

**Company registered number: 05783442**

**GHG 3 (Ross Hall Hospital) Limited**

**Annual report and financial statements  
for the year ended 30 September 2010**

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# **GHG 3 (Ross Hall Hospital) Limited**

## **Annual report and financial statements**

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## Directors' report for the year ended 30 September 2010

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The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 30 September 2010

### **Incorporation, principal activity and business review**

The company was incorporated on 18 April 2006 in Great Britain with Netcare Limited being its ultimate parent company. The company's name on incorporation was Pantomime Propco 3 Limited and it was changed to GHG 3 (Ross Hall Hospital) Limited on 7 November 2006.

The company's principal activity is property investment in the United Kingdom. On 31 July 2006, the company acquired the land and buildings of the Ross Hall Hospital. On 9 October 2006, the company drew down £119.4 million of long-term debt.

The property is let to a group undertaking and the directors expect activity to continue at current levels for the foreseeable future.

The directors do not consider it necessary to include any further key performance indicators, other than the current year result shown below, in order to understand the business.

### **Results and dividends**

The company's loss after taxation for the year ended 30 September 2010 was £2,598,000 (2009: loss of £2,636,000).

The directors do not propose the payment of a dividend (2009: £nil). The loss for the year will be transferred from reserves.

### **Directors**

The directors who served throughout the year and subsequently are as shown below:

David Marks  
Christopher King  
Richard Friedland  
Michael Sacks  
Hymie Levin  
Ingrid Davis  
Khawar Mann  
Stephen Collier  
Charles Niehaus  
Ian Jones  
Vaughan Furman

### **Charitable and political contributions**

During the year the company made no charitable or political donations (2009: £nil).

**Directors' report  
for the year ended 30 September 2010 (continued)**

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**Financial risk management**

The company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, currency risk, liquidity risk, cash flow risk, credit risk and price risk.

Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the only financial risks the directors consider relevant to this company are interest rate risk, liquidity risk and credit risk.

The company attempts, where possible, to mitigate financial risks through the use of derivative hedging instruments. The company does not speculate in the trading of derivative instruments. The company manages liquidity risk by monitoring forecast and actual cash flows.

Other notable business risks include the devaluation of the property market and changes to the legislative environment under which fellow group undertakings operate. These risks are constantly monitored by management and, although not applicable during the current year, appropriate action will be taken to address these risks when necessary.

Compliance with the company's covenant requirements under the debt facilities agreement assumes that the group undertaking to which the company's property is let will be able to meet its obligations under the lease agreement. This adds to the credit risk faced by the company. Accordingly, the directors have reviewed the relevant forecasts and projections of GHG 1 (Hospital Operations) Limited and its subsidiaries, taking into account reasonable sensitivities and their impact on covenant compliance. The review indicated that the company's cash and covenant projections under the debt facility agreement will be met and that the company will continue as a going concern for the going concern review period. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

**Directors' report  
for the year ended 30 September 2010 (continued)**

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**Statement of directors' responsibilities**

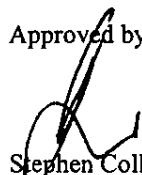
The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit and loss for that year. In preparing these financial statements, 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 UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Approved by the Board of Directors and signed on behalf of the Board



Stephen Collier  
6 December 2010

**Independent auditors' report  
to the members of GHG 3 (Ross Hall Hospital) Limited**

We have audited the financial statements of GHG 3 (Ross Hall Hospital) Limited for the year ended 30 September 2010, which comprise the profit and loss account, the balance sheet, the statement of principal accounting policies and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 and 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

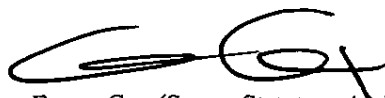
**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Emma Cox (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
6 December 2010

**Profit and loss account  
for the year ended 30 September 2010**

	Notes	2010 £'000	2009 £'000
<b>Turnover</b>	1	8 211	8 212
Other operating expenses		(39)	(11)
Depreciation		(2 893)	(2 893)
<b>Operating profit</b>		5 279	5 308
Interest payable and similar charges	2	(7 769)	(7 844)
<b>Loss on ordinary activities before taxation</b>	3	(2 490)	(2 536)
Tax on loss on ordinary activities	4	(108)	(100)
<b>Loss for the financial year</b>	11	(2 598)	(2 636)

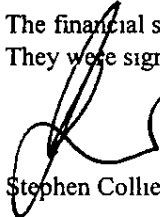
There were no recognised gains or losses other than the loss for the year and the prior year, accordingly no statement of total recognised gains and losses is presented. All activities relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet  
at 30 September 2010

	Notes	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	5	136 636	139 529
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due after more than one year	6	-	86
Debtors - amounts falling due within one year	7	705	5 169
<b>CURRENT LIABILITIES</b>			
Creditors - amounts falling due within one year	8	(8 426)	(12 306)
<b>NET CURRENT LIABILITIES</b>		<u>(7 721)</u>	<u>(7 051)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		128 915	132 478
Creditors - amounts falling due after more than one year	9	(119 083)	(120 048)
<b>NET ASSETS</b>		<u>9 832</u>	<u>12 430</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	21 829	21 829
Profit and loss account	11	(11 997)	(9 399)
<b>SHAREHOLDERS' FUNDS</b>		<u>9 832</u>	<u>12 430</u>

The financial statements were approved by the board of directors and authorised for issue on 6 December 2010  
They were signed on its behalf by

  
Stephen Collier

The accompanying notes form an integral part of this balance sheet  
The company's registered number is 05783442



**Statement of accounting policies  
for the year ended 30 September 2010**

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The principal accounting policies are summarised below, which have all been applied consistently throughout the year and prior year

**a) Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom accounting standards and the provisions of the Companies Act 2006

In common with many other companies, the business is exposed to uncertainties due to the current economic conditions. These uncertainties relate to the ability of a fellow group undertaking (GHG 1 (Hospital Operations) Limited and its subsidiaries) to meet its obligations under the lease agreement with the company, such that the company can meet its cash and covenant obligations under the debt facility agreement. Accordingly, the directors have reviewed the relevant forecasts and projections of GHG 1 (Hospital Operations) Limited and its subsidiaries, taking into account reasonable sensitivities and their impact on covenant compliance. The review indicated that the company's cash and covenant projections under the debt facility agreement will be met, and that the company will continue as a going concern for the going concern review period.

After making these enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**b) Tangible fixed assets**

As the property is leased to, and occupied by, another group undertaking, it is treated as an owner-occupied property under United Kingdom accounting standards. The property is used for the supply of medical services or for administration purposes by the lessee. Such properties need to be depreciated.

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings and fixed plant (longer life)	- 50 years
Freehold buildings and fixed plant (shorter life)	- 10 years

No depreciation is provided on land.

**c) Turnover**

Company turnover comprises rental income received in the normal course of the business net of all refunds, allowances and value added tax. Rental income recognition is based on an accruals basis. Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option.

**d) Taxation**

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

**Statement of accounting policies  
for the year ended 30 September 2010 (continued)**

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**d) Taxation (continued)**

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 the 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.

**e) Finance costs**

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

**f) Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs (arrangement fees). Issue costs are amortised on a straight-line basis over the period of the debt, and are included within finance costs. The carrying amount of debt is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

**g) Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**h) 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 intermediate parent company, General Healthcare Mixer Partnership LLP, which is incorporated in Great Britain.

Statement of accounting policies  
for the year ended 30 September 2010 (continued)

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**i) Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting new interest payable over the periods of the contracts.

Amounts payable or receivable under interest rate derivatives are matched with the interest payable on the debt which the derivatives hedge.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

**Notes to the financial statements  
for the year ended 30 September 2010****1. Segment information**

Turnover and loss before tax arise from continuing operations entirely in the United Kingdom

**2. Interest payable and similar charges**

	2010 £'000	2009 £'000
Interest on loans repayable	7 299	7 344
Service cost	42	72
Amortisation of debt arrangement fees	428	428
	<u>7 769</u>	<u>7 844</u>

**3. Loss on ordinary activities before taxation**

There were no employees of the company, and the directors did not receive emoluments during either year

The audit fees for the audit of the company's annual accounts of £850 (2009 £833) were borne by another group undertaking during the current and prior year. The auditors received no non-audit fees during the year or the prior year.

**4. Tax on loss on ordinary activities**

	2010 £'000	2009 £'000
The tax charge is based on the loss for the year and comprises		
Corporation tax at 28% (2009 28%)	22	-
Deferred tax		
- current year	86	100
Total tax on loss on ordinary activities	<u>108</u>	<u>100</u>

Notes to the financial statements  
for the year ended 30 September 2010 (continued)

**4. Tax on loss on ordinary activities (continued)**
**Factors affecting current tax charge:**

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

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation	<u>(2 490)</u>	<u>(2 536)</u>
Loss on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(697)	(710)
Effects of		
Expenses not deductible for tax purposes	810	810
Tax losses utilised in the year	(91)	(100)
Current tax charge for the year	<u>22</u>	<u>-</u>

**5. Tangible fixed assets**

	Freehold land £'000	Freehold buildings £'000	Total £'000
<b>Cost:</b>			
Beginning and end of the year	<u>30 100</u>	<u>118 591</u>	<u>148 691</u>
<b>Accumulated depreciation:</b>			
Beginning of the year	-	9 162	9 162
Charge for the year	-	2 893	2 893
At 30 September 2010	<u>-</u>	<u>12 055</u>	<u>12 055</u>
<b>Net book value:</b>			
At 30 September 2010	<u>30 100</u>	<u>106 536</u>	<u>136 636</u>
At 30 September 2009	<u>30 100</u>	<u>109 429</u>	<u>139 529</u>

On 31 July 2006 the freehold properties and land were bought from a fellow group undertaking (BMI Healthcare Limited) and leased back to that undertaking

Properties are stated at cost of acquisition, which was based on an independent external valuation carried out by DTZ Debenham Tie Leung in July 2006

Despite deterioration in the property market during the year, the directors are comfortable that the carrying value of the property is not impaired as there has been no change in the nature of the cash flows receivable from the fellow group undertaking under the 25 year lease arrangement to October 2031

Notes to the financial statements  
for the year ended 30 September 2010 (continued)

**6. Debtors - amounts falling due after more than one year**

	2010 £'000	2009 £'000
The following are included in debtors falling due after more than one year		
Deferred tax on tax losses	-	86

The amount of deferred tax that has not been provided on fixed assets subject to rollover relief is £134,000 (2009 £139,000). At present it is not envisaged that any tax will become payable in the foreseeable future.

**7. Debtors - amounts falling within one year**

	2010 £'000	2009 £'000
The following are included in debtors falling due within one year		
Amounts due from fellow group undertakings	705	5 169

Amounts due from fellow group undertakings do not bear interest and are repayable on demand.

**8. Creditors - amounts falling due within one year**

	2010 £'000	2009 £'000
The following are included in creditors falling due within one year		
Accruals and deferred income	2 190	2 205
Loans from group undertakings	5 271	9 371
Bank loans (note 9)	965	730
	<u>8 426</u>	<u>12 306</u>

Loans from group undertakings do not bear interest and are payable on demand.

**9. Creditors - amounts falling due after more than one year**

	2010 £'000	2009 £'000
The following are included in creditors falling due after more than one year		
Bank loans	114 086	115 051
Deferred income	4 997	4 997
	<u>119 083</u>	<u>120 048</u>

Deferred income relates to fair value losses on swap contracts at the date of the novation and will be matched to related cash flows when they occur.

Notes to the financial statements  
 for the year ended 30 September 2010 (continued)

**9 Creditors - amounts falling due after more than one year (continued)**

	2010 £'000	2009 £'000
<b>Bank loans:</b>		
Due within one year		
Secured loans	1 393	1 158
Arrangement fees	(428)	(428)
	<u>965</u>	<u>730</u>
Due after more than one year		
Secured loans	114 778	116 171
Arrangement fees	(692)	(1 120)
	<u>114 086</u>	<u>115 051</u>
<b>Total due</b>	<u><u>115 051</u></u>	<u><u>115 781</u></u>

**Terms of repayment**

	2010		2009	
	Interest rate*	£'000	Interest rate*	£'000
<b>Secured loans</b>				
Repayable in quarterly instalments with a lump sum payment on 15 October 2013	2.24%	115 051	2.50%	115 781

Secured by land and buildings with a net book value of £136.6 million (2009 £139.5 million) (note 5)

	2010 £'000	2009 £'000
<b>Maturity profile</b>		
Payable in		
< 1 year	965	730
1 - 2 years	1 291	965
2 - 4 years	112 795	2 999
> 4 years	-	111 087
	<u><u>115 051</u></u>	<u><u>115 781</u></u>

\* The interest rate disclosed is the rate at year end, excluding the effect of the interest rate swaps

**Undrawn borrowing facilities**

The company has no undrawn borrowing facilities

Notes to the financial statements  
for the year ended 30 September 2010 (continued)

**10. Called up share capital**

	2010 £'000	2009 £'000
Authorised, allotted, called up and fully paid 100 ordinary shares of £218,290 each	<u>21 829</u>	<u>21 829</u>

**11. Profit and loss account**

	2010 £'000	2009 £'000
Beginning of the year	(9 399)	(6 763)
Loss for the year	(2 598)	(2 636)
End of the year	<u>(11 997)</u>	<u>(9 399)</u>

**12. Derivatives not included at fair value**

	2010 £'000	2009 £'000
The company has derivatives which are not included at fair value in the financial statements		
Interest rate swap contract (years 1 - 10)		
Balance at beginning of the year	(8 116)	2 574
Fair value movement for the year	(6 582)	(10 690)
Balance at the end of the year	<u>(14 698)</u>	<u>(8 116)</u>
Interest rate swap contract (years 11 - 25)		
Balance at beginning of the year	(7 142)	(8 092)
Fair value movement for the year	(3 179)	950
Balance at the end of the year	<u>(10 321)</u>	<u>(7 142)</u>

The company uses the derivatives to manage its exposure to interest rate movements on its bank borrowings. The fair values are based on market values of equivalent instruments at the balance sheet date.

**Interest rate swap contract (years 1 - 10)**

The interest rate swap contracts with a principal amount of £116.2 million (2009: £117.3 million) have floating interest receipts at the 3 month Libor rate and have fixed interest rate payments at interest rate of 4.75% (2009: 4.75%).

**Interest rate swap contract (years 11 - 25)**

The interest rate swap contracts with a principal amount of £116.2 million (2009: £117.3 million) are coming into effect on 15 April 2016 and have floating interest receipts at the 3 month Libor rate and have fixed interest rate payments at interest rate of 5.85% (2009: 5.85%).



Notes to the financial statements  
for the year ended 30 September 2010 (continued)

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**13. Related party transactions**

As a subsidiary undertaking of General Healthcare Mixer Partnership LLP, the company has taken advantage of the exemption in paragraph 3 of FRS 8 *Related Party Disclosure* from disclosing transactions with other members of the group headed by General Healthcare Mixer Partnership LLP

**14 Ultimate parent company**

The company is a subsidiary undertaking of GHG 3 (BVI Property Holdings) Limited. The ultimate parent and controlling party is Netcare Limited, a company incorporated in the Republic of South Africa, whose financial results are publicly available. The smallest group into which the financial statements of the company are consolidated is General Healthcare Mixer Partnership LLP, whose consolidated financial statements can be obtained from 4 Thameside Centre, Kew Bridge Road, Brentford, Middlesex TW8 0HF. The largest group in which the results of the company are consolidated is Netcare Limited whose accounts can be obtained from 76 Maude Street, Sandton, 2196, South Africa.