</td>
<td>37</td>
<td>35</td>
<td>35</td>
<td></td>
<td>6.7%</td>
</tr>
<tr>
<td>Headline EBITDA</td>
<td>222</td>
<td>222*</td>
<td>221</td>
<td>221*</td>
<td></td>
<td>0.7%</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>215</td>
<td>215</td>
<td>209</td>
<td>209</td>
<td></td>
<td>3.1%</td>
</tr>
<tr>
<td>Non-continuing</td>
<td>7</td>
<td>7</td>
<td>12</td>
<td>12</td>
<td></td>
<td>(45.0%)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.6%</td>
<td>26.6%</td>
<td></td>
<td>(0.6)ppts</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>26.3%</td>
<td>26.3%</td>
<td>26.2%</td>
<td>26.2%</td>
<td></td>
<td>0.1ppts</td>
</tr>
<tr>
<td>Non-continuing</td>
<td>17.9%</td>
<td>17.9%</td>
<td>34.8%</td>
<td>34.8%</td>
<td></td>
<td>(16.9)ppts</td>
</tr>
<tr>
<td>Headline EBITDA</td>
<td>92</td>
<td>130</td>
<td>222</td>
<td>94</td>
<td>127</td>
<td>221</td>
</tr>
<tr>
<td>Rent</td>
<td>(130)</td>
<td>130</td>
<td>-</td>
<td>(127)</td>
<td>127</td>
<td>127</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>10.8%</td>
<td>-</td>
<td>11.3%</td>
<td>-</td>
<td>26.6%</td>
<td>(0.6)ppts</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>34</td>
<td>(13)</td>
<td>21</td>
<td>35</td>
<td>(16)</td>
<td>19</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>43</td>
<td>(13)</td>
<td>30</td>
<td>36</td>
<td>(20)</td>
<td>16</td>
</tr>
<tr>
<td>Operating cashflow</td>
<td>175</td>
<td>-</td>
<td>175</td>
<td>128</td>
<td>2</td>
<td>130</td>
</tr>
</tbody>
</table>

*Group Headline EBITDA

Revenue growth was driven by a rise in caseload. Despite an increase in the mix of NHS cases, the continuing operations margin has improved, reflecting the ongoing efficiency programme.
The increase in EBITDA has fallen directly to the bottom line, represented by a £2m increase in profit before tax. Interest and finance charges have remained stable due to the swapping out of the variable loan interest rate for a fixed interest rate. The marginal decrease in finance charges is due to the debt amortisation during the current year.
During 2010 General Healthcare Group has strengthened its position as the leading private healthcare provider in the UK.

Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2010 £’m</th>
<th>2009 £’m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA (after non-recurring P&amp;L items)</strong></td>
<td>229</td>
<td>214</td>
<td>7.0%</td>
</tr>
<tr>
<td>Excl: non-recurring non-cash items</td>
<td>(14)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(39)</td>
<td>(45)</td>
<td>(13.3%)</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>(1)</td>
<td>(39)</td>
<td>(97.4%)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>175</td>
<td>130</td>
<td>34.6%</td>
</tr>
<tr>
<td>Pension payment</td>
<td>(1)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(123)</td>
<td>(125)</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(5)</td>
<td>(3)</td>
<td>66.7%</td>
</tr>
<tr>
<td><strong>Movement in net debt</strong></td>
<td>46</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Debt raised</td>
<td>20</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Debt repaid</td>
<td>(27)</td>
<td>(20)</td>
<td>35.0%</td>
</tr>
<tr>
<td><strong>Movement in cash</strong></td>
<td>39</td>
<td>(18)</td>
<td>(316.7%)</td>
</tr>
<tr>
<td>Cash at beginning of the year</td>
<td>41</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td><strong>Cash at the end of the year</strong></td>
<td>80</td>
<td>41</td>
<td></td>
</tr>
</tbody>
</table>

The group generated £175 million of operating cash flow, representing a cash conversion of 78%. This improved from 61% last year due to the improved debt collection rates.
Capital projects

The group continued to set aside a significant proportion of free cashflow for improvements in the infrastructure of the business, investing £47m during 2009/10.

The group undertook a balanced portfolio of schemes, focusing on the following:

- Improving and/or extending clinical services
- Improving hospital infrastructure
- Enabling business process through improved IT

Borrowings

At the end of September 2010, gross bank debt was £1,937.9m, with unamortized finance costs of £19.5m and cash of £79.8m – giving a net debt position of £1,838.6m. No new debt facilities were entered into during 2010, excluding the Transform acquisition.

The group has undrawn loan facilities of £52.7m available to finance working capital and for general corporate purposes.

The bank loan facilities require the group to comply with certain financial covenants. Further detail on the borrowings is set out in the notes to the financial statements. 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.

Group structure

The group structure is an OpCo and PropCo arrangement, principally for bank financing purposes. The Group is further segmented into the BMI Acute Care Hospital group and the Netcare UK group, which principally partners with the NHS.

Essential arrangements

GHG has arrangements with all major private medical insurers operating in the United Kingdom, as well as various contracts with the Primary Care Trusts, NHS Trusts and the Secretary of State for Health.

Approximately 7,400 consultants have practising privileges at GHG Hospitals and are key stakeholders in GHG’s business.

Summary

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 2011 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 clinical standards, will ensure that General Healthcare Group builds on its position as the market’s leading private healthcare group.
BMI Healthcare has 73 hospitals and healthcare facilities 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.