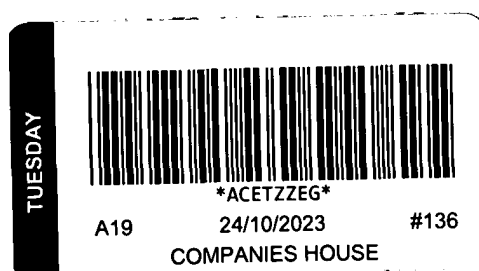


Registered No. 03020522

# HCA INTERNATIONAL LIMITED

Report and Financial Statements

31 December 2022



# HCA International Limited

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Registered No. 03020522

## **COMPANY INFORMATION**

### **DIRECTORS**

J M Reay  
C N Sightes  
C M J Vickery

### **SECRETARY**

C M J Vickery

### **AUDITOR**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **BANKER**

Barclays Bank PLC  
St Johns Wood & Swiss Cottage Branch  
PO Box 2764  
London  
NW3 6JD

### **REGISTERED OFFICE**

2 Cavendish Square  
London  
W1G 0PU

# HCA International Limited

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Registered No. 03020522

## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company principally acts as a provider of healthcare services. Above all else, the company is committed to the care and improvement of human life. In recognition of this commitment, the company strives to deliver healthcare.

The company is engaged in the operation of the following private hospitals: The Harley Street Clinic, The Portland Hospital, The Princess Grace Hospital, The Wellington Hospital and HCA UK at The Shard in London. The company has entered into several joint ventures with doctors to offer improved services to patients, and several joint ventures with the NHS have also been established.

The company's key financial and other performance indicators during the year were as follows:

	2022 £000	2021 £000	Change %
Revenue	564,930	512,059	10.3%
Administrative expenses	617,508	557,511	10.8%
Profit/(Loss) before tax	8,505	(7,208)	218.0%
Average number of employees	4,121	3,897	5.8%
Patient days	97,008	90,856	6.8%
Outpatient visits	296,330	256,964	15.3%

Revenue increased by 10.3% from the prior year. This is driven by the increase in the number of days spent by patients at the hospitals and outpatient visits.

Loss before taxation in 2021 has turned to a profit in 2022 which is mainly due to an increase in dividends received during the year from £40,194,000 in 2021 to £60,206,000 in 2022. The increase in dividends is due to an improvement in the performance of its investments.

The company has ended the year in a strong financial position with net assets of £314,685,000 (2021: £317,917,000) and net current liabilities of £37,093,000 (2021: £40,269,000).

The company will continue to invest in the provision of healthcare services in its commitment to improve human life in all the regions it serves.

### PRINCIPAL RISKS AND UNCERTAINTIES

As a healthcare institution, risks and uncertainties are constantly identified and managed to ensure business continuity and to maintain excellent patient care delivery. Below are the risks and uncertainties that were most prevalent for the company and the 'HCA UK' group (the group of companies headed and controlled by HCA UK Holdings Limited). HCA International Limited is a subsidiary within the 'HCA UK' group.

#### Medical Indemnities

The principal risk arising from the company's business is the uncertainty of medical indemnities. To manage this risk, HCA UK has built on a culture of quality and compliance, constant vigilance and risk management, and continuous improvement cycle. The company bears the risk for the HCA UK group. The company's exposure to this is mitigated by insurance that has been reviewed independently by an external professional actuary and the company has provided in the accounts in line with their assessment.

#### Pension Fund

As the company has a defined benefit pension fund with limited membership, it needs to ensure that its pension fund is sufficient to meet all liabilities as they fall due. The scheme assets are held separately, and full actuarial valuations are carried out regularly by a qualified independent actuary.

## STRATEGIC REPORT (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### Clinical Labour Shortages

Labour shortages and increased competition for clinical positions is a significant contributor to increased expenses. Hospitals are also reliant on higher cost flexible contract labour to supplement the care delivery model as volumes fluctuate. In response, HCA UK has focused on further developing its resourcing and workforce management teams, as well as developed an international programme to recruit talented nurses from outside the UK.

#### Inflation and Supply Chain Disruptions

General inflation, wage pressures and continued supply chain disruptions have resulted in greater than expected expenses. HCA UK has responded by executing several financial resiliency initiatives to improve efficiency and productivity, identify savings and optimising revenues. The organisation has also approved wage increases in line with the market.

#### Cybersecurity risks

Healthcare institutions continue to be a target for data breaches and phishing and ransomware attacks. HCA UK uses automated technology to detect and respond to such threats to prevent any major data or patient information breaches.

#### Clinical Risk

Risks are identified through our internal risk reporting system, as well as other committees and forums. Care Quality Commission (CQC) inspection readiness also continues to drive our proactive approach to risk identification and mitigation. Programmes, frameworks, and protocols continue to be developed to limit clinical risks and standardise patient care so that each patient can receive the best care and experience possible.

### SECTION 172 COMPANIES ACT 2006

Section 172 (1) of the Companies Act 2006 recognises that, whilst companies are run for the benefit of their shareholders, the long-term success and reputation of a business depends on its relationship with stakeholders and its appreciation of the external impact of its activities. Accordingly, the Board provides this statement to demonstrate its regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company

References to the "Board" and the "Company" are to the board of directors of HCA International Limited and to HCA International Limited respectively which trades as HCA Healthcare UK, HCA or HCA UK. The Board oversees the operations of HCA International Limited and its group entities within the UK.

The Board utilises the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") as a framework and foundation for its assessment of these obligations. Further detail of our adherence to the Wates Principles has been included on pages 10 to 19. The Board regularly reviews its adherence to the Wates Principles in order to further improve its engagement with stakeholders.

We are, above all else, committed to the care and improvement of human life and the relationship with all of our stakeholders is, therefore, essential. The key stakeholders of the company during this reporting year, together with details of the forms of engagement undertaken with them, are as set out below. Through the establishment of committees and sub-boards whose role and responsibilities are further described in the Corporate Governance Report, the Board maintains an effective overview of developments and decision-making process.

## STRATEGIC REPORT (CONTINUED)

### SECTION 172 COMPANIES ACT 2006 (CONTINUED)

**Patients.** Our patients are at the core of everything we do, and their wellbeing is central to our primary aim of ensuring the care and improvement of human life. The Board is committed to quality care that is sensitive, compassionate, promptly delivered and cost-effective. To that end, the Board adopts a robust and cohesive governance strategy which is underpinned by clear processes and supportive information technology solutions. The transparency of the strategy drives a framework of continual improvement, evidence-based practice, learning from errors, and listening to and acting on feedback from our patients. Details of our efforts in this regard can be found on page 17.

**HCA UK Colleagues.** The Board recognises that our HCA UK colleagues are a fundamental part of our business and a key to driving its success. The Board is committed to seeking colleague feedback at all levels and to ensuring that appropriate responses are taken. A reflection of the importance of this process is the decision to increase the frequency of colleague engagement surveys to three times a year in 2023. Details of how past colleague engagement has resulted in changes in company strategy are set out on page 18. The Board is also committed to principles of diversity, inclusion and equality of opportunity to ensure that all colleagues are treated with dignity and respect. Details of our efforts in this regard can be found on page 18.

**Doctors with whom we work.** The doctors with whom we work are world-class clinicians and the Board is fully aware of their important role in delivering the best possible care. Through the Medical Governance sub-board, the Board ensures appropriate oversight and monitoring of assurance of medical governance and Consultant practice. This includes seeking evidential assurance on the effectiveness of clinical governance and the quality of oversight of medical practitioners to assure the delivery of high-quality and person-centred care, supporting learning and innovation, and promoting an open and fair culture. In addition, Medical Advisory Committees give the Board the opportunity to oversee and understand the development of facility practice variations and care concerns. These committees are comprised of senior clinicians of varying specialities at HCA Facilities. Details of our efforts in this regard can be found on pages 10, 11, 12, 13 and 18.

**Regulators.** As a regulated business, we are fully aware of the need for a relationship with regulators that is candid and that demonstrates adherence to all applicable laws and regulations as a minimum standard. The Board is committed to a corporate culture which promotes legal and regulatory compliance. The Board oversees the delivery of the governance agenda within individual facilities and the development of programmes to monitor compliance with regulatory standards. In addition, the Board engages in annual regulatory filing and disclosure requirements. The annual declaration to the Competition & Markets Authority, in connection with the company's compliance with the terms of the Private Healthcare Market Investigation Order 2014 (as amended) is signed by HCA's President and CEO and is presented to him by the company's Ethics and Compliance Officer and the Vice President of Legal Services. HCA's President and CEO is also the company's Care Quality Commission (CQC) Nominated Individual and is responsible for overseeing the management of the providers and locations, as well as each Registered Manager and ensuring compliance with the Health and Social Care Act and associated CQC regulations.

During 2022, the principal decisions of the Board of the company that influenced the future success of the company, and its stakeholders are set out below:

#### **Responding to continued growth of private patient demand**

2022 saw continued strong recovery in private patient demand in the UK, both insured as well as a substantial increase in demand from self-pay patients. This was also reflected in the international patients' market, with HCA UK benefiting from a strong expansion in the number of countries which it received patients for inpatient complex admissions.

#### **Ensuring safe care**

HCA UK continued to monitor Covid-19, ensuring rigorous enforcement and evolution of safety measures as required, so that it could continue to deliver care in the safest possible environment.

## STRATEGIC REPORT (CONTINUED)

### SECTION 172 COMPANIES ACT 2006 (CONTINUED)

#### **Ongoing construction in Birmingham in partnership with University Hospitals Birmingham NHS Foundation Trust**

In 2022, HCA UK continued construction of its development in Birmingham, The Harborne Hospital. In partnership with University Hospitals Birmingham NHS Foundation Trust and located in the centre of the extensive medical campus, this new hospital will have the capability to provide the full range of acute care.

#### **Continued investment in our services**

The Company has always supported its services with the required investment. In 2022, the programme included investment in the enhancement of our hospital campuses, continued refresh of key equipment and continued development of our estate. To support the enhancement of our technical infrastructure a project was initiated to implement a new electronic health record across HCA UK.

On behalf of the board



C N Sightes  
Director  
20 October 2023

# HCA International Limited

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Registered No. 03020522

## DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2022.

### REVIEW OF THE BUSINESS

A review of the business has been provided within the Strategic Report.

### DIVIDENDS

No dividends were paid or declared for the year ended 31 December 2022 (2021: £nil).

### DIRECTORS

The directors who served during the year ended 31 December 2022 were as follows:

J M Reay  
C N Sightes  
C M J Vickery

### DIRECTORS INDEMNITY

The company has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity remains in force as at the date of approving the directors' report.

### FUTURE DEVELOPMENTS

There are no plans to change the activities of the company.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

In November 2023, the company plans to repay £30,000,000 of the loan balances owed to Galen International Holdings, Inc and HCA UK Holding Limited.

### GOING CONCERN

As set out in further detail below, these financial statements have been prepared on a going concern basis and no material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

HCA UK Holdings Limited ('HCA UK') as an organisation manages its cash position centrally, providing access to funding for all its subsidiaries as and when required. HCA International Limited is a subsidiary within the HCA UK group. The availability of cash is central to the group's survival and management has considered cash flow forecasts to be a key component of their assessment.

As cash is managed centrally, the directors have considered the going concern assessment for the HCA UK group of entities collectively. Below sets out how they have assessed this and its relevance for HCA International Limited.

HCA UK group has seen very strong cash flow throughout 2022 and has no external debt within the UK group, with a cash balance of £122m at the end of December 2022. A detailed monthly cash flow forecast has been prepared until the end of December 2024, in which a steady cash inflow is expected which is expected to leave HCA UK with a positive cash balance throughout the forecast period till end of December 2024. The HCA UK cash flow is dependent on the following factors and assumptions:

- Cash collections which will arise from the collection of our outstanding accounts receivables from our three main sectors: Private Medical Insurance, Embassy and Self Pay. Projected cash collections are linked to estimated net revenues and linked to the age of outstanding accounts receivable and how they crystallize into cash.
- Revenue is being earned consistently in the group. This is forecast to continue throughout 2023 and into 2024.
- The projection for accounts payables, other costs and capital cash flows are based on budget and known projects.

## DIRECTORS' REPORT (CONTINUED)

### GOING CONCERN (CONTINUED)

Based on management's detailed cash flow forecasting and assessment of severe downside scenarios which reflect a significant fall in revenue, operating cash flows and cash available to the group, HCA UK group has enough liquidity to continue in operational existence for the foreseeable future. In addition to this, HCA Healthcare Inc., the ultimate parent company, have confirmed, via a letter of support their intention to provide financial support, if necessary, to the HCA UK Group for the period from the date of approval of the financial statements to the end of December 2024.

In turn, the company has received assurances, in the form of a letter of support, that HCA UK will continue to provide sufficient cash resources to meet liabilities as they fall due from the date of signing these financial statements to the end of December 2024.

On the basis of HCA UK's assessment of the group's financial position and their commitment to provide financial support if and when needed to HCA International Limited, the directors have a reasonable expectation that the entity will be able to continue in operational existence for the foreseeable future. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### EMPLOYEE INVOLVEMENT AND ENGAGEMENT

The company strongly believes in the importance of good employee communications and encourages participation at all levels. To encourage employee participation the company has regular meetings to discuss topics of employee concern and to inform staff of the financial and economic factors affecting the performance of the company. Please see our section 172 statement on page 3 where we discuss this further.

### DISABLED PERSONS

In the company's employee recruitment practices, full consideration is given to job applications from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Encouragement is given in training, career development and promotion of all employees according to the opportunities available, organisational requirements and individual aptitudes and abilities. This policy includes disabled employees, for whom any further necessary training is arranged taking account of their particular needs and the resources required to meet them.

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### BUSINESS RELATIONSHIPS

We are, above all else, committed to the care and improvement of human life and the relationship with all of our stakeholders is, therefore, essential. Please see our section 172 statement on page 3 and our corporate governance report principle 6 relating to stakeholders on pages 16 to 19.



# HCA International Limited

Registered No. 03020522

## DIRECTORS' REPORT (CONTINUED)

### STREAMLINED ENERGY AND CARBON REPORTING

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the directors present their energy and carbon report of HCA International Limited domiciled in the United Kingdom for the financial year ended 31 December 2022.

*UK Greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022*

	2022	2021
Energy consumption used to calculate emissions ('000 kWh)	34,396	41,318
<b>Scope 1 emissions CO2e ('000 tonnes)</b>		
Gas consumption	2,415	3,233
<b>Scope 2 emissions CO2e ('000 tonnes)</b>		
Purchased electricity	4,082	5,017
<b>Scope 3 emissions in CO2e ('000 tonnes)</b>		
Business travel in employee owned vehicles	14	9
<b>Total gross emissions CO2e ('000 tonnes)</b>	<b>6,511</b>	<b>8,259</b>
<b>Intensity ratio Tonnes CO2e per £ revenue</b>	<b>0.01</b>	<b>0.02</b>

#### Methodologies used

The Greenhouse Gas (GHG) protocol, UK Government environmental reporting guidelines, and UK Government emission factors have been used to calculate GHG footprint in this report.

#### Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per £ revenue.

#### Measures taken to improve energy efficiency

In the UK, we are working to align our supply chain with our ambitions to reduce waste, move to sustainable packaging and reach net zero. We will be working collaboratively with our workforce to drive change and meet our important environmental commitments. We are considering how to reduce food waste and make the most efficient use of supplies. From an operational perspective, we will review clinical practice around the reduction in anaesthetic gases and the use of low carbon inhalers. We have moved thousands of medical consultations online (where clinically appropriate) and will continue to grow our use of remote consultation to support our net-zero ambitions and deliver outstanding patient care.

We are investing in our estates and facilities to support our net zero ambition. In 2022, HCA UK invested significantly in energy efficiency measures across multiple hospital sites in order to reduce the group's carbon footprint. These projects and work packages include building fabric improvements such as replacing windows and roofs with more energy-efficient materials & units; replacing air handling equipment with more efficient units that are programmed to set-back within periods of lower use; hot water and heating upgrades including controls and boiler replacements, ensuring more efficient control over their use and utilising electric rather than gas for better energy performance; continued lighting upgrade works, swapping out fluorescent bulbs to LED units; lagging and insulation of existing ductwork and heating/chilled water pipes to ensure efficiency of our services infrastructure; significant investment in medical equipment, replacing with better energy-performing models and units.

Environmental sustainability is a priority for HCA Healthcare not just in the UK, but globally and we will continue to develop our strategy to reach net zero.

# HCA International Limited

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Registered No. 03020522

## DIRECTORS' REPORT (CONTINUED)

### **DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

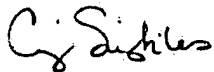
The directors who were members of the board at the time of approving the Directors' Report are listed on page 1.

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **AUDITORS**

In accordance with Section 487 of the Companies Act 2006, Ernst & Young LLP will continue as auditor of the company.

On behalf of the board



C N Sightes  
Director  
20 October 2023

# HCA International Limited

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Registered No. 03020522

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018 and available on the FRC website). These new corporate governance reporting requirements will apply to company reporting for financial years starting on or after 1 January 2020 and Companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. We have set out in the Corporate Governance Report below how the Principles have been applied.

#### PRINCIPLE 1 – PURPOSE AND LEADERSHIP

Dr Thomas Frist founded the Hospital Corporation of America (HCA) in 1968, with a vision of creating a healthcare company with the scope, resources and expertise to provide the highest possible standard of care. HCA UK opened its doors in 1995. Since then, we have built a world class network of over 30 facilities in London and Manchester, each with the latest diagnostic and treatment equipment and facilities.

Above all else, we are committed to the care and improvement of human life.

In pursuit of our mission, we believe the following value statements are essential and timeless:

- we recognise and affirm the unique and intrinsic worth of each individual;
- we treat all those we serve with compassion and kindness;
- we act with absolute honesty, integrity and fairness in the way we conduct our business and the way we live our lives;
- we trust our colleagues as valuable members of our healthcare team and pledge to treat one another with loyalty, respect and dignity.

HCA UK has a comprehensive values-based Ethics and Compliance Programme based on best practice established across all HCA divisions. This Programme rests on HCA's Mission and Values and has become incorporated into our daily activities and supports our tradition of caring for our patients, communities and colleagues.

While all HCA UK employees are obliged to follow our Code of Conduct, we expect our leaders to lead by example. Colleagues in the organisation who have supervisory responsibility are expected to exercise responsibility in a manner that is kind, sensitive, thoughtful and respectful. We expect each supervisor, including our CEOs, to create an environment where all team members are encouraged to raise concerns and propose ideas. This culture encourages everyone in the organisation to share concerns when they arise. It is our commitment to never sacrifice ethical and lawful behaviour in the pursuit of business objectives.

Leaders in our organisation:

- will lead by example;
- will confront problems directly and candidly;
- will be inclusive when making decisions as to who should participate in the decision-making process;
- will try to give the maximum responsibility to those who work with them;
- will emphasise effective team-building.

Our values are documented in our Code of Conduct which is communicated annually to all staff under our Ethics and Code of Conduct training.

#### PRINCIPLE 2 – BOARD COMPOSITION

The Board consists of the board of directors whose names appear on Companies House records. Whilst Board oversight is always maintained, the Board delegates key decisions to the individuals and committees with the most appropriate knowledge and industry experience.

Biographies of our management team can be found on our website: <https://www.hcahealthcare.co.uk/about-hca/hca-management-team>

The management team is comprised of a President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Chief Medical Officer, Commercial Director, Vice President of Human Resources, Chief Nursing Executive, Vice President of Physicians Services Group, Vice President of Corporate Sales, and a Vice President of Legal Services. This composition is appropriate to the size and focus of the business.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 2 – BOARD COMPOSITION (CONTINUED)

Each member of the management team demonstrates high ethical standards and integrity in their personal and professional dealings and are willing to act on and remain accountable for their boardroom decisions. Each member is in a position to devote an adequate amount of time to the effective performance of director duties in his/her area of expertise. Each member takes reasonable steps to keep informed on the complex, rapidly evolving healthcare environment.

Our vision is to ensure that we have a robust and cohesive Governance Strategy in place which is underpinned by clear processes and supportive information technology solutions that promotes transparency and accountability across all levels and locations of the organisation. The transparency of the Strategy drives a framework of continual improvement, evidence-based practice, learning from errors, and listening to and acting on feedback from our patients.

The management team will:

- lead by example in key organisational behaviours;
- shape the future with clear directives and guidance for the delivery of safe and effective care;
- provide critical challenge of performance indicators in a positive and influencing way, encouraging innovation and continuous improvement;
- continuously act and drive the organisation in accordance with the overall strategic vision of the organisation;
- ensure key stakeholders are engaged in service planning and development;
- communicate and reinforce the organisational strategy and actively support the application of the strategy at a local level;
- ensure that qualitative and quantitative indicators are reported and considered by senior governance committees that are responsible for monitoring organisational strategy implementation;
- ensure committees and meetings reflect organisational performance and provide assurance of the quality, safety and cost effectiveness of care provided;
- ensure the maintenance of a cohesive programme of governance is in place, including transparent reporting and clear accountabilities for action; and
- promote evidence-based practice through horizon scanning, robust governance methodologies, and clear dissemination channels.

### PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

#### *Accountability*

Good governance supports open and fair business, ensuring that the company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, the board delegates key decisions to the individuals and committees with the most appropriate knowledge and industry experience.

Good governance is driven by the organisation's leaders, with clear articulation of goals and deliverables at all levels. Good governance can be evidenced by the following structures and processes:

- The Executive Committee which sets the vision and direction of the organisation with clearly articulated and engaged strategies. Information and reports to Executive committees provide assurance of high quality, safe and effective healthcare.
- Patient experiences and feedback are sought, listened to and acted upon as part of overall quality monitoring, service development and performance.
- Horizon scanning occurs robustly to ensure that the organisation has the required capability and culture to drive and shape the delivery of care in a safe, sustainable and effective way.
- Clear reporting lines and accountabilities to ensure oversight and timely information is provided on key performance indicators (KPI's) within Quality, Performance, Human Resources, and Finance domains.
- Robust and coordinated software solutions are in place that promote good governance practices, incident and event reporting, evidence-based practice, and clinical outcome reporting and monitoring.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES (CONTINUED)

Whilst the operational delivery of the governance agenda occurs within each facility the Quality and Governance Team has a crucial role in:

- Providing direction and impetus for action, interpretation and action on national guidance.
- Identifying and maintaining key governance related software solutions that drive consistency of process, transparency of reporting, outcome monitoring, and sustainable quality improvement.
- Facilitating and supporting change within facilities by providing the appropriate tools, skills and methodologies.
- Ensuring a consistent approach and relationships between facilities and corporate departments.
- Developing implementation and monitoring plans to support the organisational strategy and vision.
- Providing education on specialist topics relevant to Governance, Quality and Safety.
- Monitoring Key Performance Indicators related to Quality Initiatives, care related improvement programmes and clinical effectiveness.

Facility management teams are accountable for the delivery of the governance agenda within individual facilities and are responsible for embedding governance values. For example:

- Awareness – initiate and support staff awareness programmes for risk management and quality improvement as priorities for the organisation and understand how they contribute to the agenda.
- Compliance – in liaison with governance teams to develop programmes to monitor compliance with regulatory standards. A programme of governance activity is in place to ensure compliance and improvement in the quality and safety of patient care.
- Assurance – informed by quality and governance activities (i.e. evidence collation, safety inspection programmes, surveys, audits etc.)
- Sharing and Learning – foster a culture of sharing good practice and learning across facilities and the wider organisation when things go well or could be improved.
- Leadership and Drive for Outcomes – Supports the organisational priorities and goal of being a “World Class provider of Specialist Treatment”.

Each facility within HCA has an identified group of individuals who are accountable for driving the organisational strategy and embedding best practice in relation to safety, quality and governance within their respective facilities.

#### *Committees*

A Committee structure to support governance is essential. The key performance indicators for each committee will provide assurance to the Executive Team of the quality, safety and effectiveness of operational and strategic activities.

**Quality, and Safety Board:** The Quality and Safety Board is the overarching governance Board of the HCA UK Executive, chaired by HCA Healthcare’s CEO/President, and has overall responsibility for the oversight and monitoring of effective systems of governance and in holding facilities to account on all aspects of quality and governance including patient safety, quality outcomes, risk management, patient experience, workforce and information governance, research & development; and statutory and regulatory standards. The Chair of the Board shall draw attention to any matters of significance or particular concern on an exception basis to the HCA UK Senior Leadership Team, and where appropriate to the American Group of HCA Healthcare in US.

**Senior Management Team – Corporate Services:** An operational group of senior managers with overall oversight and responsibility for robust governance systems and processes of the organisation. Collegial reporting to the Quality and Safety Board of key issues provides the opportunity for cross dissemination and management of key issues and tasks.

**Clinical Chief Nursing Officer (CNO) Council:** The key clinical and nursing leadership group within the organisation delivering on the clinical operations agenda and responsible for the overall nursing, clinical education, and infection control strategy of the organisation. Chaired by the Chief Nursing Executive the Clinical CNO Council reports directly to the Quality & Safety Board to assure on the delivery of the strategic objectives. There is dotted line (collegial) reporting to the Clinical Governance Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES (CONTINUED)

#### *Committees (continued)*

**Combined Medical Advisory Board:** is responsible for supporting HCA UK in governing their professional activities across HCA Healthcare and provide professional insight, expertise and views on clinical initiatives and advise the President/Chief Executive Officer (CEO), Chief Medical Officer (CMO) and HCA Executive on HCA wide professional issues, initiatives, medical policy, standards and professional aspects of practice including new procedures/techniques that impact across HCA Healthcare.

**Medical Advisory Committees:** These committees are comprised of senior clinicians of varying specialities at HCA Facilities. The key responsibility of this Committee is to communicate and escalate clinical practice variations and care concerns via governance and operational committees.

**Clinical Governance Board:** As the principal governance sub-Board for the organisation and has responsibility for the oversight and monitoring of effective systems of clinical governance and practice. The Clinical Governance Board brings together all the elements of clinical governance and is responsible for seeking evidential assurance on the effectiveness of this and assure the quality of oversight of the delivery of high-quality and person-centred care, and promote continuous improvement in quality, responsiveness, patient experience and patient outcomes. Chaired by the Chief Medical Officer, this Committee will report directly to the Quality and Safety Board.

**Medical Governance Board:** is the principal sub-Board with responsibility for the oversight and monitoring of assurance of medical governance and Consultant practice chaired by HCA Healthcare's Chief Medical Officer. This includes seeking evidential assurance on the effectiveness of clinical governance and the quality of oversight of medical practitioners to assure the delivery of high-quality and person-centred care, supporting learning and innovation, and promoting an open and fair culture.

**Health & Safety and Risk Board:** has responsibility for providing the Quality and Safety Board with oversight of assuring that HCA Healthcare discharges its health and safety, risk management, business continuity (including emergency planning, resilience and response (EPRR)) responsibilities chaired by HCA's UK's Divisional Vice President of Quality.

**Information Governance Board:** is the sub-Board with responsibility for the oversight and monitoring of effective systems of information governance (privacy and security) and practice and is chaired by HCA's Senior Information Risk Officer. The Information Governance Board will provide oversight and operational direction to ensure that HCA UK Group ("HCA") discharges its obligations under the General Data Protection Regulation (GDPR) and any other applicable data protection legislation.

**Facility Ethics and Compliance Committees ("FECC")** are established at twelve facilities, and these meet on a quarterly basis under the co-ordination of our Ethics and Compliance Officer ("ECO"). Terms of reference are in place for each committee. The ECO has different reporting lines but reports to the HCA UK CEO in relation to themes and trends relating to the Ethics & Compliance Programme. The FECCs provide oversight of the key aspects of HCA UK's Ethics & Compliance programme to support good governance across all our facilities, and helps ensure that HCA UK acts with absolute honesty, integrity and fairness in conducting business.

The Group derives its authority from the CEO and President of HCA, and is required in HCA Inc. by the Ethics and Compliance Officer Policy. Members are aware that FECC meetings are well established at HCA hospitals in the US, and the ECO has access to significant resources created in the US to ensure the efficacy of FECC meetings. There is no formal reporting to HCA US in respect of these matters, but meeting minutes and agenda may be requested by the Audit Team in the US as part of ethics and compliance process and procedures monitoring.

**Internal Audit Committee:** primary purpose is to monitor progress made towards the implementation of HCA US Internal audit recommendations. Updates on all outstanding high and important priority recommendations are circulated at least bi-annually with low priority recommendations updated on a rolling basis. Where recommendations are of such significance, the Committee would meet to discuss progress and actions to be taken to resolve. The Committee includes HCA UK Divisional CFO, VP Corporate Finance & Controller, Director of Financial Compliance, and the Head of Financial Controls & Compliance. The reports are all circulated to the US colleagues including Internal Audit.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES (CONTINUED)

#### *Integrity of information*

The Board receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, financial performance, strategy, operational matters, market conditions and sustainability. These are all supported by Key Performance Indicators (KPIs).

Key financial information is collated from the Group's various accounting systems. The Group's finance function is appropriately qualified to ensure the integrity of the information and they are provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by Ernst & Young LLP on an annual basis, and financial controls are reviewed by the Group's internal audit function.

Other key information is prepared by the relevant internal function. Processes for collecting data, as well as the reporting of that data, is reviewed on a cyclical basis by the Group's internal audit function with quarterly reporting provided to the Audit Committee.

### PRINCIPLE 4 – OPPORTUNITY AND RISK

The Board seeks out opportunity whilst mitigating risk.

#### *Opportunity*

HCA International Limited has the same directors as HCA UK Holdings Limited and thus the HCA UK group. The directors consider opportunities and strategy for the whole HCA UK, thus the strategy for the group is explained below.

HCA UK opened its doors in 1995. Since then, we have built a world class network of over 30 facilities in London and Manchester, each with the latest diagnostic and treatment equipment and facilities. In 2017, we opened new outpatient and diagnostic facilities in Chiswick, Elstree, Marylebone and Chelsea, bringing world class care to each of these communities. We now have over 8,000 colleagues in the UK and over 3,000 consultant partners, all who care deeply about treating everyone with dignity, respect and fairness. Many of our consultants carry out and publish research and are world renowned for their expertise in new methods and techniques for patient care – from complex neurosurgery to how genetics can improve outcomes for cancer patients.

HCA UK is constantly looking for opportunities for inorganic growth through transactions and partnerships, bringing innovative and strategic companies into the HCA UK group. This includes collaborations with the NHS to develop high quality facilities and specialist physician services groups to provide the best possible care to our patients.

#### *Risk*

HCA UK recognises that the principles of good corporate governance must be supported by an effective risk management system in order to identify both strategic and operational level risks. As a provider of high-quality healthcare, the organisational management of risk is a key priority for HCA UK.

Across HCA UK, it has adopted a systems-based approach to the management of risk with the focus being on establishing effective systems, processes and controls across the business. HCA UK's aim is to establish a culture that promotes proactive consideration of risks, so that appropriate mechanisms are put in place to control and minimise future risk.

Risk management relates to all areas of the business. A comprehensive risk management framework is in place to minimise business risk and ensure patient, staff and visitor safety. The focus is on both preventing risk and identifying risk trends across HCA UK, as well as ensuring appropriate controls are in place at all levels.

As well as identifying corporate risks, each HCA facility is required to maintain its own risk register. Risks are discussed locally, and high scoring risks are escalated to the relevant HCA UK Boards. There is Board oversight of the Corporate risks register and facilities top scoring risks. Key actions to minimise risk are built into the register. This process involves a top down and bottom-up approach.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 4 – OPPORTUNITY AND RISK (CONTINUED)

#### *Risk (continued)*

Effective risk management requires:

- Forward thinking and a proactive approach;
- Achieving a balance between the costs of managing a risk and the anticipated benefits;
- A clear framework for operation

A continued and consistent focus on patient safety, a key element of risk management is to ensure that every effort is made to reduce the likelihood and consequence of an adverse event or outcome associated with patient treatment in any HCA facility.

HCA UK's key aims are to manage risks where they occur as part of normal line management responsibilities, and appropriately prioritise resources to address risk issues through the operational management and business planning processes. This includes full compliance with relevant statutory, mandatory and professional requirements and maintenance of HCA's registration with the Care Quality Commission (CQC). HCA UK has an open culture where people feel encouraged to take responsibility for minimising risks and a learning culture to support improvements to the safety of services.

Various clinical and non-clinical risk assessments are conducted across HCA UK as a means of analysing and quantifying risk and identifying appropriate action to be taken. Risk assessments aim to identify all of the possible hazards within the workplace and to subsequently protect patients, staff, visitors and third parties from these hazards through implementing robust control measures.

For a risk assessment to be appropriately informed, we involve individuals who have:

- an understanding of the process/activity being assessed, including usual practices, what could go wrong and how often this might occur; and
- training and competency in undertaking risk assessments.

This may be the same person; however, we involve various subject matter in the risk assessment process as this broadens the assessment to include multiple points of view.

When assessing the consequence of a risk, the worst credible case scenario is used as well as the likelihood of it occurring. This risk is assessed against active control measures currently in place to reduce the risk and does not include controls which have not been fully implemented. Controls which help limit damage if the event occurs, as well as those which will prevent the event occurring, are considered. We also consider whether there are any additional measures that could reduce the likelihood and/or the consequence.

The principal risks and uncertainties are discussed within the Strategic report on page 2.

#### *Responsibilities*

In a healthcare organisation, there are many reasons why risk assessments may need to be undertaken. There are different types of risks, and different purposes for undertaking risk assessments which all require different methodologies.

HCA UK has policies for undertaking risk assessments which details the full process for all risk assessments.

Capital is invested wisely. A systematic and disciplined approach to capital investment is necessary. All equipment purchases or construction/renovation projects ("Additions") must comply with instructions to capitalise or expense costs as covered by the HCA UK Accounting Policy Guides (APG).



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 5 – REMUNERATION

The HCA Healthcare UK Pay Policy is structured into pay grades. The basis for these pay grades accounts for knowledge, responsibility, and skills and effort needed to perform the relevant post. The evaluation of each post determines the correct pay grade and as a result, the correct basic pay. The system is fair and transparent and recognises work of equal value across all disciplines. This Policy identifies the procedures that must be followed when determining pay and pay related activities within all HCA Facilities. All matters related to pay require review and approval from the Compensation and Benefits Review Group.

This policy applies to all posts at HCA and the organisation is committed to the principles of equal pay for work of equal value. HCA measures the relative value of all jobs internally and against the external market. The grading, and therefore the salary range, of all posts is determined by the outcome of job evaluation.

Bonuses or incentive schemes must not be agreed without approval and the process for this can be discussed with the Head of Reward within the Human Resources Department. All bonus schemes must be approved by The Head of Reward, VP Human Resources, VP Legal Services and Group Chief Financial Officer.

Pay systems, procedures and structures are monitored by the Compensation and Benefits Review Group. Its main function is to ensure that these are fairly administered and updated annually. The Compensation and Benefits Review Group comprises the following members:

- VP of Human Resources (Chair)
- Group Chief Financial Officer
- Chief Executive Officer & President
- VP Corporate Finance & Controller
- Chief Nursing Executive
- Head of Reward

The Group meets in advance of the annual merit review and as and when necessary to consider any pay and reward matters.

All pay rates and pay grades are reviewed by the Compensation and Benefits Review Group and if changes are to be made, they are made prior to the pay review date. Once the pay rates have been set and agreed for the year, they are not changed until the following performance year.

HCA UK published data on gender pay in line with government legislation for the first time in 2017, and this and subsequent reports on this topic are available from the HCA website at <https://www.hcahealthcare.co.uk/about-hca-uk/gender-pay-gap-reports>. HCA UK always applies salary bandings and offer the same bonus opportunity for the same job regardless of gender. HCA UK is proud of the fact that we have been able to build a leadership team which is equally split between men and women. HCA UK is keen to develop talent internally and we are committed to identifying ability within our company and supporting the development of individuals to realise their maximum potential with us.

### PRINCIPLE 6 – STAKEHOLDERS

Above all else, we are committed to the care and improvement of human life. We will strive to deliver high quality, cost-effective healthcare in the communities we serve. With this in mind our key stakeholders include our patients, HCA UK colleagues, the doctors with who we work, and our regulators. These four key stakeholders are integral to our business and to achieving our goal. Our patients are at the core of everything we do and they are the basis for our goal of care and improvement of human life. In order to properly care for our patients, HCA UK employs staff who are dedicated to this goal and continually strive for excellence. HCA UK also rely on the doctors with who we work who are world-class clinicians and are at the top of their field, in order to provide the best possible care. Our regulators are key in making sure we excel in quality care.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 6 – STAKEHOLDERS (CONTINUED)

#### *Patients:*

We are committed to providing quality care that is sensitive, compassionate, promptly delivered and cost-effective.

HCA UK complies with applicable UK legislation and does not discriminate on the basis of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation. We recognise and respect the diverse backgrounds and cultures of our patients and make every effort to equip our staff and caregivers with the knowledge and resources to respect each patient's cultural needs.

Our facilities respect the patient's right to, and need for, effective communication. We strive to ensure that patients and/or their representatives have the information necessary to exercise their rights. Each patient is provided with a written statement of patients' rights and a Privacy Notice is available on our website. This statement includes:

- the right of a patient to take decisions regarding medical care;
- the right to refuse or accept treatment;
- the right to informed decision making;
- visitation rights of the patient or their support persons (including the patient's right to consent to receive visitors and the right to withdraw or deny visitor consent at any time); and
- the patient's rights related to the maintenance of his or her health information.

We seek to involve patients in all aspects of their care, including giving consent for treatment and making healthcare decisions, which may include managing pain effectively, foregoing or withdrawing treatment and, as appropriate, care at the end of life.

Legal considerations regarding safeguarding are wide ranging and continue to develop. The General Data Protection Regulations (2016), Data Protection Act 2018 and relevant parts of the Children and Social Work Act 2017 all came into force during 2018 and during early 2020 continued to be embedded across organisations and multi-agency partnerships. The importance of multi-agency communication has been well established throughout decades of serious case reviews and the later Domestic Homicide Reviews; partnership working will therefore continue to be an important domain within our strategy.

HCA facilities and services are regulated by the Care Quality Commission with Regulation 12: "Safe care and treatment" and Regulation 13: "Safeguarding service users from abuse and improper treatment" being the elements most relevant to safeguarding. Safeguarding is an area of particular focus within the "Safe" element of their quality and safety of services inspections. The related CQC inspection key lines of enquiry are based on indications of good practice and therefore will continue to be an area of focus and priority.

HCA understands how the quality of leadership closely correlates with the overall quality of a service. The HCA safeguarding leadership structure has been developed to reflect the structures set out within statutory guidance to provide corporate and clinical leadership across all facilities.

2022 has seen some significant achievements within the four domains of our strategy. Our work to embed safeguarding has led to the development of safeguarding signage for facilities to make our commitment to safeguarding evident to our patients and visitors, and for our staff, their role is clearly stated through the updated HCA Code of Conduct, staff handbook and revised job descriptions. Safeguarding concerns regarding individual patients are now more evident within their health records through the introduction of flagging to highlight that there is a known safeguarding concern. This helps to reduce the risk to the patient, their family and those providing healthcare, particularly in cases where the patient is vulnerable or where independent healthcare may be chosen as a route to avoid the identification of abuse or evade statutory agencies. We have achieved this in acute hospital inpatient, Primary Care and Urgent Care Centre electronic record systems and will now continue to focus on our midwifery and outpatient services.

Our safeguarding governance structure continues to be strong with the well-attended Corporate Safeguarding Committee driving our strategic work plan. The committee monitors safeguarding activity through both our safeguarding dashboard and through lessons learned from national and local reviews, and audit and research. In addition to the timely updating of policy, this work has also led to the publication of a range of tools and learning resources to support colleagues in practice. There is evidence that this work and the increase in compliance with mandatory training is having a positive impact on the ability of staff to recognise and respond to safeguarding risk.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 6 – STAKEHOLDERS (CONTINUED)

#### *HCA UK colleagues:*

Equality and Diversity at Work - HCA Healthcare UK is committed to promoting equality of opportunity for all colleagues, job applicants, service-users, visitors, suppliers, and customers. Our aim is that all colleagues, service-users and customers are treated with dignity and respect, and are not subject to any form of discrimination, harassment, victimisation, or bullying.

The company is fully committed to the elimination of unlawful and unfair discrimination and values the advantages that a diverse workforce brings to the organisation. The company will not discriminate based on age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex/sexual orientation ('protected characteristics').

The principles of non-discrimination and equality of opportunity also apply to the way in which colleagues treat service-users, visitors, clients, customers, and suppliers.

All colleagues of HCA Healthcare UK are responsible for upholding this commitment to diversity and fair treatment through their behaviour in all aspects of their work, and if they breach the Diversity and Inclusion Policy, they may be subject to disciplinary action. In addition, under the Equality Act 2010, employees need to be aware that they may be held personally liable as well as, or instead of, the company, for any act of unlawful discrimination. Colleagues who commit serious acts of harassment may be committing a criminal offence.

HCA Healthcare UK welcomes the diversity of religious belief represented by our workforce, and aims to create an environment where the cultural, religious, and non-religious beliefs of all its employees are respected.

The engagement strategy at HCA UK is focussed on the development of a continuous listening culture. This is based on seeking colleague feedback at all levels and taking specific actions to respond to it. A pivotal element of the approach are engagement surveys held twice a year. Pulse surveys are also run for additional feedback when required e.g. pandemic response. Detailed responses are sent for all surveys to highlight core feedback and the actions that will be taken as a result. The CEO holds semi-annual Town Halls at all facilities to discuss future plans and seek feedback on the working experience. Internal communications are used to share leadership messages with all colleagues and there is a staff magazine to provide strategic narrative and build connections with the patients and other colleagues.

Examples of how feedback from colleagues has been adapted into future business strategy are the introduction of improved IT systems and software, a colleague information portal for wellbeing and a wellbeing app, internal careers website for visibility of career opportunities, increased internal communication calendar, recognition platform for peer recognition and organisational celebrations (e.g. long service), leadership and executive development accredited programmes and improved onboarding and induction processes.

#### *Doctors with whom we work:*

We are committed to providing a work environment which has excellent facilities, modern equipment and outstanding professional support.

HCA UK's facilities reflect a collaboration between those who are part of HCA UK and those who have been granted practising privileges to practise in our facilities. As in any collaboration, each party has important roles and responsibilities. HCA UK is committed to providing a work environment for physicians and practitioners who practise in our facilities that is excellent in all respects.

Applicable laws and regulations govern the relationship between our facilities and the physicians and practitioners who may refer patients to the facilities. It is important that colleagues who maintain the collaboration between HCA UK and the physicians and practitioners are aware of the requirements of the appropriate laws, regulations and policies. These include but are not limited to payments for services rendered, providing services and employment.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### PRINCIPLE 6 – STAKEHOLDERS (CONTINUED)

#### *Regulators:*

We are committed to a corporate culture which promotes legal and regulatory compliance. We accept the responsibility to transparently self-govern and monitor adherence to the requirements of law and to our Code of Conduct. We aim not only to comply with applicable laws and regulations but to regard these as minimum standards wherever possible. Our relationship with our regulators is based on an atmosphere of candour.

We have a number of clinical regulators, and non-clinical regulators. A key non-clinical regulator is the Competition and Markets Authority ("CMA"). In October 2014, the Competition and Markets Authority ("CMA") published the Private Healthcare Market Investigation Order 2014 (the "CMA Order"). The CMA Order requires private hospital operators (such as HCA UK) to disclose on their websites certain information relating to the way the private hospitals interact with referring clinicians; that is a clinician that has practising privileges and/or has the ability to refer patients for treatment or tests at a private hospital. Full details about the investigation and the Order can be found on the CMA webpage: <https://www.gov.uk/cma-cases/private-healthcare-market-investigation>

It is important that HCA is transparent about our relationship with doctors and we set out on our hospitals' websites and in an annual declaration to the CMA the ways in which HCA works together with referring clinicians.

The annual declaration to the CMA is signed by John Reay, our President and CEO, and is presented to him by the ECO and the Vice President of Legal Services.

All HCA Healthcare UK sites that deliver regulated activities are registered with the Care Quality Commission and are required to comply with the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. Each HCA UK provider or associated location has a Registered Manager who is accountable to the CQC for compliance in meeting the regulatory CQC standards and the Fundamental Standards of Care. HCA's President/CEO is the CQC Nominated Individual and is responsible for overseeing the management of the providers and locations, as well as each Registered Manager and ensuring compliance with the Health and Social Care Act and associated CQC regulations.

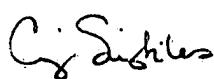
Each registered provider and associated location have a CQC Statement of Purpose outlining the regulated activities it delivers; aims and objectives; the services provided; the needs the service meets; contact details; details of the service's legal entity and the detail of where services are provided.

We are committed to ensuring we have in place processes to ensure our CQC registrations are always aligned to regulation and comply with the Health and Social Care Act 2008. Additionally, we assess, monitor, audit and improve the quality and safety of the regulated activities delivered, including the quality of the experience of service users and strive for outstanding ratings across the 5 key domains (safe, effective, caring, responsive and well led) Our quality systems and governance framework oversee and provide assurance that these standards are maintained.

#### *Environmental compliance:*

HCA UK complies with all environmental laws and regulations as they relate to our organisation's operations. We act to preserve natural resources to the fullest extent reasonably possible. We operate each of our facilities with the necessary permits, approvals and controls. We diligently employ the proper procedures to provide a good environment of care and to prevent pollution.

In helping HCA UK comply with these laws and regulations, all HCA UK colleagues must understand how job duties may impact the environment, adhere to all requirements for the proper handling of hazardous materials, and immediately alert supervisors to any situation regarding the discharge of a hazardous substance, improper disposal of hazardous and medical waste, or any situation which may be potentially damaging to the environment.



C N Sightes  
Director  
20 October 2023

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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 the affairs and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HCA INTERNATIONAL LIMITED

### Opinion

We have audited the financial statements of HCA International Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- making inquiries of management to understand the processes and procedures in place for assessing going concern;
- evaluating management's prepared going concern paper which summarises the overall assessment (including stress case sensitivity with related mitigations) and held various enquires to challenge some of the considerations and related outcomes;
- reviewing and challenging management's base case forecast and stress test and performing sensitivity analysis thereon;
- we benchmarked base assumptions to historical performance as well as the industry outlook and sought contradictory evidence to sensitise the projections; and
- considering whether management's disclosures in financial statements regarding the going concern assessment are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period till end of December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HCA INTERNATIONAL LIMITED (CONTINUED)

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HCA INTERNATIONAL LIMITED (CONTINUED)

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

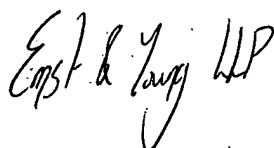
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its domestic operations, including regulations specific to the healthcare sector, namely The Health and Social Care Act 2008 and the Regulated Activities Regulations 2014, health and safety, employees, data protection and anti-bribery and corruption legislation.
- We understood how HCA International Limited is complying with those frameworks by making inquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our inquiries through review of Board minutes, correspondence with regards to any potential or identified breaches of laws and regulations, including that of external counsel and papers provided by management as well as considering the results of our audit procedures. There was no contrary evidence noted in our review of this evidence. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by performing a fraud risk assessment over the Company's revenue stream. We considered the risk of fraud through management override, and in response, we incorporated data analytics across manual journal entries into our audit approach, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business. These procedures included testing of transactions back to underlying source information.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Company management and those charged with governance. We also leveraged our data analytics platform in performing our work on the order to cash processes to assist in identifying higher risk transactions for testing.

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

### **Use of our report**

This report is made solely to the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Lovegrove (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

20 October 2023



# HCA International Limited

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2022

		2022	2021
	Notes	£000	£000
<b>REVENUE</b>	2	564,930	512,059
Administrative expenses		(617,508)	(557,511)
<b>OPERATING LOSS</b>	3	(52,578)	(45,452)
Profit on disposal of shares		1,584	-
Dividends received		60,206	40,194
Interest receivable and similar income	6	24,886	13,704
Interest payable and similar charges	7	(25,771)	(15,819)
Other finance income	8	178	165
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		8,505	(7,208)
Tax credit on profit/(loss) on ordinary activities	9	291	2,970
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		8,796	(4,238)

All activities relate to continuing operations.

The notes on pages 28 to 52 form part of these financial statements.

# HCA International Limited

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>8,796</u>	<u>(4,238)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>8,796</u>	<u>(4,238)</u>
Pension scheme valuation movements:			
- Effect of changes in assumptions	22	49,554	3,126
- Effect of experience adjustments	22	(5,773)	(81)
- Return on plan assets (excluding interest income)	22	(59,975)	(5,247)
- Deferred tax attributable to pension movements in the year	9	<u>4,166</u>	<u>(196)</u>
		(12,028)	(2,398)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><u>(3,232)</u></u>	<u><u>(6,636)</u></u>

The notes on pages 28 to 52 form part of these financial statements.

# HCA International Limited

## STATEMENT OF FINANCIAL POSITION at 31 December 2022

	Notes	2022 £000	2021 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	6,272	11,908
Tangible fixed assets	11	211,017	217,845
Investments in subsidiaries and associated undertakings	12	144,305	134,610
		<u>361,594</u>	<u>364,363</u>
<b>CURRENT ASSETS</b>			
Inventory	13	24,441	23,954
Debtors			
amounts falling due in one year	14	961,810	884,951
amounts falling due after one year	14	5,037	15,182
		<u>966,847</u>	<u>900,133</u>
Cash at bank and in hand		3,288	1,720
		<u>994,576</u>	<u>925,807</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(1,031,669)</u>	<u>(966,076)</u>
<b>NET CURRENT LIABILITIES</b>		(37,093)	(40,269)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>324,501</u>	<u>324,094</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(8,452)	(3,073)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(1,364)	(3,104)
<b>NET ASSETS</b>		<u>314,685</u>	<u>317,917</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	40,751	40,751
Share premium account	19	149,457	149,457
Capital reserve	19	5,475	5,475
Profit and loss account	19	112,645	115,877
Other reserves	19	6,357	6,357
		<u>314,685</u>	<u>317,917</u>

The notes on pages 28 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 20 October 2023 and signed on its behalf by:



C N Sighthes  
Director  
Registered No. 03020522.

# HCA International Limited

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Capital reserve £000</i>	<i>Profit and loss account £000</i>	<i>Other reserves £000</i>	<i>Total £000</i>
At 1 January 2021	40,751	149,457	5,475	122,513	6,357	324,553
Loss for the year	-	-	-	(4,238)	-	(4,238)
Other comprehensive income						
Pension scheme re-measurements:						
- changes in assumptions	-	-	-	3,126	-	3,126
- experience adjustments	-	-	-	(81)	-	(81)
- return on plan assets	-	-	-	(5,247)	-	(5,247)
- deferred tax	-	-	-	(196)	-	(196)
	-	-	-	(2,398)	-	(2,398)
Equity element of share based payment charge	-	-	-	4,501	-	4,501
Parent recharge for share based payment transaction	-	-	-	(4,501)	-	(4,501)
At 1 January 2022	40,751	149,457	5,475	115,877	6,357	317,917
Profit for the year	-	-	-	8,796	-	8,796
Other comprehensive income						
Pension scheme re-measurements:						
- changes in assumptions	-	-	-	49,554	-	49,554
- experience adjustments	-	-	-	(5,773)	-	(5,773)
- return on plan assets	-	-	-	(59,975)	-	(59,975)
- deferred tax	-	-	-	4,166	-	4,166
	-	-	-	(12,028)	-	(12,028)
Equity element of share-based payment charge	-	-	-	4,057	-	4,057
Parent recharge for share based payment transaction	-	-	-	(4,057)	-	(4,057)
At 31 December 2022	40,751	149,457	5,475	112,645	6,357	314,685

The notes on pages 28 to 52 form part of these financial statements.

# HCA International Limited

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## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2022

### 1. ACCOUNTING POLICIES

The principal accounting policies adopted by the company are set out below and are consistent with the previous year.

#### *Statement of compliance*

HCA International Limited is a private company limited by shares and incorporated in England.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2022.

The company is exempt from the obligation to prepare and deliver group accounts by virtue of section 401 of the Companies Act 2006. Its results are included in the consolidated accounts of HCA Healthcare Inc., which is incorporated in the United States of America. Information in these financial statements is therefore presented for the individual company rather than for the group.

#### *Basis of preparation*

The financial statements of HCA International Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 20 October 2023.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are presented in sterling, which is the functional currency of the company, and rounded to the nearest £'000.

The company has taken advantage of the following exemptions under FRS 102:

- (a) the requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d)
- (b) the requirements of *Basic Financial Instruments* paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), and 11.48(c); and *Other Financial Instruments Issues* paragraphs 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A
- (c) the requirements of Section 26 – *Share-based Payment*, paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- (d) the requirement of Section 33 *Related Party Disclosures* paragraph 33.7

#### *Basis of measurement*

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are measured at fair value as indicated in "significant accounting policies".

#### *Going concern*

As set out in further detail below, these financial statements have been prepared on a going concern basis and no material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

HCA UK Holdings Limited ('HCA UK') as an organisation manages its cash position centrally, providing access to funding for all its subsidiaries as and when required. HCA International Limited is a subsidiary within the HCA UK group. The availability of cash is central to the group's survival and management has considered cash flow forecasts to be a key component of their assessment.

As cash is managed centrally, the directors have considered the going concern assessment for the HCA UK group of entities collectively. Below sets out how they have assessed this and its relevance for HCA International Limited.

HCA UK group has seen very strong cash flow throughout 2022 and has no external debt within the UK group, with a cash balance of £122m at the end of December 2022. A detailed monthly cash flow forecast has been prepared until end of December 2024, in which a steady cash inflow is expected which is expected to leave HCA UK with a positive cash balance throughout the forecast period to end of December 2024. The HCA UK cash flow is dependent on the following factors and assumptions:

- Cash collections which will arise from the collection of our outstanding accounts receivables from our three main sectors: Private Medical Insurance, Embassy and Self Pay. Projected cash collections are linked to estimated net revenues and linked to the age of outstanding accounts receivable and how they crystallize into cash.
- Revenue is being earned consistently in the group. This is forecast to continue throughout 2023 and into 2024.
- The projection for accounts payables, other costs and capital cash flows are based on budget and known projects.

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Going concern (continued)*

Based on management's detailed cash flow forecasting and assessment of severe downside scenarios which reflect a significant fall in revenue, operating cash flows and cash available to the group, HCA UK group has enough liquidity to continue in operational existence for the foreseeable future. In addition to this, HCA Healthcare Inc., the ultimate parent company, have confirmed, via a letter of support their intention to provide financial support, if necessary, to the HCA UK Group for the period from the date of approval of the financial statements to the end of December 2024.

In turn, the company has received assurances, in the form of a letter of support, that HCA UK will continue to provide sufficient cash resources to meet liabilities as they fall due from the date of signing these financial statements to the end of December 2024.

On the basis of HCA UK's assessment of the group's financial position and their commitment to provide financial support if and when needed to HCA International Limited, the directors have a reasonable expectation that the entity will be able to continue in operational existence for the foreseeable future. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Significant accounting judgements, estimates and assumptions*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the statement of financial position date:

#### *Impairment*

Where there are indicators of impairment of individual assets including investment in subsidiaries, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from past performance and future budgets and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Where there are indicators of impairment of trade and other receivables, the company performs an impairment review based on the aging of the individual balances outstanding and taking into account the probability of non-payment by the debtors.

#### *Revenue recognition*

The company provides a wide range of treatments and services to patients with private medical insurance. Management assesses the contractual agreements with health insurers, and makes estimates regarding expected discounts and rebates, which are revisited on a regular basis for reasonableness. Revenue is reported net of the provisions made for such discounts and rebates.

#### *Pension and other employment benefits*

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Significant accounting policies*

##### *Goodwill*

Goodwill arising on the purchase of subsidiary undertakings since 1 January 1998 is capitalised and amortised over its useful economic life, of not greater than 20 years, in the absence of indicators of impairment. In accordance with FRS 102, the company has elected that goodwill arising prior to 31 December 1997, previously eliminated against reserves, will not be reinstated.

##### *Intangible assets*

Intangible fixed assets are stated at cost and are amortised at rates calculated to write off the assets on a straight basis over their estimated useful economic lives. Assessment for impairment is made annually if changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Goodwill	between 2-5 years
Trademarks	10 years
Software licenses	4 years

##### *Tangible fixed assets*

Tangible fixed assets comprise property, plant and equipment and are initially recorded at cost. Such cost includes costs directly attributable to making the asset capable of operating as intended. Provision for depreciation is made so as to write off the cost of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the fixed assets concerned.

The principal annual rates used for this purpose are:

Freehold buildings and improvements	between 2.5% and 10%
Equipment, furniture and fittings	between 5% and 25%

Leasehold land and buildings are amortised over 40 years, or the period of the lease, whichever is less. Freehold land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### *Investments in subsidiaries and associated undertakings*

Investments are initially recognised at fair value which is normally the transaction cost price. Subsequently investments are recognised at cost less impairment. The carrying values of investments are reviewed for impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

##### *Inventory*

Inventory consists mainly of drugs and consumable stores, are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the average cost method. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

##### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the statement of financial position date. Exchange gains and losses are included in operating profit.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Significant accounting policies (continued)*

##### **Revenue**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue is recorded during the period the healthcare services are provided.

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### *Rendering of services*

Revenue consists primarily of net healthcare service revenues that are recorded based upon established billing rates less allowances for contractual adjustments. Estimates of contractual allowances under managed healthcare plans are based upon terms specified in the related contractual agreement.

##### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

##### **Interest income**

Interest income is recognised as interest accrues using the effective interest method.

##### **Pension and post-retirement benefits**

Pension costs for the defined contribution scheme are charged to the income statement as they become payable in accordance with the rules of the scheme.

In accordance with FRS 102, the assets of the defined benefit scheme are measured at their market value at the statement of financial position date and the liabilities of the scheme are measured using the projected unit credit method. The discount rate used is the current rate of return on AA bonds of appropriate term and currency to the liabilities. The extent to which the scheme's assets exceed/fall short of their liabilities is shown as a surplus/deficit in the statement of financial position to the extent that a surplus is recoverable by the company or that a deficit represents an obligation of the company.

The regular service cost of providing retirement benefits to employees during the year is charged to the income statement. A credit in respect of the interest income on the scheme's assets and an interest charge in respect of the increase during the period in the present value of the schemes' liabilities, because the benefits are one period closer to settlement, are also recognised in the income statement, within other finance income / charges. Re-measurements of the net defined benefit liability (including actuarial gains and losses) are recognised in other comprehensive income.

The cost of benefit changes, plan settlements and curtailments are recognised in the income statement.

The company provides no other post-retirement benefits to its employees.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Significant accounting policies (continued)*

##### *Share based payments*

In accordance with FRS 102 the fair value of options and share awards which ultimately vest are charged to the income statement over the vesting or performance period. HCA Holdings Inc. operates various equity-settled schemes in which the company's employees participate.

##### *Equity-settled transactions*

For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date using the Black-Scholes option pricing model and recognised in the income statement, together with a corresponding increase in shareholders' equity, on the accelerated basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Market conditions are those conditions that are linked to the share price at the date of grant.

For equity-settled share award schemes, the fair value is calculated based on the share price at the grant date and, where applicable, any market vesting conditions, and expensed over the vesting period based on the number of shares expected to vest. No expense is recognised for awards that do not ultimately vest, with the exception of awards where vesting is conditional upon a market condition; these are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met.

##### *Cash-settled transactions*

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each statement of financial position date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the statement of financial position date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the statement of financial position date. Changes in the carrying amount for the liability are recognised in the income statement for the period.

##### *Finance leases*

Leases of assets that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at the commencement of the lease at the lower of fair value and the present value of minimum lease payments. The assets are depreciated over the shorter of the lease term and the assets' useful life.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest rate method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

##### *Operating lease commitments*

The company has entered into a commercial property lease as a lessee. The property is used for the provision of its principal activities as discussed in the Strategic Report. The classification of such lease as an operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangement, whether it retains or acquires the significant risks and rewards of ownership of this asset and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on over the term of the lease in a manner which reflects the economic benefit of the assets consumed. Provisions are made for onerous leases up until the date at which management believe the lease will be terminated or when economic benefit will be resumed.

The company lease properties to other group companies which consist of a combination of residential and hospital buildings. Rental income is recognised on a straight-line basis over the term of the respective agreements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Significant accounting policies (continued)*

##### *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the statement of financial position date, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying time difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

##### *Financial Assets*

##### *Initial recognition and measurement*

The company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable and similar income in the income statement. The losses arising from impairment are recognised in the income statement in administrative expenses.

##### *Impairment of financial assets*

At the end of each reporting financial assets at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

##### *Derecognition of financial assets*

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) subsequently all the risks and rewards of the ownership of the asset are transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
at 31 December 2022

1. ACCOUNTING POLICIES (CONTINUED)

*Significant accounting policies (continued)*

*Financial liabilities*

*Initial recognition and measurement*

The company determines the classification of its financial liabilities at initial recognition.

Basic financial liabilities, including trade and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at the market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and sequentially measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

*Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and the liability simultaneously.

*Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 2. REVENUE

Revenue is attributable to continuing operations and was derived from one principal activity, the provision of healthcare services within the United Kingdom.

	2022	2021
	£000	£000
Rendering of services	518,630	470,334
Sale of goods	46,300	41,725
	<u>564,930</u>	<u>512,059</u>

### 3. OPERATING LOSS

This is stated after charging / (crediting):

	2022	2021
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual accounts	153	149
Fees payable to the company's auditor for other services:		
- Audit of fellow subsidiaries and associates	685	663
Inventory recognised as an expense in the year	71,768	69,511
Rentals - plant and machinery	1,524	1,784
- land and buildings	36,738	35,563
Depreciation	36,622	34,719
Amortisation of intangible assets	8,875	10,267
Loss on foreign exchange	5,187	780
Gain on disposal of fixed assets	(56)	(2)
Impairment of investment in subsidiaries	10	946
Provision for impairment of investments	8,899	-
Provision for impairment of loans	427	778
Management fee	(6,862)	(5,004)
Service Charge	(1,240)	(1,219)
Property rental income	<u>(283)</u>	<u>(257)</u>

The loss on foreign exchange relates to movements in exchange rate on intercompany transactions with the US parent company.

The provision for impairment of investments relate to subsidiaries that ceased to trade post year end.

### 4. DIRECTORS' REMUNERATION

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received total remuneration for the year of £1,770,000 (2021: £1,701,000), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

	2022	2021
	£000	£000
Emoluments (excluding pension contributions)	<u>1,770</u>	<u>1,701</u>
Company contributions paid to defined benefit pension schemes	<u>18</u>	<u>8</u>

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 4. DIRECTORS' REMUNERATION (CONTINUED)

	2022 No.	2021 No.
Members of money purchase pension scheme	-	1
Members of defined benefit pension scheme	1	1
During the year no (2021: one) director exercised share options.		
<b>Highest paid director:</b>	2022 £000	2021 £000
Emoluments (excluding pension contributions)	910	922
Company contributions paid to defined benefit pension schemes	-	-

### 5. STAFF COSTS

The average number of persons employed by the company (including executive directors) during the year is analysed below:

	2022 No.	2021 No.
The Wellington Hospital	954	906
The Princess Grace Hospital	418	433
The Portland Hospital	604	541
The Harley Street Clinic	471	470
HCA Laboratories	193	187
Central Administration	692	622
UCLH	144	127
Harley Street Outpatients Department	62	65
Joint venture with Guys Hospital	18	18
Institute of Sports Exercise and Health	14	12
NHS Ventures Corporate	17	15
The Shard	106	96
HCA @ Guys	166	167
HCA UK Supply Chain	117	119
Other	163	115
	<u>4,139</u>	<u>3,893</u>

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 5. STAFF COSTS (CONTINUED)

The company also employs agency and medical ancillary staff on a temporary basis when required.

Employment costs of all employees included above comprised:

	2022	2021
	£000	£000
Wages and salaries	243,335	217,728
Social security costs	25,301	25,957
Other pension costs	7,492	7,848
	<u>276,128</u>	<u>251,533</u>

Wages and salaries include £4,057,000 (2021: £4,501,000) in relation to equity settled share-based payment schemes which are recharged from the US parent company.

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Bank interest receivable	2	-
Interest receivable on intercompany loans	2,118	1,272
Interest receivable on intercompany trading balances	22,766	12,432
	<u>24,886</u>	<u>13,704</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
	£000	£000
Interest payable on intercompany loans	8,312	5,719
Interest payable on intercompany trading balances	17,359	10,100
Unwinding of discount	100	-
	<u>25,771</u>	<u>15,819</u>

### 8. OTHER FINANCE INCOME

	2022	2021
	£000	£000
Expected return on pension scheme assets (note 22)	2,681	2,194
Interest payable on pension liabilities (note 22)	(2,503)	(2,029)
	<u>178</u>	<u>165</u>

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

#### a) Analysis of tax charge/(credit) in the year:

	2022	2021
	£000	£000
<b>UK current tax:</b>		
Tax over provided in prior years	-	(498)
Group relief receivable	-	(1,957)
Group relief receivable in previous years	-	(1,465)
Total current tax	-	(3,920)
<b>UK deferred tax:</b>		
Origination and reversal of timing differences	478	3,168
Deferred tax over provided in prior years	(559)	(1,687)
Deferred tax on defined benefit pension	118	(32)
Adjustment to deferred tax regarding tax rate	(328)	(499)
Total deferred tax (credit)/charge	(291)	950
Total tax credit on profit/(loss) on ordinary activities	(291)	(2,970)

#### b) Factors affecting total tax (credit)/charge:

The tax assessed on the loss on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are reconciled below:

	2022	2021
	£000	£000
Profit/(Loss) on ordinary activities before tax	8,505	(7,208)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	1,616	(1,370)
<b>Effect of:</b>		
Disallowed expenses and other timing differences	3,060	2,490
Non-taxable income	(11,439)	(7,637)
Share of tax on partnership profits	2,614	2,521
Group relief exchanged for no consideration	5,850	1,590
Other deferred tax movements	(1,105)	2,119
Adjustments in respect of prior periods	-	(498)
Prior period adjustment to deferred tax	(559)	(1,687)
Effect of rate changes	(328)	(498)
Total tax credit for the year	(291)	(2,970)

#### c) Factors that may affect future tax charges

In the 2021 budget, the Chancellor of the Exchequer proposed to increase the standard rate of corporation tax from the current rate of 19% to 25%, effective 1 April 2023. The change was substantively enacted on 24 May 2021, after the balance sheet date, and therefore has impacted on the carrying value of deferred tax assets and liabilities in the financial statements.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

#### d) Deferred tax asset / (liability) in the statement of financial position:

	2022 £000	2021 £000
Accelerated capital allowances	(4,493)	(3,170)
Timing differences	1,823	1,718
Share options	1,992	1,473
Undistributed partnership profits	3,147	1,885
Defined pension	1,507	(2,387)
	<u>3,976</u>	<u>(481)</u>
		2022 £000
At 1 January 2022 (including deferred tax on defined benefit pension scheme)		(481)
Deferred tax credit in income statement		291
Amount credited to other comprehensive income		4,166
At 31 December 2022 including deferred tax on defined benefit pension scheme		<u>3,976</u>

### 10. INTANGIBLE ASSETS

	Goodwill £000	Trademarks £000	Software licences £000	Total £000
<b>Cost</b>				
At 1 January 2022	8,351	18	48,057	56,426
Reclassification*	-	-	3,407	3,407
Intercompany transfers	-	-	(585)	(585)
Disposal	-	-	(11,478)	(11,478)
At 31 December 2022	<u>8,351</u>	<u>18</u>	<u>39,401</u>	<u>47,770</u>
<b>Amortisation</b>				
At 1 January 2022	7,015	1	37,502	44,518
Provided during the year	919	5	7,951	8,875
Intercompany transfers	-	-	(417)	(417)
Disposal	-	-	(11,478)	(11,478)
At 31 December 2022	<u>7,934</u>	<u>6</u>	<u>33,558</u>	<u>41,498</u>
<b>Net book value:</b>				
At 31 December 2022	<u>417</u>	<u>12</u>	<u>5,843</u>	<u>6,272</u>
At 31 December 2021	<u>1,336</u>	<u>17</u>	<u>10,555</u>	<u>11,908</u>

\*all assets in the course of construction are recorded in tangible assets until completion when they are reclassified to either tangible or intangible assets and commence depreciation / amortisation.



# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 11. TANGIBLE FIXED ASSETS

	<i>Land</i> <i>£000</i>	<i>Freehold Buildings and improvements</i> <i>£000</i>	<i>Equipment, furniture and fittings</i> <i>£000</i>	<i>Construction in progress</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<b>Cost:</b>					
At 1 January 2022	32,403	277,685	167,291	41,875	519,254
Additions	-	-	195	43,042	43,237
Adjustments	-	(74)	-	-	(74)
CIP Transfers*	-	38,436	23,433	(65,276)	(3,407)
Intercompany transfer	-	(7,421)	(10,220)	(165)	(17,806)
Disposals	-	(3,529)	(8,573)	-	(12,102)
At 31 December 2022	<u>32,403</u>	<u>305,097</u>	<u>172,126</u>	<u>19,476</u>	<u>529,102</u>
<b>Depreciation:</b>					
At 1 January 2022	-	192,213	109,197	-	301,410
Charge for the year	-	18,589	18,033	-	36,622
Intercompany transfer	-	(3,548)	(4,297)	-	(7,845)
Disposals	-	(3,529)	(8,573)	-	(12,102)
At 31 December 2022	<u>-</u>	<u>203,725</u>	<u>114,360</u>	<u>-</u>	<u>318,085</u>
<b>Net book value:</b>					
At 31 December 2022	<u>32,403</u>	<u>101,372</u>	<u>57,766</u>	<u>19,476</u>	<u>211,017</u>
At 31 December 2021	<u>32,403</u>	<u>85,472</u>	<u>58,094</u>	<u>41,875</u>	<u>217,844</u>

\*All assets in the course of construction are recorded in tangible assets – Construction in progress until completion when they are reclassified to either tangible or intangible assets and commence depreciation / amortisation.

Included in the above are assets held under finance leases and capitalised in Equipment, furniture & fittings with a cost of £4,375,000 (2021: £4,175,000) and accumulated depreciation of £1,518,000 (2021: £141,000). The net book value of assets held under finance leases is £2,857,000 (2021: £4,034,000).

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 12. INVESTMENT IN SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

	<i>£000</i>
<i>Cost</i>	
At 1 January 2022	150,988
Additions	18,847
Impairment	(10)
Disposals	(243)
At 31 December 2022	<u>169,582</u>
<i>Provisions for impairment</i>	
At 1 January 2022	(16,378)
Additions	(8,899)
At 31 December 2022	<u>(25,277)</u>
<i>Carrying amount</i>	
At 31 December 2022	<u>144,305</u>
At 31 December 2021	<u>134,610</u>

Provision for impairment of £8,899,000 was made in the year for the investments in Robotic Radiosurgery LLP of £3,377,000 and London Gamma Knife LLP of £5,522,000 as a result of these entities ceasing to trade post year end.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 12. INVESTMENT IN SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS (CONTINUED)

The company's principal subsidiaries and associated undertakings are as follows:

<i>Entity</i>	<i>Country of incorporation</i>	<i>Equity interest</i>	<i>Nature of the business</i>
London Radiotherapy Centre Limited	England	83.09%	Provision of healthcare services
London General Practice Limited	England	70%	Provision of healthcare services
Wellington Diagnostic Services LLP	England	73.51%	Provision of healthcare services
London Endoscopy Centre Ltd	England	39.21%	Provision of healthcare services
Robotic Radiosurgery LLP	England	83.39%	Provision of healthcare services
Hamsard 3160 Limited	England	98.97%	Holding company
Sarah Cannon Research Institute UK Limited	England	100%	Provision of healthcare services
Chelsea Outpatient Centre LLP	England	53%	Provision of healthcare services
Palace Gate Practice Limited	England	70%	Provision of healthcare services
The Christie Clinic LLP	England	51%	Provision of healthcare services
Leaders In Oncology Care Limited*	England	100%	Holding company
LOC @ The London Bridge Hospital LLP*	England	91.72%	Provision of healthcare services
PET CT LLP*	England	98.97%	Provision of healthcare services
LOC Partnership LLP*	England	95.54%	Provision of healthcare services
HCA Purchasing Limited	England	100%	Holding company
Roodlane Medical Limited	England	100%	Provision of healthcare services
LOC @ The Christie LLP*	England	45.50%	Provision of healthcare services
Blossoms Healthcare LLP	England	100%	Provision of healthcare services
52 Alderley Road LLP	England	72.40%	Provision of healthcare services
The Prostate Centre Limited	England	100%	Non-trading
Basil Street Practice Limited	England	100%	Provision of healthcare services
HealthTrust Europe LLP	England	19.5%	Provision of procurement services
Urology Associates (London) Limited	England	100%	Non-trading
Lister Fertility @ Portland Hospital Limited	England	60.9%	Provision of healthcare services
Health International Billing Partners Ltd	England	100%	Provision of procurement services
The Physicians Clinic Limited	England	100%	Provision of healthcare services
Elstree Outpatient Centre LLP	England	60.5%	Provision of healthcare services
Chiswick Outpatient Centre LLP	England	62.30%	Provision of healthcare services
Welbeck Street Diagnostic Centre LLP	England	56.20%	Provision of healthcare services
The Birth Company Limited	England	67%	Provision of healthcare services
Backlogs Limited	England	100%	Provision of admin services
LOC @ Chelsea LLP*	England	77.10%	Provision of healthcare services
Hathor Chelsea Limited	England	75%	Provision of healthcare services
Devonshire Diagnostic Centre Limited*	England	83.70%	Provision of healthcare services
The London Gamma Knife Centre LLP	England	96.2%	Provision of healthcare services

\* Total held by the UK Group

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 13. INVENTORY

	2022	2021
	£000	£000
Drugs and consumable stores	24,441	23,954

### 14. DEBTORS

	2022	2021
	£000	£000
Trade debtors	117,021	112,759
Amounts due from parent company	68,593	66,179
Amounts due from other group companies	702,874	641,198
Prepayments and accrued income	31,518	31,800
UK corporation tax recoverable	27,669	26,903
Other debtors	8,011	6,112
Dividends receivable	2,148	-
Deferred tax asset	3,976	-
	961,810	884,951

Amounts falling due after more than one year not included above are:

Pension Asset ( <i>note 22 c</i> )	-	9,546
Other debtors	2,641	2,641
Amounts due from other group companies	2,396	2,995
	5,037	15,182

Intercompany loans receivable are held on an arm's length basis. The effective interest rate across the loans and interest on trading balances for the year was 3% (2021: 2%). Intercompany loans receivable are net of provisions and amounted to £107,011,000 (2021: £108,414,000).

Amounts due from group companies for trading balances are repayable on demand.

### 15. CREDITORS: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	24,556	29,055
Amounts owed to other group companies	896,994	840,201
Accruals and deferred income	92,372	80,820
Taxation and social security	14,771	13,284
Pension contributions payable	2,088	1,848
Finance lease obligations	888	868
	1,031,669	966,076

Intercompany loans payable are held on an arm's length basis. The effective interest rate across the loans and interest on trading balances for the year was 3% (2021: 2%). Amounts owed to other group companies for trading balances are payable on demand.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 16. CREDITORS: amounts falling due after more than one year

	2022 £000	2021 £000
Pension Liability ( <i>note 22 c</i> )	6,027	-
Finance lease obligations	2,425	3,073
	<u>8,452</u>	<u>3,073</u>

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Other provisions £000	Total £000
Provisions at the start of the year	481	2,623	3,104
Utilisation of provision	-	(1,237)	(1,237)
Additions	-	550	550
Release of provision	(481)	(572)	(1,053)
Provisions at the end of the year	<u>-</u>	<u>1,364</u>	<u>1,364</u>

#### *Other provisions*

The other provisions comprise £1,364,000 (2021: £2,623,000) held to cover any retained medical indemnity liabilities within the HCA UK group.

External professional actuaries have performed an independent review of the exposure of HCA International Limited to liabilities relating to any potential medical claims and the provision held is in line with their assessment. The timing of cash outflows associated with medical indemnity liabilities cannot be reasonably determined.

### 18. SHARE CAPITAL

	2022 No.	2021 No.	2022 £	2021 £
<i>Allotted, called up and fully paid:</i>				
<i>Ordinary Shares</i>				
Ordinary shares at £1 each	<u>40,750,912</u>	<u>40,750,912</u>	<u>40,750,912</u>	<u>40,750,912</u>

### 19. RESERVES

**Share premium account** – includes any premium received on issue of share capital

**Capital reserve** – includes capital contributions received

**Profit and loss account** – include all current and prior period retained profit and losses

**Other reserves** – includes profit on disposal of operations

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 20. COMMITMENTS UNDER LEASES

Future minimum rentals payable under non-cancellable operating leases where the company is a lessee are as follows:

	2022 £000	2021 £000
No later than one year	32,453	32,780
Later than one year and not later than five years	128,900	117,372
Later than five years	367,318	318,543
	<u>528,671</u>	<u>468,695</u>

The company's future minimum finance lease payments are as follows:

	<i>Equipment, furniture &amp; fittings</i>	
	2022 £000	2021 £000
Not later than one year	888	868
Later than one year and not later than five years	2,425	3,073
	<u>3,313</u>	<u>3,941</u>

Certain Equipment, furniture & fittings are held under finance lease arrangements. The lease arrangements generally include fixed lease payments but no purchase options.

### 21. CAPITAL COMMITMENTS

Capital expenditure:

	2022 £000	2021 £000
Expenditure contracted for but not provided for	<u>32,359</u>	<u>42,764</u>

The company has committed to a number of construction projects in 2022 in the pursuit to continue the expansion of services provided.

### 22. PENSION

#### Defined contribution scheme

The company operates a defined contribution scheme in the UK, the HCA International Limited Staff Retirement Benefits Scheme. The pension cost for the year was £7,492,000 (2021: £7,848,000). There were outstanding contributions at 31 December 2022 of £2,088,000 (2021: £1,848,000).

#### Defined benefit scheme

The company operates a UK defined benefit pension plan whereby benefits are determined with reference to an employee's final salary. As at 31 December 2013 the scheme was closed to the future accrual of benefit and new members.

The pension expense charged to the income statement makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are instead recognised in the statement of comprehensive income in the year that they occur. The measurement of the defined benefit obligation includes no allowance for any future discretionary increases to pensions in payment.

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 22. PENSION (CONTINUED)

#### A. Change in benefit obligation

	2022 £000	2021 £000
Defined benefit obligation at the beginning of the year	141,264	147,611
Interest expense	2,503	2,029
Benefit payments from plan assets	(4,438)	(5,331)
Effect of changes in assumptions	(49,554)	(3,126)
Effect of experience adjustments	5,773	81
Defined benefit obligation at the end of the year	<u>95,548</u>	<u>141,264</u>

#### B. Change in fair value of plan assets

	2022 £000	2021 £000
Fair value of plan assets at the beginning of the year	150,810	159,527
Interest income	2,681	2,194
Employer contributions	870	360
Benefit payment from plan assets	(4,438)	(5,331)
Administrative expenses paid from plan assets	(427)	(693)
(Loss)/Return on plan assets (excluding interest income)	(59,975)	(5,247)
Fair value of plan assets at the end of the year	<u>89,521</u>	<u>150,810</u>

#### C. Amounts recognised in the statement of financial position

	2022 £000	2021 £000
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
Defined benefit obligation	(95,548)	(141,264)
Fair value of plan assets	<u>89,521</u>	<u>150,810</u>
Surplus for funded plans	(6,027)	9,546
Effect of asset ceiling	-	-
Defined benefit (liability)/asset (note 14)	<u>(6,027)</u>	<u>9,546</u>
<i>Amounts in the statement of financial position</i>		
(Liability)/Assets (note 14)	(6,027)	9,546
Deferred tax	1,507	(2,387)
Net (liability)/asset	<u>(4,520)</u>	<u>7,159</u>

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 22. PENSION (CONTINUED)

#### D. Cost relating to defined benefit plans

	2022 £000	2021 £000
<i>Amounts recognised in the income statement</i>		
Loss on curtailments / changes / introductions	-	-
Interest expense on DBO	2,503	2,029
Interest income on plan assets	(2,681)	(2,194)
Total net interest income (note 8)	(178)	(165)
Administrative expenses and/or taxes (not reserved within DBO)	427	693
Costs relating to defined benefit plans included in the income statement	249	528
<i>Remeasurements (recognised in other comprehensive income ("OCI"))</i>		
Effects of changes in assumptions	(49,554)	(3,126)
Effect of experience adjustments	5,773	81
Return on plan assets (excluding interest income)	59,975	5,247
Total remeasurements included in OCI	16,194	2,202
Total cost related to defined benefit plans recognised in the income statement and OCI	16,443	2,730

#### E. Cost relating to defined benefit plans

	2022 £000	2021 £000
Net defined benefit asset at the beginning of the year	9,546	11,916
Cost relating to defined benefit plans included in the income statement	(249)	(528)
Total remeasurements included in OCI	(16,194)	(2,202)
Cash flows		
Employer contributions	870	360
Net defined benefit (liability)/asset as of end of year	(6,027)	9,546

#### F. Defined benefit obligation

	2022 £000	2021 £000
<b>Defined benefit obligation by participant status</b>		
Vested deferred	42,688	65,544
Retirees	52,860	75,720
Total	95,548	141,264



# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 22. PENSION ASSET (CONTINUED)

#### G. Defined benefit plan assets

	2022 £000	2021 £000
Fair value of plan assets		
Cash and cash equivalents	270	643
Debt instruments	63,463	11,652
Non-profit bulk annuity policy	25,788	38,515
Total	<b>89,521</b>	<b>150,810</b>
Loss on plan assets	(57,294)	(3,053)

#### H. Significant actuarial assumptions

	2022	2021
Assumption to determine defined benefit obligations		
Discount rate	5.00%	1.80%
Pensions-in-payment increase rate (5% LPI) (defs/pens)	3.00%/3.00%	3.00%/3.35%
Price inflation rate (RPI)	3.20%	3.40%
Price inflation rate (CPI)	2.70%	2.80%
Assumed life expectancy on retirement at age 65		
Retiring today (male member age 65)	22.0 years	22.0 years
Retiring today (female member age 65)	23.7 years	23.6 years
Retiring in 20 years (male member age 45 today)	24.0 years	24.0 years
Retiring in 20 years (female member age 45 today)	25.8 years	25.8 years
Assumptions to determine cost relating to defined benefit plans		
Discount rate	1.80%	1.40%
Pensions-in-payment increase rate (5% LPI) (defs/pens)	3.00%/3.35%	2.80%/2.80%
Price inflation rate (RPI)	3.40%	2.90%
Price inflation rate (CPI)	2.80%	2.10%
Assumed life expectancy on retirement at age 65		
Retiring today (male member age 65)	22.0 years	21.8 years
Retiring today (female member age 65)	23.7 years	23.6 years
Retiring in 20 years (male member age 45 today)	24.0 years	24.2 years
Retiring in 20 years (female member age 45 today)	25.8 years	25.8 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
at 31 December 2022

### 23. SHARE-BASED PAYMENTS

The company's ultimate parent undertaking HCA Healthcare Inc. operates several equity-settled schemes in which certain of the company's employees participate. In November 2006, HCA Healthcare Inc. was recapitalised which resulted in the existing options under the 2005 Equity Incentive Plan and Management Stock Purchase Plan being exercised or rolled over into new options issued under the 2006 Stock Incentive Plan.

#### *2006 Stock Incentive Plan*

The 2006 Stock Incentive Plan for key employees of HCA Healthcare Inc. and its affiliates (the "2006 Plan") was established in connection with the recapitalisation of HCA International's ultimate parent company, HCA Healthcare Inc.. The 2006 Plan permits the granting of awards covering 10% of HCA Inc.'s fully diluted equity immediately after consummation of the recapitalisation. A portion of the options under the 2006 Plan will vest solely based upon continued employment over a specific period of time, and a portion of the options will vest based both upon continued employment over a specific period of time and upon the achievement of predetermined performance targets over time.

#### *Stock Option, SAR and RSU Activity*

The fair value of each stock option and SAR award is estimated on the grant date, using valuation models and the weighted average assumptions indicated in the following table. Awards under the Stock Incentive Plan generally vest based on continued employment ("Time Stock Options and SARs" and "Time RSUs") and based upon achievement of certain financial targets ("Performance Stock Options and SARs" and "Performance RSUs"). Each grant is valued as a single award with an expected term equal to the average expected term of the component vesting tranches. We use historical exercise behaviour data and other factors to estimate the expected term of the options and SARs. The expected term of the share-based award is limited by the contractual term, and employee post-vesting termination behaviour is incorporated in the historical exercise behaviour data.

Compensation cost is recognised on the accelerated method. The expected volatility is derived using historical stock price information for our common stock and that of certain peer group companies. The risk-free interest rate is the approximate yield on United States Treasury Strips having a life equal to the expected share-based award life on the date of grant. The expected life is an estimate of the number of years a share-based award will be held before it is exercised.

The fair value of stock options is measured using the Black-Scholes model.

The assumptions for the plans are as follows:

	2022	2021
Average expected volatility	33.69%	34.35%
Risk-free rate	1.62%	1.19%
Expected life of options (years)	5.11	5.03

The following table provides details of the number and weighted average exercise prices (WAEP) of, and movements in, share options held by employees during the year.

	2022 No.	2022 WAEP (£)	2021 No.	2021 WAEP (£)
Outstanding as at 1 January	44,266	102.57	44,100	87.63
Granted during the year	7,500	195.71	11,310	128.14
Cancelled during the year	-	-	-	-
Exercised during the year	(1,913)	123.22	(11,144)	100.26
Outstanding as at 31 December	49,853	116.24	44,266	102.57
Exercisable at 31 December	-	-	-	-

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 23. SHARE-BASED PAYMENTS (CONTINUED)

#### *Restricted stock scheme*

The following table provides details of the number and weighted average exercise prices (WAEF) of, and movements in, restricted stock options held by employees during the year. Restricted share units are granted under the Stock Investment Plan and vest solely based upon continued employment over a specific period of time and upon achievement of predetermined financial targets over time.

	2021 Time No.	2021 Performance No.	2021 Total No.	2021 WAEF £
Outstanding as at 1 January	21,611	29,591	51,202	93.77
Granted during the year	18,730	11,970	30,700	128.14
Lapsed during the year	(7,417)	(14,704)	(22,121)	80.88
Cancelled during the year	(2,953)	(1,046)	(3,999)	109.09
Multiplier shares during the year	-	5,673	5,673	74.88
Outstanding as at 31 December	29,971	31,484	61,455	113.65
Exercisable at 31 December	-	-	-	-
	2022 Time No.	2022 Performance No.	2022 Total No.	2022 WAEF £
Outstanding as at 1 January	29,971	31,484	61,455	113.65
Granted during the year	12,490	8,000	20,490	195.71
Lapsed during the year	(9,869)	(27,608)	(37,477)	113.57
Cancelled during the year	(3,328)	(1,052)	(4,380)	149.65
Multiplier shares during the year	-	13,804	13,804	111.36
Outstanding as at 31 December	29,264	24,628	53,892	156.13
Exercisable at 31 December	-	-	-	-

For the share options outstanding as at 31 December 2022, the weighted average remaining contractual life is 5.11 years (2021: 5.03 years).

The expense recognised for share based-payments in respect of employee services received during the year ended 31 December 2022 was £4,057,000 (2021: £4,501,000).

#### *Cash settled options*

The company operates an options scheme which is settled in cash for members of the senior management team. Options are valued annually and may be exercised during a two-month period each year. At December 2022, the liability recorded in the financial statements was £459,000 (2021: £ nil).

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 24. RELATED PARTY TRANSACTIONS

During the year, the company entered into transactions, in the ordinary course of business, as follows:

<i>Related Party (Relationship)</i>	<i>Transactions during the year</i>	<i>2022 £000</i>	<i>2021 £000</i>
UK affiliate's - LLP	Management fee income for the year	4,330	2,982
UK affiliate's - Limited	Management fee income for the year	2,532	2,022
UK affiliate's - LLP	Service charge	1,108	1,087
UK affiliate's - Limited	Service charge	132	132
HCA International Holdings Limited ( <i>Immediate parent</i> )	Interest receivable on intercompany trading balances	861	478
HCA UK Holdings Limited ( <i>UK affiliate</i> )	Interest receivable on intercompany trading balances	2,996	1,710
UK affiliate's	Interest receivable on intercompany trading balances	17,234	9,396
Subsidiaries	Interest receivable on intercompany trading balances	1,675	848
HCA International Holdings Limited	Interest receivable on intercompany loans	1,457	672
UK affiliate's	Interest receivable on intercompany loans	42	19
Subsidiaries	Interest receivable on intercompany loans	619	581
UK affiliate's	Interest payable on intercompany trading balances	(17,219)	(10,100)
Subsidiaries	Interest payable on intercompany trading balances	(141)	-
HCA UK Holdings Limited ( <i>UK affiliate</i> )	Interest payable on intercompany loans	(4,055)	(1,784)
UK affiliate's	Interest payable on intercompany loans	(707)	(307)
HCA Incorporated ( <i>US affiliate</i> )	Interest payable on intercompany loans	(3,551)	(3,628)
<i>Related Party</i>	<i>Closing balance at year end</i>	<i>2022 £000</i>	<i>2021 £000</i>
UK affiliates	Amounts due from group companies - loan (Limited)	20,869	25,468
UK affiliates	Amounts due from group companies - trading (Limited)	585,696	521,994
UK affiliates	Amounts due from group companies - loan (LLP)	7,272	5,533
UK affiliates	Amounts due from group companies - trading (LLP)	1,808	4,569
UK affiliates	Amounts owed to group companies - loan (Limited)	(27,042)	(27,245)
UK affiliates	Amounts owed to group companies - trading (Limited)	(674,422)	(634,787)
UK affiliates	Amounts owed to group companies - trading (LLP)	(17,397)	(10,330)

# HCA International Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2022

### 24. RELATED PARTY TRANSACTIONS (CONTINUED)

<i>Related Party</i>	<i>Closing balance at year end</i>	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
HCA Incorporated	Amounts owed to group companies – loan	(56,590)	(50,352)
HCA UK Holdings Limited	Amounts due from other group companies - loan	31,388	31,388
HCA UK Holdings Limited	Amounts due from other group companies - trading	58,237	55,241
HCA UK Holdings Limited	Amounts owed to group companies - loan	(121,542)	(117,487)
HCA International Holdings Limited	Amounts due from parent company - loan	47,482	46,025
HCA International Holdings Limited	Amounts due from parent company- trading	21,111	20,154

HCA International Limited operates the payroll, accounts payable and billing functions on behalf of the other group companies within the HCA UK group and is fully reimbursed for these expenses.

### 25. FINANCIAL INSTRUMENTS

	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors	117,021	112,759
Amounts due from parent company	68,593	66,179
Amounts due from other group companies	702,874	644,193
Other debtors	8,011	6,112
Dividends receivable	2,148	-
	<u>898,647</u>	<u>829,243</u>
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	24,556	29,055
Amounts owed to other group companies	896,994	840,201
Accruals	84,426	75,642
Finance lease obligations	3,313	3,941
Pension contributions payable	2,088	1,848
	<u>1,011,377</u>	<u>950,687</u>

### 26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is HCA International Holdings Limited, a company incorporated in the UK.

The company's ultimate parent undertaking and controlling party is HCA Healthcare Inc., which is incorporated in the United States of America. HCA Healthcare Inc. is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the parent's consolidated accounts may be obtained from HCA, Investor Relations, One Park Plaza, I-4W, Nashville, TN 37203, USA.

### 27. POST BALANCE SHEET EVENTS

In November 2023, the company plans to repay £30,000,000 of the loan balances owed to Galen International Holdings, Inc and HCA UK Holdings Limited.