

GHG INTERMEDIATE HOLDINGS LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2003**



The company's registered number is 4210585

GHG INTERMEDIATE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2003

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31st December 2003.

Principal activity and review of business:

The company is a holding company which provides healthcare services through its subsidiary undertakings.

Results and dividends:

The company's profit after taxation for the year ended 31st December 2003 was £nil (2002 - £6). The directors do not propose the payment of a dividend (2002 - £nil). A profit of £nil (2002 - £6) for the financial year will be transferred to reserves.

Directors and their interests:

The directors who served throughout the year except as noted, are as shown below:

C. Auld (appointed 8th January 2003)
S. Collier
E. Hayes

The interests of C. Auld and E. Hayes in General Healthcare Group Limited, the ultimate parent company, are disclosed in the accounts of that company. The interests of S. Collier are disclosed in General Healthcare Holdings (2) Limited.

No director had any interests in any other group undertakings required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors:

On 1st August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Statement of directors' responsibilities:

United Kingdom company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

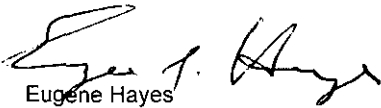
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

66 Chiltern Street
London W1U 6GH

18th June 2004

BY ORDER OF THE BOARD,


Eugene Hayes
Director

GHG INTERMEDIATE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GHG INTERMEDIATE HOLDINGS LIMITED

We have audited the accounts of GHG Intermediate Holdings Limited for the year ended 31 December 2003 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet, the statement of principal accounting policies and the related notes numbered 1 to 7. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18th June 2004

GHG INTERMEDIATE HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003

	Notes	2003 £	2002 £
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	-	-
Tax on profit on ordinary activities	2	-	6
RETAINED RESULT/ PROFIT FOR THE YEAR	6	-	6
		=====	=====

There were no recognised gains or losses other than the profit for the year in either year.

All activities derive from continuing operations.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

		2003 £	2002 £
Opening shareholders' funds		1,165,849,987	1,165,849,981
Retained profit for the year	6	-	6
Closing shareholders' funds		1,165,849,987	1,165,849,987
		=====	=====

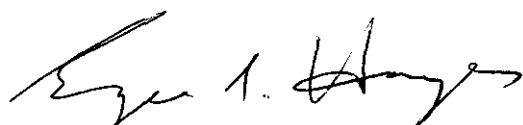
The accompanying notes are an integral part of this profit and loss account and
reconciliation of movements in shareholders' funds.

GHG INTERMEDIATE HOLDINGS LIMITED

BALANCE SHEET - 31ST DECEMBER 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investments	3	1,235,996,522	1,235,996,522
		<u>1,235,996,522</u>	<u>1,235,996,522</u>
		=====	=====
CURRENT ASSETS			
Creditors: Amounts falling due within one year	4	(70,146,521)	(70,146,535)
NET CURRENT LIABILITIES		<u>(70,146,521)</u>	<u>(70,146,535)</u>
		=====	=====
NET ASSETS		<u>1,165,850,001</u>	<u>1,165,849,987</u>
		=====	=====
 CAPITAL AND RESERVES			
Called-up equity share capital	5	1,000	1,000
Share premium account	6	677,798,120	1,165,849,000
Other reserves	6	488,050,880	-
Profit and loss account	6	(13)	(13)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,165,849,987</u>	<u>1,165,849,987</u>
		=====	=====

The accounts were approved by the board of directors on 18th June 2004, and signed on its behalf by:



Eugene Hayes

Director

The accompanying notes are an integral part of this balance sheet.

GHG INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AT 31ST DECEMBER 2003

A summary of the principal accounting policies adopted, all of which have been applied consistently throughout both years, is set out below.

a) **Basis of accounting**

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company has taken advantage of Section 228 of the Companies Act 1985 and has not prepared consolidated accounts. The results of the company have been consolidated into the accounts of General Healthcare Group Limited, the ultimate parent company, which are publicly available.

b) **Investments**

Fixed asset investments are stated at cost less provision for impairment.

c) **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

d) **Cash flow statement**

The company has taken advantage of the exemption under the rules of Financial Reporting Standard No. 1 (revised) not to produce a cash flow statement. The cash flow information is contained in the consolidated financial statements of the ultimate parent company, General Healthcare Group Limited, which is incorporated in Great Britain.

GHG INTERMEDIATE HOLDINGS LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2003

1. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

There were no employees of the company and the directors received no emoluments during either year. The remaining directors' remuneration is met by other group undertakings.

The audit fees were borne by another group undertaking in both years.

2. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax credit is based on the profit for the year and comprises:	2003	2002
	£	£
Corporation tax overprovision in prior years	-	6
	-----	-----
Total current tax	-	6
	=====	=====

Factors affecting current tax charge:

The difference between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	2003	2002
	£	£
Profit on ordinary activities before tax	-	-
	=====	=====
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	-	-
Effects of:		
Adjustment to tax charge in respect of previous periods	-	6
	-----	-----
Current tax charge for the period	-	6
	=====	=====

3. FIXED ASSET INVESTMENTS:

The following are included in the net book value of fixed asset investments:

	2003	2002
	£	£
Subsidiary undertakings		
Cost		
Beginning of year	1,235,996,522	1,235,996,522
Amounts reallocated to amounts owed by subsidiary undertakings	(14)	-
	-----	-----
End of year	1,235,996,508	1,235,996,522
	=====	=====

NOTES TO ACCOUNTS (continued)

3. FIXED ASSET INVESTMENTS (continued):

Principal subsidiary undertakings:

Proportion of ordinary
shares held by the group

General Healthcare Holdings (4) Limited *	100%
GHG Finance Limited *	100%
Startapply Limited *	100%
BMI Healthcare Limited *	100%
Partnerships in Care Limited *	100%
GHG Leasing Limited *	100%
BMI Health Services Limited *	100%
Beaumont Hospital Physiotherapy Limited *	100%
Amicus Healthcare Limited *	100%
Amicus Healthcare Leasing Limited *	100%
Pastoral Homes Limited *	100%
Albyn Hospital Limited	100%
Fernbrae Hospital Limited	100%
Bishopswood SPV Limited *	100%
South Cheshire SPV Limited *	100%
Runnymede SPV Limited *	100%

* Shares held directly by the company

Associated undertakings:

South Manchester Imaging Limited	49%
Priory MRI Plc	25%
EMMI Plc	41%

GHG Finance Limited is incorporated in the Cayman Islands and was set up in 2001 to provide finance for the group. GHG Leasing Limited and Amicus Healthcare Leasing Limited own and lease certain hospitals and equipment to other group companies. The principal activity of all other subsidiary and associated undertakings is the provision of private health care services. All these companies are incorporated and operate in Great Britain.

4. CREDITORS - Amounts falling due within one year:

The following are included in creditors falling due within one year:

	2003 £	2002 £
Amounts owed by subsidiary undertakings	70,146,521	70,146,535
	<u>70,146,521</u>	<u>70,146,535</u>
	=====	=====

5. CALLED-UP SHARE CAPITAL:

	2003 £	2002 £
Authorised, allotted, called-up and fully paid : 1000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	=====	=====

NOTES TO ACCOUNTS (continued)

6. RESERVES:

The movement on reserves is as follows:

	Share premium account	Other Reserves	Profit and loss account	Total 2003
	£	£	£	£
Beginning of the period	1,165,849,000	-	(13)	(13)
Reserves transfer	(488,050,880)	488,050,880	-	488,050,880
End of the period	677,798,120	488,050,880	(13)	488,050,867
	=====	=====	=====	=====

During the year the company made a reserves transfer from the share premium account to other reserves in order to classify amounts attracting group reconstruction relief under Section 132 of the Companies Act 1985 in accordance with the Act. Other reserves are not distributable.

7. ULTIMATE PARENT COMPANY:

The company is a subsidiary undertaking of General Healthcare Holdings (2) Limited, and its ultimate parent company is General Healthcare Group Limited.

The smallest and largest group into which the results of GHG Intermediate Holdings Limited are consolidated is General Healthcare Group Limited. The consolidated accounts of General Healthcare Group Limited may be obtained from their principal place of business at 66 Chiltern Street, London W1U 6GH.

As a subsidiary undertaking of General Healthcare Group Limited, the company has taken advantage of the exemption in FRS8 'Related Party Disclosure' from disclosing transactions with other members of the group headed by General Healthcare Group Limited.