**Monday 30th March 2015**

## Al Noor Hospitals Group Plc
## Results for the Year Ended 31 December 2014

### Strong results following a year of active growth and development

**London and Abu Dhabi:** Al Noor Hospitals Group Plc (ANHA.L; the "Company" or "Al Noor"), the largest private healthcare service provider in Abu Dhabi, today announces its results for the year ended 31 December 2014.

**Financial Highlights**

| | FY 2014 | FY 2013 | Increase |
|---|---|---|---|
| Revenue | $449.1m | $365.0m | +23.0% |
| Earnings Per Share | 69.5 cents | 56.3 cents | +23.4% |
| Underlying Operating Profit | $85.4m | $75.1m | +13.8% |
| Underlying Net Profit | $84.6m | $71.5m | +18.3% |
| Underlying EBITDA* | $98.1m | $82.8m | +18.5% |
| Total Dividends (pence)** | 12.7 pence | 9.0 pence | 32.0% |

*Underlying EBITDA is calculated as underlying Results from Operating activities plus Depreciation and Amortisation.
**Total dividends for 2014 in GBP comprises proposed Final dividends 9 pence per share and Interim dividends paid 3.7 pence per share. Percentage Increase is expressed in USD terms.

**Operational highlights**

- Outpatient volumes rose from 1,672,485 to 1,992,813, a 19.2% increase and inpatient volumes grew from 40,475 to 42,033, a 3.8% increase
- Three medical centres were opened in core areas with four more planned in 2015, one of which is already operational
    - Al Bateen and Baniyas Medical Centres: situated in an underserved area of Abu Dhabi
    - The ICAD Medical Centre: serving industrial workers in the industrial zone of Abu Dhabi
- The Gulf International Cancer Centre ('GICC'), the only private cancer treatment centre in the Emirate of Abu Dhabi, was acquired, expanding Al Noor's team of oncology experts and allowing for adoption of more pioneering technologies
- Construction of the new 40-bed hospital in Al Ain, which is proceeding as planned and scheduled to open in 2016
- Expansion planned at Airport Road Hospital which will add significant capacity

**Ronald Lavater, CEO, Al Noor Hospitals Group Plc said:**
"Al Noor's financial performance continues to be strong and we achieved good growth during 2014. This growth was driven predominantly by our increased outpatient capacity, the expansion of our network of medical centres and the impact of medical centre acquisitions. This, combined with our internationally recognised standards of quality care and patient safety, continues to position Al Noor as the market leader."

"I am confident that with our continued focus on expanding our high-quality services to meet the needs of our patients and the communities we serve, we will also meet the expectations of our shareholders. I am very excited to lead Al Noor during such an important time and work with our excellent management team as we continue to provide the highest levels of healthcare."

**Outlook**
We operate in one of the most dynamic healthcare environments in the Gulf region. We have a rapidly ageing demographic with an increasing incidence of lifestyle-related medical conditions such as diabetes and obesity. However, there are gaps in healthcare services for some parts of our population and a serious lack of coordination providing access to appropriate care at the right time and in the right location. The UAE government is committed to encouraging the development of a healthcare industry that is comparable to the world's most developed nations to address the country's healthcare needs.

Al Noor is well positioned to respond to these needs, close the gaps and effectively deploy and demonstrate a new, more integrated healthcare delivery system. We have experienced tremendous growth over the last few years and while we have seen increasing competition in the region, we believe that Al Noor's reputation, geographic coverage, commitment to quality and highly talented leadership teams combined with the investments we continue to make in our medical staff and infrastructure will allow us to continue to experience strong growth. Al Noor will continue to expand our services and locations to meet the needs of our patients and the communities we serve and we will continue to provide high-quality care in a compassionate and friendly way and in so doing we will meet the expectations of our shareholders.

**Analyst and Investor Call**
There will be an analyst meeting today at 09:00 BST / 12:00 UAE at the offices of Brunswick Group at 16 Lincoln's Inn Field, London, WC2A 3ED

Those unable to attend will be able to dial-in, details of which are as follows

- **Dial-in number:** **:** +44 (0) 20 7192 8000

- **Conference ID:** 4790032 #

| | |
|---|---|
| **Al Noor Hospitals Group plc** | on 30 March 2015 via +44 20 7404 5959<br>Thereafter: |
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**Cautionary statement**

These Year-End Results have been prepared solely to provide additional information to shareholders to assess the Group's performance in relation to its operations and growth potential. These Year-End Results should not be relied upon by any other party or for any other reason. Any forward looking statements made in this document are done so by the directors in good faith based on the information available to them up to the time of their approval of this report.

However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

**About Al Noor**
Al Noor Hospitals Group Plc provides primary, secondary and tertiary care in the Emirate of Abu Dhabi and the wider region through its portfolio of hospitals and medical centres. As of 31 December 2014, the Company had 218 operational beds and 1,992,813 out-patient visits, more than any other private competitor in Abu Dhabi. The company is listed on the London Stock Exchange (ticker: ANHA.L). For more information, please go to www.alnoorhospital.com.

**Chairman's statement**
The Company achieved good growth in 2014, with revenue increasing 23.0% to US$449.1m, and underlying EBITDA* growing 18.5% to US$98.1m.

After last year's outstanding performance, I am pleased to report that this year has been another strong year. Furthermore, it has been a year of transition, with the appointment of a new Chief Executive and two more changes in the executive team. This team has been tasked with continuing to build on the successes of the past which have led to Al Noor being the market leader in the Emirate of Abu Dhabi. We have set the bar high, yet feel confident that the new leadership can take Al Noor into the future and through ever greater focus on our patients and services, deliver value to shareholders.

We continued to deliver well against our strategy in 2014. Our performance was driven by organic growth, fuelled by the expansion of services in our hospitals, and the opening of three new medical centres, with more planned to open in 2015. The acquisition of Gulf International Cancer Centre, the only private cancer centre in the Emirate of Abu Dhabi, strategically positions the Company to deliver care in the rapidly-growing oncology segment. Additionally, management continued to integrate the acquisitions made in 2013.

We have seen new competing physical capacity coming into the market in Abu Dhabi during the year and we expect further new capacity in 2015. However, our leading market position in Abu Dhabi supported by continuing investment in facilities, physicians, and new service lines and our focus on medical quality puts us in a strong position to continue to look after our patients and grow shareholders' value despite these long anticipated competitive challenges.

We continue to make the investments necessary to deliver growth. At least four additional medical centres are expected to become operational in 2015, including one in Sharjah, the third largest emirate of the UAE. Construction of the new 40-bed hospital in Al Ain is progressing and we anticipate it opening in 2016. We have continued to invest in the renewal of Khalifa Street Hospital, and we are planning the construction of a new building at Airport Road Hospital which is expected to double its capacity.

I wish to acknowledge all of our staff who have made 2014 a successful year. Through my tours of our facilities and my interactions with our people, I have come to learn that their commitment to our patients is a key driver of our success. On behalf of Al Noor, I thank them for their dedication to the patients who choose to entrust us with their care.

Al Noor owes its success to its leadership and in particular to Dr. Kassem Alom who has founded, developed and led the company from its inception in 1985. I am delighted that Dr. Alom has agreed to remain on the Board as Deputy Chairman following the handover of executive leadership to Ronald Lavater. As the market continues to evolve, I feel confident that Ronald and his team will take the Company through its next phase of growth, and one that will continue to bring success to the Company and value to shareholders.

* Underlying EBITDA is calculated as underlying Results from Operating activities plus Depreciation and Amortisation. Underlying results from Operating activities can be obtained from the Consolidated Statement of Profit or Loss and Other Comprehensive Income, while Depreciation and Amortisation can be referred to notes 4 and 5 on the Consolidated Financial Statements.

**Ian Tyler**

## Chief Executive's Report

Building on a 29-year tradition of advancement and commitment to our patients, 2014 was a year of continued growth, clinical quality improvements, system enhancements, financial success and leadership transition for Al Noor. I am truly honoured and excited to lead Al Noor through the next phase of expansion and look forward to using my more than twenty years of diverse healthcare experience to grow Al Noor and add to its success.

As we move forward, with acknowledged challenges and equally clear opportunities, I value the trust and confidence the Company's Board has placed in me as successor to the pioneering visionary, Dr. Kassem Alom, who founded Al Noor in 1985. Dr. Alom, together with his team, created the largest and best private hospital group in the Emirate of Abu Dhabi and we are committed to building on his legacy.  I am delighted that he will remain on the Board as Deputy Chairman.

As Al Noor prepares for the future, my immediate priorities are clear: solidify our leadership team and clarify our strategy for growth. This will also require our entire organisation to manage change effectively while reinforcing our commitment to excellent patient care. As CEO I remain committed to lead this transition by being transparent with employees, clear in my assessment of the challenges we have ahead and respectful of those who care for our patients every day; all with a focus on the Company's long-term vision.

As part of the process of putting together a new leadership team, I am pleased to report that we have successfully recruited two highly skilled individuals to fill key leadership positions.

- We welcomed Dr. Georges Feghali as our new Chief Medical Officer in January 2015. Dr. Feghali brings incredible clinical as well as management experience and will be highly effective in recruiting additional quality physicians to Al Noor.

- We also are delighted that David Hoidal—who joined the team in November 2014 as our interim Chief Operating Officer—has, as of February 2015, taken the role permanently. David is an exceptional operations manager with a proven track record of producing efficiencies while building solid organisational structures.

With more placements to be announced later in 2015, we are building a talented leadership team with the right experience, right focus and a strong commitment to achieve Al Noor's strategy for clinical and service excellence and growth.

Parallel to solidifying a dynamic leadership team, has been my commitment to learning about Al Noor from its employees and patients. In recognition of the challenge of succeeding Dr. Alom, I outlined my "100 Day Plan" at the start of my tenure which emphasised meeting as many employees as possible, talking with our patients and their families about their experiences and visiting all our patient care facilities. Through town hall meetings and other gatherings at all of our hospitals and medical centres, I have been warmly received by our clinical and administrative staff. The transition from Dr. Alom has been well organised and viewed positively by our employees as the next evolution for Al Noor.

### Looking Ahead

Our aim – and my commitment – is to meet the needs of our patients at all stages of their journey. As the leading private healthcare provider in the Emirate of Abu Dhabi, Al Noor will be the model of an integrated healthcare system. In turn, creating an integrated "Continuum of Care" will provide a platform for additional growth and will also ensure the appropriate return on our investment.

I have assessed the key elements of the Company's strategic plan set out at IPO and found it to contain the right areas of focus to continue Al Noor's growth agenda. To move forward, we have developed a strategic framework to guide our initiatives which fall into three areas:

- **Grow the Current Asset Base**—this includes our continued plans for expansion of our facilities, enhancement and integration of our systems, adding new facilities where appropriate and capturing efficiencies. This will allow us to scale-up as a larger system of hospitals and medical centres.
- **Expand the "Asset Portfolio"**—this includes strengthening our "Continuum of Care" and diversifying services reaching beyond the existing clinical services at our hospitals and medical centres and positioning Al Noor with even greater presence and market leadership across Abu Dhabi.
- **Expand into New Markets** --- this includes both within the UAE and beyond using a disciplined approach of M&A and greenfield projects.

This strategy will allow us to grow and build based on the strength of the Company, maintain our premier position in the immediate Abu Dhabi market and strengthen our Company infrastructure and "platform" for growth in the wider UAE and beyond.

This is an exciting time in Al Noor's history. We have experienced tremendous growth over the last few years and will continue to expand our services and locations to meet the needs of our patients and the communities we serve. I am confident that working together as the Al Noor family, we will continue to provide high-quality care to our patients in a compassionate and friendly way and in so doing we will meet the expectations of our shareholders.

**Ronald Lavater**

**Operational Review**

2014 has been an active year of growth and development. We have expanded our already broad spectrum of services within our hospitals and medical centres and have extended our footprint within the Emirate.

In 2014, demand for the Company's healthcare services continued to grow. Growth was driven by the Company's continued expansion of its services in existing facilities and by the addition of new medical centres across the UAE. Revenue increased 23% on 2013, driven by a 27% growth in out-patient revenue (including other revenue) and a 12% increase in in-patient revenue during the year.

Out-patient and in-patient volume growth:

| | **2014** | 2013 | Change |
|---|---|---|---|
| Out-patient volumes | **1,992,813** | 1,672,485 | 19% |
| In-patient volumes | **42,033** | 40,475 | 4% |

In 2014 the Company added 64 net revenue generating doctors across our hospitals and various medical centres. These additional doctors helped with the continued expansion of services and the geographical footprint of the company across the UAE.

- Underlying EBITDA increased by 18.5% to US$98.1m compared to FY2013.
- Underlying EBITDA margin was 21.9% which was 0.8% down compared to 2013
- Underlying operating profit of US$85.4m, an increase of 13.8% compared with FY2013

In 2014, in the Central region, the Company opened three new medical centres and completed the acquisition of the Gulf International Cancer Centre, a reputed out-patient oncology diagnostic and treatment centre in Abu Dhabi. The Airport hospital performed in line with expectations however this was offset by a drop in volumes at Khalifa Street Hospital. The decrease in volumes of the Khalifa Street Hospital was due to a variety of reasons such as new competition opening in the vicinity, physician attrition and the ongoing refurbishment of premises to improve the patient experience at the premises.

In the Eastern region the Al Ain Hospital has performed very well. The performance of the medical centres in the eastern and western region has also been very good.

Average revenue per out-patient improved by 8% despite a less favourable insurance mix as a result of changes in service mix, improved claim management, improved clinical documentation and high average revenue per out-patient in the GICC. Average revenue per in-patient improved by 8% for the same reasons.

|  | **2014**<br>**(US$)** | 2013<br>(US$) | Change |
|---|---|---|---|
| Average Revenue per Out-patient | **170** | 158 | 8% |
| Average Revenue per In-patient | **2,415** | 2,237 | 8% |

The Company continues to see improvements in bed utilisation in Airport Road and Al Ain hospitals, and hence there are plans to add additional beds in 2015.

The average number of patients per revenue generating doctor has remained unchanged year on year.

|  | **2014** | 2013 | Inc % |
|---|---|---|---|
| Bed Utilization % | **76%** | 66% | 9% |

The growth in doctor numbers coupled with other factors has contributed to the growth in out-patient and in-patient revenues in 2014 as below:

|  | **2014**<br>**(US$m)** | 2013<br>(US$m) | Inc% |
|---|---|---|---|
| Out-patient Revenue | **347.5** | 274.5 | 27% |
| In-patient Revenue | **101.5** | 90.6 | 12% |

**As of 31 December**

| **Physical & Operating KPI's** | **2012** | **2013** | **2014** | **2012-2014 CAGR** |
|---|---|---|---|---|
| **Out-Patient** | 1,505,518 | 1,672,485 | 1,992,813 | 15% |
| **Inpatients** | 35,590 | 40,475 | 42,033 | 9% |
| **Physicians (Revenue Generating)** | 350 | 470 | 534 | 24% |
| **Other Physicians** | 86 | 108 | 113 | 15% |
| **Nurses** | 732 | 764 | 841 | 7% |
| **Total Employees** | 3,364 | 3,727 | 4101 | 10% |

### Airport Road

Airport Road's growth in 2014 has been the result of numerous initiatives. New outpatient service lines have been added such as family medicine, fetal imaging, and endoscopic retrograde cholangiopancreatography (ERCP) and LASIK services.

In-patient capacity has also increased through the expansion of our maternity ward's NICU capacity, which has helped accommodate growing demands in these service areas. The maternity ward rooms have undergone major renovations in addition to the VIP and Royal suites to create a 'home away from home' atmosphere.

The state-of-the-art hospital has also expanded its Ophthalmology sub-specialties, introducing a fully equipped operating theatre that includes world-class vitroretinal surgery equipment.

In the year 2014, numerous successful initiatives have been implemented to improve the patient experience and reduce outpatient waiting times. The hospital is also well prepared to meet increasing demands of environmental, health and safety standards. It is also worth mentioning that various staff engagement activities were carried-out to enhance staff satisfaction.

### Khalifa Street

Khalifa Street remains committed to excellence in the delivery of quality care and patient-centred services. In August, the 73-bed hospital successfully completed the Joint Commission International (JCI) reaccreditation survey with great success. It is the first private healthcare institution in Abu Dhabi to receive the JCI golden seal on the 5th edition standards.

The hospital is one of Al Noor's oldest facilities in a highly competitive part of the city, and therefore faces a few challenges today. Therefore, to deal with these challenges, the Company has initiated several projects to renovate and expand outpatient clinics as well as inpatient rooms. Occupational Health was added to the scope of services; a fully-fledged clinic is now delivering a complete spectrum of pre-employment and medical check-ups. Services include, but are not limited to, offshore and onshore medical fitness certificates, qualified medical personnel onsite, healthcare facility management in remote locations, among others.

**Al Ain Campus**
In 2014, Al Ain Campus underwent vigorous expansion to meet growing demand and patient expectations. Inpatient-rooms, patient waiting areas, hospital entrance and the lobby have all been renovated and given a new fresh look to increase the comfort level of patients.

Furthermore, the hospital has successfully managed to add 14 new clinics to meet increasing volumes and patient demands. The hospital has also expanded its portfolio of services by initiating Vascular Surgery and Advanced Ophthalmology Surgical services and expanded its ER observation beds and Recovery Room. Another major milestone seen in 2014 is the upgrade of the Special Care Baby Unit to a Neonatal Intensive Care Unit to care for premature infants and those who require intensive care. In addition, a state-of-the-art Nuclear Medicine department was launched in February 2014, providing break-through nuclear imaging solutions and the right medical expertise.

**Medical centres**
Our 17 medical centres are strategically located in residential areas in order to be attractive as a patient’s first point of care. Our medical centres serve as ambassadors to the community, often making the Company’s first impression and influencing future relationships with our patients.

**Projects**
The Healthcare Projects Department has had another successful year operating and managing its clinics at the Emirates Palace Hotel, Abu Dhabi Women’s College and Abu Dhabi Men’s College. In addition to these clinics, the projects department was successful in obtaining contract renewals with two client based projects;

Critical Infrastructure Coastal Protection Authority (CICPA) 4th year extension for the provision of two clinics at Sweihan and SADR and Emirates Aluminum provision of emergency, primary and occupational health services.

Furthermore, the Healthcare Projects Department increased its portfolio of projects by opening three new clinics namely; Al Salam Living City Clinic, Al Saweed Clinic and ICAD Clinic.

## Financial Review

### Results

The Company has delivered a strong performance in 2014. Revenue grew by 23% and Underlying EBITDA grew by 18.5%, primarily generated by strong outpatient performance at our hospitals and medical centres, both established ones and the new centres.

The underlying profits for the year increased by 18.3%.

| | 2013<br>(US$’000) | **2014**<br>**(US$’000)** |
|---|---|---|
| Underlying profit for the year | 71,507 | **84,619** |
| Listing transaction costs | (6,134) | – |
| Unamortised facility costs | (2,881) | – |
| Others | (822) | **(598)** |
| Profit for the year | 61,670 | **84,021** |

Profit for the year after tax and non-underlying items has increased by 36.2%.

**Earnings per share (EPS)**
The underlying basic EPS for the year grew from $65.3 cents to $70.0 cents per share, an increase of 7.2%.

After non-underlying items, which consisted mainly of IPO costs and the cost of writing off unamortised facility costs in 2013, basic EPS increased by 23.4%, year on year.

**Revenue**
Revenue increased 23% to US$449.1m compared to FY2013, driven by a 27% growth in out-patient revenue and a 12% increase in in-patient revenue during the year.

In volume terms, the 27% growth in out-patient revenue was driven by a 19% increase in volume and the 12% increase in in-patient growth came from a 4% increase in volume. In an increasingly competitive market, the Group’s strategy of consolidating its position in the primary care market by:

- improving the quality of patient care
- recruiting high quality medical staff
- providing greater diversity of services and enhanced patient access through opening of medical centres
- expanding services in hospitals and acquiring medical centres

has led to more patients than ever before turning to Al Noor for their healthcare needs.

Despite the market place competition for talent, a proactive hiring process has resulted in the Group successfully recruiting additional doctors.

| | **2014** | 2013 | Change |
|---|---|---|---|
| Number of revenue generating Doctors | **534** | 470 | 14% |

The hiring of doctors helped us deliver new services and expand existing services across the hospitals and medical centres in all our Regions. For example, in the Central Region at Airport Road hospital and in the Western and Eastern Region at Al Ain Hospital, the ICUs were expanded. New services such as Lasik and vitroretinal surgery were also introduced. Doctors recruited to work at Airport Road have supported interventional cardiology there and at Al Ain the addition of new physicians has allowed the establishment of nuclear medicine services, a sleep study lab and a diabetic foot clinic, the upgrade of the bone density unit and delivery of interventional radiology.

**EBITDA and Margins**

Underlying EBITDA grew 18.5% from $82.8m in 2013 to $98.1m in 2014. However, underlying EBITDA margins declined from 22.7% to 21.9% through a combination of wage inflation for medical staff and significant investment in our facilities, people and services which will sustain the Company's future growth. We comment further on costs below.

In the Central Region comprising our two largest hospitals, Khalifa Street and Airport Road and the majority of our medical centres, the Khalifa Street Hospital saw a decline in revenues of 1% year on year as a result of reductions in outpatient and inpatient volume. Revenues at Airport Road increased by 18% driven by higher out-patient and in-patient volumes. Combined with our more established medical centres, revenue for the Central Region increased from $278m to $317m. At Khalifa Street, we started a significant programme of works in the late stages of 2013 to re-organise and upgrade aspects of the hospital, including the conversion from its previous mixed usage of residences and hospital facilities to that of a dedicated healthcare facility. Inevitably, there has been some disruption during these works which have run on through 2014 and will continue into 2015 with further capital expenditure earmarked. This has adversely impacted both revenues and running costs at Khalifa Street during 2014 and hence the profits of the Central Region show a decline of $2.5m. However, the investment is essential to reposition Khalifa Street as a first class healthcare operation in the heart of the city looking after the needs of Abu Dhabi's residents and families. The Central Region segment also contains several new medical centres that have started providing healthcare services in the last two years. There is a 12-24 month lead time required for these new clinics to build their patient numbers to a level that covers their start-up costs and contributes to group profit and we therefore expect to see a steady improvement in financial contribution through 2015 and into 2016 from these newer facilities. In particular, we are focussed on the opportunities provided by our acquisition of the Gulf International Cancer Clinic in February 2014.

The Western and Eastern Region has seen revenue grow very substantially by 50% from $86.9m to $130.6m with profits more than doubling from $17.2m to $37.0m. These increases arise from very strong performances driven by patient volumes as well as higher value services at our hospital in Al Ain, and the clinics at Madinat Zayed, Al Madar and Al

Yahar.

In the International Region, our clinic in Oman which provides a range of services is being repositioned with a focus on dialysis services for which there is considerable demand and we expect to see the start-up losses of this clinic reduce in the year ahead and the clinic move into profit as it serves an increasing number of patients. Similarly, with the appropriate investment in skills and services at our Manchester clinic in Northern Emirates, we expect to see patient volumes increase and move the clinic to sustained profitability in the year ahead.

**Cost structure**

The Group's total costs on an underlying basis have increased in 2014 versus 2013 rising from $290.0m to $363.7m. Total underlying costs represented 81% of revenue in 2014 compared with 79% in the prior year.

The increase in costs arises not just from the growth in delivery of patient care but also reflects the wage inflation that is prevalent in our market place as competing healthcare providers, opening new facilities in our Regions, all seek high quality physicians. In addition, the Group's new management team is identifying areas where further expenditure is vital to maintain and improve the services which we provide to our patients and this is already reflected in the small percentage increase that costs represent as a proportion of revenue in 2014. However, management also see opportunities to bring greater efficiency to bear on the operations of the Group. Taken together, management anticipates that 2015 is likely to see a further increase in costs as investment is made in the short term with efficiencies starting to flow towards the end of 2015 and into 2016.

**Medical staff costs**
Medical staff costs have increased due to increased medical staff numbers and reflect the impact of wage inflation in the UAE in our sector.

| | **2014 (US$m)** | 2013 (US$m) | Inc % |
|---|---|---|---|
| Medical Staff Costs | **152.5** | 118.0 | 29% |
| Medical Staff Costs (%) | **34.0%** | 32.3% | 1.6% |

**Cost of medicines and consumables**
Although the total cost of medicines and consumables has increased with activity levels, as a percentage of revenue, costs are down year on year. This decline is due to the increase in out-patient clinic revenues in the overall revenue mix; out-patient visits consume fewer consumables compared to in-patient visits.

| | **2014 (US$'000)** | 2013 (US$'000) | Inc % |
|---|---|---|---|
| Cost of medicine and consumables | **95.1** | 86.5 | 10% |
| Cost as a % of revenues | **21.2%** | 23.7% | -2.5% |

**Gross margins**
The results for 2014 show a small improvement in gross margins by 0.5% compared with 2013. The positive effects of revenue mix, for example due to a higher growth in out-patient revenues, and costs of medicines and consumables have marginally outweighed the impact of salary costs and lower margins at the newer Clinics which still have to grow their patient volumes to target levels.

| | **2014** | 2013 | Inc % |
|---|---|---|---|
| Gross Margin % | **42.8%** | 42.3% | 0.5% |

**Selling, general & administrative overheads**
The selling, general and administrative expenses of the Group have gone up significantly during 2014 due to a number of factors. Initiatives taken by the Group to recruit for a range of senior leadership positions, a number of which represent new posts, is a principal driver of this growth in cost. In addition, a greater focus on the support infrastructure needed to support the Group going forward and provide a sound platform for growth in services has added cost in the area of quality management, recruitment and areas of corporate governance, including a range of costs that are needed to support a Premium listed company.
Depreciation and amortisation costs have increased from $1.8m to $3.3m in line with our expenditure on leasehold improvements, equipment and fittings and our acquisition of the Gulf International Cancer Clinic earlier in the year.
The group continues to benefit from stable operating lease arrangements for its properties with the increases in rent arising largely from new clinics and facilities as shown below.

**Rent**
The break-down of rental expenses is as follows:

| | **2014 (US$m** | 2013 (US$m) | Inc % |
|---|---|---|---|
| Existing Premises | **15.5** | 15.2 | 2% |
| New Clinics & Acquisitions | **2.4** | 0.9 | 155% |

**Interest & taxation**
The Group incurs commitment fees on the US$82m capex/ working capital facility which is currently undrawn. Besides this expenditure, as the Group has no external borrowings, it does not incur any financing costs.

The Group has no tax liability as it operates mainly in the UAE which has no corporation tax regime. Results from Sultanate of Oman and the parent company in the UK both generated tax losses in the year. The Group anticipates recovery of this loss in the future for Oman as the clinic there increases its activity and the tax asset shown in the balance sheet reflects this. There is no current prospect of the losses in the UK being recovered and therefore no deferred tax asset is carried for these.

**Non-underlying costs**
During the year the Group incurred non-underlying costs amounting to US$0.6m relating to acquisitions and M&A activity.

**Capital expenditure**
During the year the Group incurred total capital expenditure of $65m as follows:

- A sum of $31.5m on the acquisition of the Gulf International Cancer Centre and the deferred consideration of Al Madar which has achieved its earnout thresholds.

- A sum of $26.5m on capital expenditure across our operating segments on existing hospitals and medical centres, and new medical centres.

- A sum of $7.0m incurred on software principally related to the major upgrade to SAP.

The Group has continued with its organic growth plan, upgrading its existing hospitals and medical centres. The Group has incurred capital expenditure both for the replacement of equipment as well as for the introduction of new services. Though higher than previous years, the capital expenditure was and is essential to sustain the momentum in out-patient and in-patient volume growth and with the quality of facilities that competitors are opening in the Abu Dhabi market in 2015, investment in our portfolio remains essential as evidenced by the construction of our new hospital in Western and Eastern Region to complement our existing Al Ain hospital and in the Central Region, our work at Khalifa Street already referred to.

In order to ensure uniform systems and controls across the Group and to allow us to integrate acquired entities successfully, the Company embarked on a SAP ERP implementation in 2013, which continued through 2014 when we successfully implemented the financial and material handling modules. The implementation continues into 2015 as we seek to integrate patient accounting.

The capital expenditure is broken down below:

| | US$m |
|---|---|
| Replacement Capex at Hospitals & Medical Centres | 13.9 |
| Khalifa Hospital Refurbishment | 3.4 |
| Growth Capex at Hospitals & Medical Centres | 3.4 |
| New Medical centres | 5.8 |
| IT total software and hardware | 4.7 |
| Other IT | 2.3 |
| Subtotal | 33.5 |
| Acquisitions (includes GICC & Payment for Al Madar) | 31.5 |
| Total Capital Expenditure | 65.0 |

**Cash (including working capital)**
Cash generated from operating activities, before adjusting for working capital movements, was $102.3m, (2013: $84.0m). After working capital adjustments, cash generated was $81.3m (2013: $87.2m).

The change in working capital year on year reflects increased activity levels but also includes the impact of an increase in debtor days due to delayed receipts from one of the Group's insurers. Inventory levels have increased to reflect management's decision to hold greater stocks and reduce the risk of long lead time on delivery of products.

Working capital management remains a key focus area for the Company and the new SAP system is starting to provide management with greater detail to facilitate work in this area.

Cash balances at year end were $82.9m with an additional $13.6m held on deposit.

**Going concern**
Having made enquiries, the Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements. Thus they continue to adopt the going concern basis in preparing the financial information. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic review. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements in note 2b.

**Dividend**
The Board has reviewed the results for the year and is pleased to recommend a final dividend of 13.4 cents (9 pence) per share to be paid in cash for the year ended 31 December 2014. Together, the interim dividend of 6 cents (3.7 pence) per share for the six months ended 30 June 2014 (paid on 10 October 2014) and this final proposed dividend reflect a distribution of 28% of profit attributable to ordinary shareholders.

The final dividend will be paid on 15 May 2015 to all ordinary shareholders who are on the register of members at the close of business on 17 April 2015.

**Key Risks & Uncertainties**

Identification and management of key risks faced by the Company are key considerations for the Board of Directors. These risks are monitored at all levels throughout the business.

The Company considers the identification and mitigation of risks as a key priority across the organisation. Therefore the Company has established a risk management framework to ensure that appropriate processes are in place and key risks are identified and managed effectively.

The quality departments at each hospital play a key part in identifying, managing and reporting risks at the Hospital level as part of the JCIA process. In accordance with its continuous improvement plans, the Company periodically invests in the review of its quality management processes and medical services to ensure that its standards of patient care and safety are enhanced.

The key risks, the potential impact and the mitigation of risks are analysed in the table below.

| **Risk** | **Mitigation** |
|---|---|
| Growth Strategy | |
| Our growth strategies may be adversely affected by our inability to identify or acquire suitable facilities for new hospitals or medical centres. | The Company's CSO leads the business development function and is actively pursuing projects across the UAE. By targeting a number of opportunities at the same time, the Company is able to mitigate this risk. |
| Our growth may also be negatively affected by the inability to scale up the organisational resources (funds, human resources, leadership) and operations against the growing demands of the business. | We continuously evaluate potential investment opportunities. All acquisition and disposal projects are reviewed by the Corporate Executive Committee as well as the Board and Audit and Risk Committee to provide guidance and alternate options, wherever needed. |
| | Each major project is supported by an extensive project plan and an Oversight Committee that approves the plan. The committee is responsible for regular monitoring; takes appropriate decisions and provides guidance/support to facilitate timely completion. |
| Reputation | |
| Company reputation is at risk if we are unable to act in an ethical manner consistent with the stakeholders' expectations (including patients, suppliers, investors, etc.). | The Company has established an ethics framework that includes a Code of Business Ethics, an ethics committee and ethics reporting and investigation procedures. The Company has also rolled out an anti-bribery policy and fraud reporting policies. |
| Furthermore, if we do not continually enhance our facilities with the most recent technological advances in diagnostic and surgical equipment, it could affect our brand and reputation. | We allocate capital expenditure for upgrading facilities on an ongoing process and as part of the annual budget process, we allocate capital expenditure for upgrading facilities as an ongoing process. |
| Human Resources | |
| Our performance depends on our ability to recruit and retain high quality doctors and other healthcare professionals, such as nurses and technicians. | A succession planning framework has been established and its implementation is in progress. The framework includes a process for the identification of key positions, appropriate successor(s), their training and regular reviews. |
| Heavy dependence on key executives and potential loss of the services of (i) one or more of our key executives or (ii) a significant portion of our management personnel could weaken our management team. | Recruitment and attrition of medical staff are closely monitored and are included in the monthly management report that is reviewed by the Corporate Executive Committee. |
| Competition | |
| We face competition from other hospitals and healthcare providers that may impact our revenues, profitability and market share. Hospitals compete on factors such as reputation, clinical excellence and patient satisfaction. We also face competition from other providers such as standalone clinics, out-patient centres and diagnostic centres and may face further competition from international healthcare companies. | Our strategy is focused on investing in our home markets (where we have already established a significant presence) and growing in those markets where we can apply our clinical expertise and quality of care to manage competition. We are focused on providing high quality care and patient satisfaction at all our facilities. |

Payers/Insurance

The vast majority of our revenues come from a relatively small number of insurance providers. If our relationship with insurers deteriorates, we may not be able to negotiate favourable fee arrangements and/or our business may otherwise be adversely affected.

We are also exposed to the risk that insurance companies may reject, delay or refuse to make payment for claims we submit for medical services rendered to patients claiming coverage under such schemes.

The Company mitigates its exposure by maintaining strong relationships with insurance companies. The CEO and Board members also participate in meetings with the larger companies.

The Company has established a process for rejection tracking and monitoring. Reasons for rejections are investigated and claims are resubmitted based on review by an independent team. Submission accuracy is improved by submitting claims according to insurers' requirements.

Rigorous monitoring of rejection rates for each category/location (e.g. hospitals, insurance company, claim type etc.) by the Board and the Senior Management team including CEO, COO, CFO, and Hospital Directors, etc., ensures timely identification of issues and remedial actions, as needed.

Supply Chain

We source the majority of our medical supplies, pharmaceuticals and equipment from UAE-based agents acting as the exclusive distributors for third-party suppliers in the UAE. We also outsource various activities, such as cleaning and maintenance services, to sub-contractors.

The use of third-party suppliers and subcontractors may expose us to supply bottlenecks, pricing issues, quality problems and other potential liabilities that may arise in cases where such third-party suppliers and sub-contractors fail to meet their commitments.

The Company's material management model is designed to ensure the timely supply of products.
Close monitoring of the inventory and supplies helps ensure that our hospitals and medical centres have the medicines and consumables they need.

Safety stock, inventory levels and back-up supply arrangements are in place to mitigate the risk of stock outs or non-availability.

We also maintain direct relationship with manufacturers to manage unforeseen bottlenecks in the supply chain or pricing issues.

Quality of Care

Failure to maintain a high level of patient satisfaction and quality of care could result in damage to our reputation, significant financial loss (including medical malpractice suits) and difficulty in achieving licensing requirements.

A Committee at the board level (Quality Committee) has been established to oversee the quality of care and patient safety.

Furthermore, there are quality committees at each of the hospitals to monitor compliance with JCI standards and to take appropriate actions to make sure that we are compliant with the accreditation standards.

Regular patient satisfaction surveys are conducted and a Quality and Patient Safety Committee has been formed at the Corporate level to ensure that patient measures are linked with the satisfaction surveys.

Local application of a wide range of clinical risk controls and regular monitoring aim to ensure that patients are protected from events that may lead to adverse outcomes.

SAP Implementation

The Company started implementation of SAP in 2013 to enhance its accounting & financial system and extend it to operational areas (non-medical) like Human Resources, Material Management, etc.

The Company went live on the financial and materials management modules in 2014. In 2015 the Company plans to go live on the patient billing and human resources modules.

While adequate measures have been taken, we cannot rule out the possibility of delay or failure in successful implementation. If delays occur, the company may have to incur additional expenditure and/or may not be able to realise projected benefits.

The Company has selected services from one of the top SAP integration consultants in the healthcare sector globally and appointed KPMG to provide project management assurance.

Explicit terms have been inserted in the contract to penalise the service provider for delays caused by them, if any.

There were strong levels of commitment from the management team which supported and facilitated successful implementation of SAP.

A Steering Committee comprising members from senior management team oversees the projects progress and provides guidelines and resources, as needed.

The Company also mitigates this risk by undertaking regular reviews of investment and progress, both in terms of the Corporate Executive Committee and the Board.

| | |
|---|---|
| Pricing of Services<br>Pricing of services by healthcare providers in Abu Dhabi is regulated and is based on the mandatory tariff list issued by Health Authority of Abu Dhabi (HAAD). There is a possibility that the prices may undergo changes and adversely impact on our revenues and profits. | The Company mitigates this risk by maintaining strong relationships, holding meetings regularly and presenting the providers' outlook when HAAD invites feedback from providers. The impact of such changes are assessed and additional mitigation measures are introduced, as needed. This includes negotiations with payers on revised prices for the following financial year. |

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and Accounts, including the consolidated financial statements and the Company financial statements, the Directors' Report, including the Remuneration Report and the Strategic Review, in accordance with applicable law and regulations. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company on a consolidated and individual basis and of the profit or loss of the Company on a consolidated basis for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure compliance with the Companies Act 2006; they are also responsible for safeguarding the Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors whose names and functions are listed on pages 48 and 5 confirms that:

- to the best of their knowledge, the consolidated financial statements and the Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company
- on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Ian Tyler
Non-Executive Chairman
29 March 2014

**Consolidated Statement of Financial Position**
**As at 31 December**

| | Note | **2014**<br>**US$'000** | 2013*<br>US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 4 | **59,057** | 29,233 |
| Intangible assets and goodwill | 5 | **33,177** | 19,938 |
| Deferred tax assets | 22 | **269** | 134 |
| Prepayments | 8 | **2,534** | – |
| **Total non-current assets** | | **95,037** | 49,305 |
| **Current assets** | | | |
| Inventories | 6 | **20,385** | 16,483 |
| Trade and other receivables | 8 | **115,375** | 85,906 |
| Amount due from a related party | 7(c) | **851** | 1,219 |
| Short-term deposit | 10 | **13,624** | – |
| Cash and cash equivalents | 9 | **82,881** | 107,679 |
| **Total current assets** | | **233,116** | 211,287 |
| **Total assets** | | **328,153** | 260,592 |
| **Equity** | | | |
| Share capital | 11 | **18,076** | 18,076 |
| Share premium reserve | 11 | **693,549** | 693,549 |
| Statutory reserve | 11 | **4,114** | 4,114 |
| Merger reserve | 11 | **(700,009)** | (700,009) |
| Retained earnings | | **214,534** | 160,089 |
| Share option reserve | 15 | **3,174** | 2,897 |
| **Equity attributable to owners of the Company** | | **233,438** | 178,716 |
| **Non-controlling interest** | 11 | **4,800** | 1,991 |
| **Total equity** | | **238,238** | 180,707 |
| **Non-current liabilities** | | | |
| Trade and other payables | 13 | **596** | 2,188 |
| Employee benefits | 14 | **15,377** | 11,451 |
| **Total non-current liabilities** | | **15,973** | 13,639 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **67,792** | 63,417 |
| Amounts due to related parties | 7(b) | **6,150** | 2,634 |
| Bank overdraft | 9 | **–** | 195 |
| **Total current liabilities** | | **73,942** | 66,246 |
| **Total liabilities** | | **89,915** | 79,885 |
| **Total equity and liabilities** | | **328,153** | 260,592 |

* Re-presented for acquisition accounting adjustments. See note 29 (a).

These financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 29 March by:

| | |
|---|---|
| **Ian Tyler** | **Ronald Lavater** |
| Non-Executive Chairman | Chief Executive Officer |

**Consolidated Statement of Profit or Loss and other Comprehensive Income**
**For the year ended 31 December**

| | | **For the year ended 31 December 2014** | | | For the year ended 31 December 2013 | | |
|---|---|---|---|---|---|---|---|
| | Note | **Underlying US$'000** | **Non-underlying US$'000** | **Total US$'000** | Underlying US$'000 | Non-underlying US$'000 | Total US$'000 |
| **Revenue** | 16 | **449,056** | **–** | **449,056** | 365,041 | – | 365,041 |
| Cost of sales | 17 | **(257,045)** | **–** | **(257,045)** | (210,503) | – | (210,503) |
| **Gross profit** | | **192,011** | **–** | **192,011** | 154,538 | – | 154,538 |
| Administrative expenses | 18 | **(106,607)** | **(598)** | **(107,205)** | (79,483) | (822) | (80,305) |
| **Results from operating activities** | | **85,404** | **(598)** | **84,806** | 75,055 | (822) | 74,233 |
| Listing transaction costs | | **–** | **–** | **–** | – | (6,134) | (6,134) |
| Finance cost | | **(1,552)** | **–** | **(1,552)** | (5,094) | (2,881) | (7,975) |
| Finance income | 20 | **632** | **–** | **632** | 1,412 | – | 1,412 |
| Net finance cost | | **(920)** | **–** | **(920)** | (3,682) | (2,881) | (6,563) |
| **Profit for the year before tax** | | **84,484** | **(598)** | **83,886** | 71,373 | (9,837) | 61,536 |
| Taxation | 22 | **135** | **–** | **135** | 134 | – | 134 |
| **Profit for the year** | | **84,619** | **(598)** | **84,021** | 71,507 | (9,837) | 61,670 |
| Other comprehensive income – Items that will never be reclassified to profit or loss: | | | | | | | |
| Re-measurement of defined benefit liability | 14 | **(1,977)** | **–** | **(1,977)** | (1,660) | – | (1,660) |
| **Total comprehensive income for the year** | | **82,642** | **(598)** | **82,044** | 69,847 | (9,837) | 60,010 |
| **Profit attributable to:** | | | | | | | |
| Owners of the Company | | **81,810** | **(598)** | **81,212** | 71,228 | (9,837) | 61,391 |
| Non-controlling interest | 11 | **2,809** | **–** | **2,809** | 279 | – | 279 |
| | | **84,619** | **(598)** | **84,021** | 71,507 | (9,837) | 61,670 |
| **Total comprehensive income attributable to:** | | | | | | | |
| Owners of the Company | | **79,833** | **(598)** | **79,235** | 69,568 | (9,837) | 59,731 |
| Non-controlling interest | 11 | **2,809** | **–** | **2,809** | 279 | – | 279 |
| | | **82,642** | **(598)** | **82,044** | 69,847 | (9,837) | 60,010 |
| **Earnings per share** | | | | | | | |
| Basic earnings per share (cents) | 25(a) | | | **69.5** | | | 56.3 |
| Diluted earnings per share (cents) | 25(b) | | | **69.2** | | | 56.2 |

**Consolidated Statement of Changes in Equity**
**For the year ended 31 December**

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Note 11) | Share premium reserve US$'000 (Note 11) | Statutory reserve US$'000 (Note 11) | Merger reserve US$'000 (Note 11) | Retained earnings US$'000 | Share option reserve US$'000 (Note 15) | Total US$'000 | Non-controlling interest US$'000* (Note 11) | Total equity/ (deficit) US$'000 |
| At 1 January 2014 | **18,076** | **693,549** | **4,114** | **(700,009)** | **160,089** | **2,897** | **178,716** | **1,991** | **180,707** |
| ***Total comprehensive income:*** | | | | | | | | | |
| Profit for the year | **–** | **–** | **–** | **–** | **81,212** | **–** | **81,212** | **2,809** | **84,021** |
| Other comprehensive income *(refer note 14)* | **–** | **–** | **–** | **–** | **(1,977)** | **–** | **(1,977)** | **–** | **(1,977)** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **79,235** | **–** | **79,235** | **2,809** | **82,044** |
| **Transactions with owners of the Company:** | | | | | | | | | |
| ***Contribution and distributions:*** | | | | | | | | | |
| Equity settled share-based payment *(refer note 15)* | **–** | **–** | **–** | **–** | **–** | **1,063** | **1,063** | **–** | **1,063** |
| Reversal of equity settled share based based payment *(refer note 15)* | **–** | **–** | **–** | **–** | **–** | **(786)** | **(786)** | **–** | **(786)** |
| Dividends paid *(refer note 12)* | | **–** | **–** | **–** | **(24,790)** | **–** | **(24,790)** | **–** | **(24,790)** |
| **Total contribution and distribution** | **–** | **–** | **–** | **–** | **(24,790)** | **277** | **(24,513)** | **–** | **(24,513)** |
| **At 31 December 2014** | **18,076** | **693,549** | **4,114** | **(700,009)** | **214,534** | **3,174** | **233,438** | **4,800** | **238,238** |
| At 1 January 2013 | – | – | – | 4,114 | (128,092) | 121,066 | (2,912) | – | (2,912) |
| ***Total comprehensive income:*** | | | | | | | | | |
| Profit for the year | – | – | – | – | 61,391 | – | 61,391 | 279 | 61,670 |
| Other comprehensive income*(refer note 14)* | – | – | – | – | (1,660) | – | (1,660) | – | (1,660) |
| **Total comprehensive income** | – | – | – | – | 59,731 | – | 59,731 | 279 | 60,010 |
| **Transactions with owners of the Company:** | | | | | | | | | |
| ***Contribution and distributions:*** | | | | | | | | | |
| Group restructuring *(refer note 11)* | 15,467 | 556,450 | – | (571,917) | – | – | – | – | – |
| Shares issued at IPO *(refer note 11)* | 2,609 | 147,391 | – | – | – | – | 150,000 | – | 150,000 |
| Equity settled share-based payment*(refer note 15)* | – | – | – | – | – | 2,897 | 2,897 | – | 2,897 |
| Listing transaction costs *(refer note 21)* | – | (10,292) | – | – | – | – | (10,292) | – | (10,292) |
| Dividends paid *(refer note 12)* | – | – | – | – | (20,708) | – | (20,708) | – | (20,708) |
| **Total contribution and distribution** | 18,076 | 693,549 | – | (571,917) | (20,708) | 2,897 | 121,897 | – | 121,897 |
| ***Changes in ownership interest*:** | | | | | | | | | |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | 1,712 | 1,712 |
| **At 31 December 2013** | 18,076 | 693,549 | 4,114 | (700,009) | 160,089 | 2,897 | 178,716 | 1,991 | 180,707 |

* Re-presented for acquisition accounting adjustments. See note 29 (a).

**Consolidated Statement of Cash Flows**
**For the year ended 31 December**

| | Note | **2014**<br>**US$'000** | 2013*<br>US$'000 |
|---|---|---|---|
| **Operating Activities** | | | |
| Profit for the year before tax | | **83,886** | 61,536 |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 4,5 | **12,716** | 7,769 |
| Other non-cash items | | **1,364** | 64 |
| Finance costs | 20 | **1,220** | 7,975 |
| Interest income | 20 | **(632)** | (1,368) |
| Employee benefit charge | 14 | **2,897** | 1,711 |
| Listing transaction costs | | **–** | 3,802 |
| Equity-settled share-based payment transactions (net movement) | | **277** | 2,897 |
| Reversal of impairment loss due from a related party | | **–** | (848) |
| Acquisition related costs | | **598** | 507 |
| **Net cash from operating activities** | | **102,326** | 84,045 |
| Change in inventories | | **(3,813)** | (1,977) |
| Change in trade and other receivables | | **(28,190)** | (520) |
| Change in prepaid lease rent | 8 | **(2,725)** | – |
| Change in amount due from a related party | | **368** | (351) |
| Change in trade and other payables | | **9,781** | 8,189 |
| Change in amounts due to related parties | 7(b) | **3,516** | (2,176) |
| **Cash generated from operations** | | **81,263** | 87,210 |
| Employee benefits paid | 14 | **(1,853)** | (946) |
| **Net cash generated from operating activities** | | **79,410** | 86,264 |
| **Investing activities** | | | |
| Interest received | | **495** | 1,513 |
| Short-term deposit | 10 | **(13,624)** | 5,450 |
| Payment for property and equipment | 4 | **(26,840)** | (12,280) |
| Proceeds from sale of property and equipment | | **121** | – |
| Payment for intangible assets | 5 | **(6,639)** | (7,043) |
| Investment in subsidiaries, net of cash acquired (including acquisition related costs) | 29 | **(31,516)** | (3,928) |
| **Net cash used in investing activities** | | **(78,003)** | (16,288) |
| **Financing activities** | | | |
| Proceeds from issue of shares | 11 | **–** | 150,000 |
| Listing transaction costs | | **–** | (14,094) |
| Repayment of loan | | **–** | (128,726) |
| Interest paid | | **(1,220)** | (4,623) |
| Dividend paid | 12 | **(24,790)** | (20,708) |
| **Net cash used in financing activities** | | **(26,010)** | (18,151) |
| Net (decrease)/increase in cash and cash equivalents | | **(24,603)** | 51,825 |
| Cash and cash equivalents at 1 January | 9 | **107,484** | 55,659 |
| Cash and cash equivalents at 31 December | 9 | **82,881** | 107,484 |

* Re-presented for acquisition accounting adjustments. See note 29 (a).

## Notes to the Consolidated Financial Statements

### 1 Status and activity

Al Noor Hospitals Group Plc (the 'Company' or 'Parent') is a Company which was incorporated in England and Wales on 20 December 2012. The Company is a public limited liability company operating mainly in the United Arab Emirates ('UAE'). The address of the registered office of the Company is C/O Capita Company Secretarial Services, 1st Floor, 40 Dukes Place, London, EC3A 7NH. The registered number of the Company is 8338604.

The activities of the subsidiaries are the operation of medical hospitals and clinics and the sale of pharmaceuticals, medical supplies and related equipment. These consolidated financial statements include the financial performance and position of the Company and its subsidiaries (collectively referred to as 'the Group') (refer note 3(a)).

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 29 March 2015 and the consolidated statement of financial position was signed on the Board's behalf by the Chairman and the Chief Executive Officer.

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement as a part of these consolidated financial statements.

## 2 Basis of preparation

The financial information presented for the comparative year ended 31 December 2013 essentially represents the financial performance and position of the same continuing business albeit that the parent company of the group changed in 2013 as a result of group reorganisations.

On 14 June 2013, as a necessary step to its Initial Public Offering on 21 June 2013, the Company (i.e. Al Noor Hospitals Group plc), issued 100 million shares to the shareholders of the previous parent company of the Group, Al Noor Holdings Cayman Limited ("ANHC"), in exchange for 100% of the issued shares of ANHC. The effect of this was to add a new parent company on top of the existing group – this being the only change – prior to its flotation and gave rise to reverse acquisition accounting by the new parent company. In considering the requirements of IFRS 3, consideration was given as to whether this was a business combination. The conclusion reached by the directors was that this was not a business combination by the new parent company merely the addition of a new holding company to a continuing business, i.e., a group reorganisation.

The impact, for accounting purposes, of the transaction on 14 June 2013 was to present the Company as if it had always been the parent company of the group with the consequent continuation of the book values and history previously reported by ANHC, save for alteration of the equity section of the prior year's statement of consolidated financial position to reflect that of the new parent company.

*(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (adopted IFRS) and the Companies Act 2006.

*(b) Going Concern*

These consolidated financial statements have been prepared on the going concern basis. At 31 December 2014, the Group had net assets amounting to US$238.2 million *(2013: US$180.7 million)*, principally as a result of the proceeds from the Initial Public Offering on 21 June 2013 and net profit for the period ended 31 December 2014. The Group is profitable, cash generative and has access to an undrawn committed borrowing facility of up to US$81.7 million. Having considered the Group's cash forecast for a period of 12 months from the date of signing the consolidated statement of financial position, the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

*(c) Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except where adopted IFRS mandates that fair value accounting is required.

*(d) Functional and presentation currency*

The consolidated financial statements and financial information are presented in United States Dollar (US$), rounded to the nearest thousand. The functional currency of the majority of the Group's entities is the United Arab Emirates Dirham (AED) and is the currency of the primary economic environment in which the Group operates. The United Arab Emirates Dirham (AED) is currently pegged against the United States Dollar (US$) at a rate of 3.67 per US Dollar.

*(e) Use of estimates and judgements*

The preparation of consolidated financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about judgements, estimates and assumptions in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 5 – Intangible assets and goodwill
- Note 14 – Employee benefits
- Note 16 – Revenue

*(f) Measurement of fair value*

Fair values in respect of identifiable assets and liabilities acquired through business combination are determined for measurement based on the following methods.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as price) or directly (i. e. derived from price).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Plant and equipment
The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Inventories
The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less estimated costs of sale.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted, if material, at the market rate of interest at the reporting date.

Financial liabilities
The fair value is calculated based on the present value of future principal and interest cash flows, discounted, if material, at the market rate of interest at the reporting date.

*(g) Non-underlying items in the consolidated statement of comprehensive income*
Items that are unusual or infrequent in nature are presented as non-underlying items in the income statement. In addition, where the Directors are of the opinion that separate presentation of an item or items provides helpful information about the Group's underlying business performance, such amounts are included in the non-underlying category with full disclosure of their nature. Non-underlying items include the following items:

- Acquisition related costs *(refer note 29)*
- Finance charges *(refer note 20)*
- First time registration fees in London Stock Exchange *(refer note 18)*

## 3 Significant accounting policies

Except for the changes below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards, including any inconsequential amendments to other standards, with a date of initial application of 1 January 2014.

- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*

None of these new standards had an impact on these consolidated financial statements.

### *(a) Basis of consolidation*

**(i) Business combination**
The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a) (iii)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment (see 3(d)). Any given bargain purchase is recognised in the profit and loss account immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit and loss account. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is reclassified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in the profit and loss account.

In addition, if the contingent consideration is dependent on the former owners of the acquired company remaining in employment, the payment will be treated as a post-acquisition employment expense rather than as part of the consideration for the business combination.

**(ii) Non-controlling interests (NCI)**
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.
Changes in the Group's interest in a subsidiary that do not result in a loss of power to control are accounted for as equity transactions.

**(iii) Subsidiaries**
Subsidiaries are entities where the Group has the power to exercise control. Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**(iv) Transactions eliminated on consolidation**
Intra-group balances, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

***(b) Property and equipment***
**(i) Recognition and measurement**
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses (if any). In the context of property and equipment acquired as part of an acquisition of a business, cost will be the fair value of the property and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss arising on the disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount with the difference being recognised in the profit and loss account.

**(ii) Subsequent costs**
The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the profit and loss account as incurred.

**(iii) Depreciation**
Depreciation is based on cost of an asset less its residual value. Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful economic lives of each component of an item of property and equipment. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the lease will be renewed on expiry. Assets classified as capital work in progress are not subject to depreciation. The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---:|
| Leasehold improvements | 4 years |
| Medical equipment and tools | 4-11 years |
| Furniture, fixtures and office equipment | 4 years |
| Motor vehicles | 5 years |

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date and adjusted if appropriate.

***(c) Inventories***
Inventories are measured at the lower of cost and net realisable value and comprise pharmaceutical and medical supplies. Cost is calculated using the weighted average method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less estimated selling and distribution expenses.

***(d) Impairment***
**Non-Financial Assets**
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use that are largely of the cash flows of other assets or CGUs. Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying value of an asset or CGU exceeds its recoverable amount. An impairment loss is recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amounts of goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU.

***(e) Provisions***
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and the risks specific to the liability.

### *(f) Employee benefits*

**(i) Defined benefit plans**

A defined benefit plan is a post-employment benefit other than a defined contribution plan. The Group currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Such benefits are based on the applicable provisions of the UAE Labour Law. The discount rate is the yield at valuation date, on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit and loss account at the earlier of when the plan amendment or curtailment occurs or when the Group recognizes related restructuring costs or termination benefits. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account. The Group recognises all re-measurements from defined benefit plans immediately in other comprehensive income and all administrative expenses related to defined benefit plans within the profit and loss account. Gains and losses on the curtailment or settlement of a defined benefit plan are recognised when the curtailment or settlement occurs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi - Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

**(ii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably.

**(iii) Share-based payments transactions**

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and nonmarket performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share–based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### *(g) Revenue recognition*

Revenue represents the invoiced value of medical services rendered and pharmaceutical goods sold during the year, and is stated net of discounts.

***Rendering of services***

Revenue from the provision of medical services to in-patients and out-patients is recognised in the profit and loss account in proportion to the stage of completion of the medical service at the reporting date. As a result of the majority of patients having medical insurance cover, the Group's revenue is largely derived from insurers and therefore is stated net of potential estimated insurance claims likely to be rejected. The Group estimates potential insurance claim rejections based on historical trends and treats this as a discount which is recognised as a reduction of service revenue.

***Sale of goods***

Revenue from the sale of pharmaceutical goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

### *(h) Goodwill and other intangible assets*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets including software that is acquired by the Group having finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised on a straight-line basis in the profit and loss account over its estimated useful life from the date that it is available for use. Assets classified as software under development are  not subject to depreciation. The estimated useful life of software is four years. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit and loss account as incurred.

***(i) Segment reporting***

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Segments are disclosed based on the components of the entity that management monitors in making decisions about operating segments (the 'management approach'). Such components are identified on the basis of internal reports that the entity's Chief Operating Decision Maker ('CODM') reviews regularly. All operating segments' results are reviewed by the Group's CODM to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available.

***(j) Earnings per share***

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

The Group calculates diluted earnings per share by increasing the average number of shares by reference to the average number of potential ordinary shares held under option during the period. This reflects the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option exercise price. The market value of shares has been calculated using the average ordinary share price during the period. Only share options which have met their cumulative performance criteria have been included in the dilution calculation.

***(k) Lease payments***

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

***(l) New standards and interpretations not yet adopted***

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2014 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements of the Group, except for the following which could change the classification and measurement of the financial assets. The full extent of the impact has not yet been determined.

- IFRS 9 *"Financial instruments" (expected effective date of 1 January 2018)*
- IFRS 15 *"Revenue from Contract with Customers" (expected effective date of 1 January 2017)*

## 4 Property and equipment

Depreciation is included under the following captions:

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---:|---:|
| Cost of sales | 9,436 | 5,983 |
| Administrative expenses | 2,529 | 1,637 |
| | 11,965 | 7,620 |

| | Leasehold improvement US$'000 | Medical equipment and tools US$'000 | Furniture, fixtures and office equipment US$'000 | Motor vehicles US$'000 | Capital work in progress US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2013 | 4,833 | 49,096 | 11,309 | 1,715 | – | 66,953 |
| Additions | 1,520 | 7,444 | 1,814 | 300 | 1,202 | 12,280 |
| Acquisition through business combinations (refer note 29) | 1,343 | 2,879 | 226 | 8 | 350 | 4,806 |
| Transfers | 774 | 65 | 49 | – | (888) | – |
| Transferred to intangible assets (refer note 5) | – | – | (1,305) | – | – | (1,305) |
| Write off | – | (228) | – | (490) | – | (718) |
| Reclassification | – | (86) | – | 86 | – | – |
| **At 31 December 2013** | **8,470** | **59,170** | **12,093** | **1,619** | **664** | **82,016** |
| At 1 January 2014 | 8,470 | 59,170 | 12,093 | 1,619 | 664 | 82,016 |
| Additions | 6,254 | 9,909 | 3,740 | 16 | 6,921 | 26,840 |
| Acquisition through business combinations (refer note 29) | 5,835 | 6,899 | 51 | – | 196 | 12,981 |
| Transfers | 2,144 | 610 | 89 | – | (2,843) | – |
| Transferred from intangible assets (refer note 5) | – | – | 2,446 | – | – | 2,446 |
| Write off/disposal | (664) | (9,537) | (4,413) | (441) | – | (15,055) |
| **At 31 December 2014** | **22,039** | **67,051** | **14,006** | **1,194** | **4,938** | **109,228** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2013 | 3,974 | 33,080 | 7,892 | 1,450 | – | 46,396 |
| Charge for the year | 598 | 5,401 | 1,427 | 194 | – | 7,620 |
| Transferred to intangible assets (refer note 5) | – | – | (521) | – | – | (521) |
| Write off | – | (227) | – | (485) | – | (712) |
| Reclassification | – | (56) | – | 56 | – | – |
| **At 31 December 2013** | **4,572** | **38,198** | **8,798** | **1,215** | **–** | **52,783** |
| At 1 January 2014 | 4,572 | 38,198 | 8,798 | 1,215 | – | 52,783 |
| Charge for the year | 2,314 | 7,440 | 2,070 | 141 | – | 11,965 |
| Write off/disposal | (653) | (9,131) | (4,397) | (396) | – | (14,577) |
| Reclassification | – | 3 | (3) | – | – | – |
| **At 31 December 2014** | **6,233** | **36,510** | **6,468** | **960** | **–** | **50,171** |
| **Carrying amount** | | | | | | |
| **At 31 December 2014** | **15,806** | **30,541** | **7,538** | **234** | **4,938** | **59,057** |
| At 31 December 2013 | 3,898 | 20,972 | 3,295 | 404 | 664 | 29,233 |

## 5 Intangible assets and goodwill

| | Goodwill<br>US$'000 | Software<br>US$'000 | Software under Development<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|---|
| **Costs** | | | | |
| At 1 January 2013 | 747 | – | – | 747 |
| Acquisition through business combinations (refer note 29) | 11,505 | 8 | – | 11,513 |
| Transferred from property and equipment *(refer note 4)* | – | 1,305 | – | 1,305 |
| Additions | – | 50 | 6,993 | 7,043 |
| Transfers | – | 295 | (295) | – |
| **At 31 December 2013** | **12,252** | **1,658** | **6,698** | **20,608** |
| At 1 January 2014 | 12,252 | 1,658 | 6,698 | 20,608 |
| Acquisition through business combinations *(refer note 29)* | 9,794 | 3 | – | 9,797 |
| Additions | – | 1,650 | 4,989 | 6,639 |
| Transfers to property and equipment *(refer note 4)* | – | – | (2,446) | (2,446) |
| Transfers | – | 5,935 | (5,935) | – |
| **At 31 December 2014** | **22,046** | **9,246** | **3,306** | **34,598** |
| Accumulated amortisation | | | | |
| At 1 January 2013 | – | – | – | – |
| Transferred from property and equipment *(refer note 4)* | – | 521 | – | 521 |
| Charge during the year | – | 149 | – | 149 |
| **At 31 December 2013** | **–** | **670** | **–** | **670** |
| At 1 January 2014 | – | 670 | – | 670 |
| Charge during the year | – | 751 | – | 751 |
| **At 31 December 2014** | **–** | **1,421** | **–** | **1,421** |
| **Carrying amounts** | | | | |
| **At 31 December 2014** | **22,046** | **7,825** | **3,306** | **33,177** |
| At 31 December 2013 | 12,252 | 988 | 6,698 | 19,938 |

**Goodwill**

a. In February 2013, the Group acquired a clinic, Al Noor Hospital Family Care Centre – Al Mamura LLC, formerly known as Solutions Medical Centre LLC located in the Emirate of Abu Dhabi (refer note 29). There are no material separately identifiable tangible and intangible assets and therefore the majority of the purchase consideration is for goodwill, representing the location and future earning potential of the clinic.

b. In October 2013, the Group acquired 75% of the shares and voting interests in Al Madar Group LLC and Manchester Clinic LLC (refer note 29). There are no material separate tangible and intangible assets for Manchester Clinic LLC and therefore the majority of the purchase consideration is for goodwill, representing the location and future earning potential of the clinic.

c. On 10 February 2014, the Group acquired a clinic, Emirates American Company for Medical Services LLC (also known as Gulf International Cancer Centre/GICC) (refer note 29). The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business activities. The company is the sole provider of cancer diagnostic services in the City of Abu Dhabi.

***Impairment testing for CGUs containing goodwill***
For the purpose of impairment testing, goodwill has been allocated to the Group's CGUs as follows:

| | **US$'000** |
|---|---|
| Al Madar Group LLC | **5,985** |
| Manchester Clinic LLC | **4,884** |
| Gulf International Cancer Centre/GICC | **9,794** |
| Multiple units without significant goodwill | **1,383** |
| | **22,046** |

***Al Madar Group LLC and Gulf International Cancer Centre/GICC***
During the year, Al Madar Group LLC and Gulf International Cancer Centre/GICC performed as expected and no indications of impairment of the goodwill have been identified at 31 December 2014.

***Manchester Clinic LLC***
The recoverable amount of this CGU was based on its value in use determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The estimated recoverable amount of the CGU exceed its carrying amount by US$563 thousand.

Key assumptions used in the estimation of the recoverable amount are set out below. The discount rate was estimated based on the historical industry average weighted-average cost of capital.

| | |
|---|---|
| Discount rate | **14.2%** |
| Terminal value growth | **2.0%** |

The cash flow projections included estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant might make.

**6 Inventories**

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Pharmacy items | **13,066** | 11,771 |
| Consumables | **7,360** | 4,803 |
| | **20,426** | 16,574 |
| Less: allowance for inventory obsolescence | **(41)** | (91) |
| | **20,385** | 16,483 |

The movement in the allowance for inventory obsolescence during the year was as follows:

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| 1 January | **91** | 400 |
| Provided during the year | **108** | – |
| Written off | **(158)** | (309) |
| **At 31 December** | **41** | 91 |

Management has estimated the recoverability of inventory balances and considered the allowance required for inventory obsolescence based on the current economic environment and past obsolescence history.

**7 Related party balances and transactions**
Related parties comprise the parent, the ultimate parent, the Shareholders, key management personnel and those entities over which the parent, the ultimate parent, the directors or the Group can exercise significant influence or which can significantly influence the Group. In the ordinary course of business, the Group receives goods and services from, and provides goods and services to, such entities on rates, terms and conditions agreed upon by management.

***(a) Key management personnel compensation:***
The compensation of key management personnel during the year was as follows:

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Salaries and short-term benefits* | **5,016** | 3,050 |
| Directors' emoluments | **2,427** | 448 |
| End of service benefits | **192** | 175 |
| Equity-settled share-based payment transactions (net movement) *(refer note 15)* | **277** | 565 |

* Key management personnel include C level executives and hospital directors.

***(b) Amounts due to related parties:***

| | **2014**<br>**US$'000** | **2013**<br>**US$'000** |
|---|---|---|
| Al Saqar Property Management Establishment | **3,753** | 1,153 |
| Gulf & World Traders LLC | **1,914** | 925 |
| Al Bahiya Trading & Services Est. | **266** | 284 |
| Pharma World LLC | **213** | 148 |
| Safe Travel Establishment | **4** | 124 |
| | **6,150** | 2,634 |

The above amounts due to related parties is non-interest bearing and repayable on demand.

***(c) Amount due from a related party:***

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Amount due from a shareholder | **851** | 1,219 |

***(d) Other related party transactions:***

| **Name of the related party** | **Relationship** | **Nature of the transaction** | **Amount 2014 US$'000** | **Amount 2013 US$'000** | **Amounts due from/(to) at 2014 US$'000** | **Amounts due from/(to) at 2013 US$'000** |
|---|---|---|---|---|---|---|
| Gulf & World Traders LLC C | Common ownership | Purchase | **5,822** | 4,883 | **(1,914)** | (925) |
| Al Bahiya Trading & Services Est.) | Common ownership | Purchase | **1,653** | 1,670 | **(266)** | (284) |
| Pharma World LLC | Common ownership | Purchase | **646** | 571 | **(213)** | (148) |
| Al Saqar Property Management Establishment) | Common ownership | Rent expense | **12,914** | 10,885 | **(3,753)** | (1,153) |
| | | Purchase | **5,075** | 266 | **–** | – |
| Shareholder of the Group | Common ownership | Revenue | **436** | 444 | **851** | 1,219 |

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled on demand. None of the balances are secured.

At 31 December 2014, a credit facility with the Bank of Sharjah was secured by personal guarantees from shareholders of the Group. Post year end, these personal guarantees were cancelled.

**8 Trade and other receivables**

| | **2014**<br>**US$'000** | **2013**<br>**US$'000** |
|---|---|---|
| Trade receivables | **98,049** | 69,735 |
| Staff advances and other receivables | **10,059** | 11,145 |
| Prepayments* | **9,801** | 5,026 |
| | **117,909** | 85,906 |

Trade and other receivables are classified as follows:

| | **2014**<br>**US$'000** | **2013**<br>**US$'000** |
|---|---|---|
| Within one year | **115,375** | 85,906 |
| After one year* | **2,534** | – |
| | **117,909** | 85,906 |

This includes total prepaid lease rent of US$2,725 thousand *(2013: nil)* for the Gulf International Cancer Centre for the period of 25 years *(see note 29 for acquisition of subsidiary).*

The average credit period on the sale of goods or fees for the provision of services is 45 – 60 days. No interest is charged on trade and other receivables. Trade and other receivable balances that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Before accepting any new customers, the Group assesses the potential credit quality of the customer. Out of the trade receivables balance at the end of the year, US$91.9 million representing 94% of the total trade receivables *(31 December 2013: US$62.3 million representing 89% of the total trade receivables)* is due from insurance companies.

***Ageing of trade receivables:***

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Not past due | **74,670** | 60,894 |
| Due for 1 to 30 days | **18,083** | 8,841 |
| Due for 31 to 60 days | **5,296** | – |
| | **98,049** | 69,735 |

## 9 Cash and cash equivalents

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Cash in hand | **331** | 162 |
| Cash at bank | **60,523** | 39,258 |
| Term deposit | **22,027** | 68,259 |
| | **82,881** | 107,679 |
| Bank overdraft | **–** | (195) |
| **Total cash and cash equivalents for cash flow purposes** | **82,881** | 107,484 |

## 10 Short-term deposit

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Fixed deposit | **13,624** | – |

The maturity date of the deposit was more than 3 months from the start of the term and the effective interest rate on the deposit was 1.14% *(2013: 3.25%).*

## 11 Equity

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Issued and fully paid 116,866,203 shares of GBP 10 pence each<br>*(converted to US$ at 1.5467)* | **18,076** | 18,076 |

***Movement of issued share capital and share premium:***

| | Number of shares (000) | Ordinary shares US$'000 | Share premium US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 1 January 2013 | – | – | – | – |
| Issue of new shares[1] | 100,000 | 15,467 | 556,450 | 571,917 |
| Issue of new shares – IPO[2] | 16,866 | 2,609 | 147,391 | 150,000 |
| Less: flotation cost3 *(refer note 21)* | – | – | (10,292) | (10,292) |
| At 31 December 2013 | 116,866 | 18,076 | 693,549 | 711,625 |
| **At 31 December 2014** | **116,866** | **18,076** | **693,549** | **711,625** |

[1] The Group was restructured on 14 June 2013 when the Company acquired its investment in Al Noor Holdings Cayman Limited ('ANHC') by way of a share for share exchange with the shareholders of ANHC being identical to the shareholders of the Company. 100,000,000 shares were issued to the shareholders of the ANHC creating share premium of US$556,450 thousand.

[2] On 21 June 2013, Al Noor Hospitals Group Plc completed its Premium Listing on the London Stock Exchange and raised US$150,000 thousand from the issue of 16,866 thousand new ordinary shares, thereby diluting existing shareholders' equity interest to 85.57%.

[3] During the year ended 31 December 2013 costs of US$16,426 thousand were incurred in relation to completion of the Company's Premium Listing on the London Stock Exchange. Of these costs, US$10,292 thousand has been deducted from the share premium account and US$6,134 thousand has been charged to the consolidated statement of profit or loss in accordance with the requirements of IAS 32 – Financial Instruments: Disclosure and Presentation (refer note 21).

***Merger reserve***

As at 1 January 2013, the merger reserve represents the difference between the consolidated net assets of Al Noor Holdings Cayman Limited and the retained earnings and statutory reserve of the Group at 31 December 2012. On 14 June 2013, a group reorganisation occurred when the Company acquired Al Noor Holdings Cayman Limited in a share for share exchange (refer to note 2). 100,000,000 new ordinary shares of GBP 10p were issued out of merger reserve on acquisition creating share premium of US$556,450 thousand based on the cost of acquisition of Al Noor Holdings Cayman Limited.

***Share premium reserve***

Share Premium represents the difference between the new shares listed on the London Stock Exchange at £5.75 and the par value of £0.10. In addition, the share premium was created upon the group reorganisation when the Company acquired Al Noor Holdings Cayman Limited.

**Other class of shares unissued as at 31 December 2014 and 2013**

| | **No. of shares** | **Amount US $** |
|---|---|---|
| Preference shares (redeemable non-voting) | **50,000** | **77,335** |
| Subscriber shares | **10** | **2** |

***Statutory reserve***

The Statutory reserve is a reserve which is made in the financial statements of individual subsidiaries in accordance with UAE Federal Law No. 8 of 1984 (as amended). Retained earnings of the Group included individual subsidiaries company's statutory reserve of US$68,120 which were created in accordance with UAE Federal law. These amounts are not available for distribution.

***Non-controlling interest***

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| At 1 January | **1,991** | – |
| Share of total net assets | **–** | 1,712 |
| Share of results for the year | **2,809** | 279 |
| **At 31 December** | **4,800** | **1,991** |

**12 Dividends**

The Company (or its predecessor) paid dividends to Shareholders as set out below:

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| Dividend paid* | **24,790** | 20,708 |

* Divided paid pertaining to 2013 is for previous owners of the Group on 20 March 2013. Dividends paid during the year 2014 includes interim dividend for 2014 amounting to US$7,091 thousand (6.07 cents per share).

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| Proposed final dividend for the year 13.39 cents (2013: 14.709 cents) per share** | **15,648** | 17,189 |

** The proposed final dividend for the year ended 31 December 2014 is subject to approval by equity shareholders of the Company and hence it has not been included as a liability in the consolidated financial statements at 31 December 2014.

### 13 Trade and other payables

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| Trade payables | **41,071** | 33,563 |
| Accrued liabilities | **24,488** | 17,362 |
| Other payables | **1,211** | 3,379 |
| Amounts payable for investment in subsidiaries* | **1,618** | 11,240 |
| Financial liability | **–** | 61 |
| | **68,388** | 65,605 |

* Amounts payable for investment in subsidiaries include an amount of US$1.6 million *(2013: US$2.8 million)* as contingent consideration on the acquisition of Al Madar Group LLC *(refer to note 29)*.

Trade and other payables are repayable as follows:

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| Within one year | **67,792** | 63,417 |
| After one year | **596** | 2,188 |
| | **68,388** | 65,605 |

The average credit period on the purchase of goods is 60-90 days. The Group has financial risk management policies in place for the settlement of payables within the credit time frame (refer to note 27(d) for liquidity risk analysis).

**Trade and other payables include the following provisions recognised for legal claims:**

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| As at 1 January | **2,066** | 1,205 |
| Provisions made during the year | **760** | 1,134 |
| Provisions used during the year | **(440)** | (41) |
| Provisions reversed during the year | **(434)** | (232) |
| **As at 31 December** | **1,952** | **2,066** |

Provisions have not been separately disclosed on the face of the balance sheet as amounts are not material.

### 14 Employee benefits

The Group's obligation in respect of retirement benefits is recognised in the statement of financial position at the present value of the defined benefit at the end of the reporting period, including any adjustments for past service costs. The defined benefit plan is unfunded.

The following are the principal actuarial assumptions at the respective reporting date (expressed as weighted averages):

| | 2014 | 2013 |
|---|---|---|
| Discount rate at 31 December | **3.5%** | 4.25% |
| Future salary increases | **3.5%** | 3.50% |
| Average retirement age | **55 years** | 55 years |
| Annual turnover rate | **9.00%** | 9.00% |

***Movement in the present value of the defined benefit obligation***:

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| End of service benefit obligation at 1 January | **11,451** | 8,385 |
| Acquisition through business combinations *(refer note 29)* | **905** | 641 |
| Benefits paid | **(1,853)** | (946) |
| | | |
| **Included in the statement of profit or loss:** | | |
| Current service costs and interest | **2,897** | 1,711 |
| **Included in other comprehensive income:** | | |
| Re-measurement | **1,977** | 1,660 |
| **End of service benefit obligation at 31 December** | **15,377** | 11,451 |

***Expenses recognised in profit and loss:***

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---:|---:|
| Current service costs | **2,516** | 1,417 |
| Interest on obligations | **381** | 294 |
| | **2,897** | 1,711 |

The expense is recognised in the following line items in the consolidated statement of profit and loss account:

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---:|---:|
| Cost of sales | **2,157** | 1,243 |
| Administrative expenses | **740** | 468 |
| | **2,897** | 1,711 |

***Historical information:***

| | **2014** | 2013 | 2012 | 2011 | 2010 |
|---|---:|---:|---:|---:|---:|
| Present value of the defined benefit obligations | **15,377** | 11,451 | 8,385 | 6,352 | 5,183 |
| Discount rates | **3.5%** | 4.25% | 3.50% | 4.25% | 5.00% |

The Group expects service costs of US$2,848 thousand and interest costs on the obligation of US$436 thousand for the year ending 31 December 2015.

***Sensitivity analysis:***

| | **Increase** | **2014** | Increase | 2013 |
|---|---:|---:|---:|---:|
| | | **US$'000** | | US$'000 |
| | | **Decrease** | | Decrease |
| Discount rate (1% movement) | **(679)** | **920** | (540) | 547 |
| Future salary increases (1% movement) | **912** | **(686)** | 546 | (548) |

## 15 Equity-settled share-based payment arrangements

On 26 June 2013, the Group established an equity-settled share-based payment arrangement under the Company's Long-Term Incentive Plan (LTIP) that entitles selected key management personnel to be awarded with shares of the Company. No consideration was paid for granting of the awards, which are structured as conditional awards as explained below.

The awards will vest in two equal tranches: one tranche is subject to the satisfaction of performance conditions set by Remuneration Committee of the Group, measured over a performance period of three financial years ending 31 December 2015; the second tranche will vest on 31 December 2016 provided the participant remains employed by the Group on that date.

The fair value of the above arrangement has been measured based on the quoted share price of the Company available on the London Stock Exchange at grant date of the above awards. As at 31 December 2014, other than forfeited shares numbering 83,011, it is assumed that all other shareholders under the above arrangement will satisfy all the performance conditions set by Remuneration Committee of the Company.

Furthermore, the Board approved a share award to senior management in relation to the IPO. No consideration was paid for granting of the awards, which are structured as non-conditional awards and granted as at the date of the IPO. The fair value of this arrangement has been measured based on the quoted share price of the Company available on the London Stock Exchange at grant date of the awards.

## 16 Revenue

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---:|---:|
| In-patient | **101,515** | 90,563 |
| Out-patient | **347,541** | 274,478 |
| | **449,056** | 365,041 |

Revenue is stated after potential insurance claim rejections and discounts provided to insurance companies. Management estimates these claim rejections based on historic actual data and trends, its experience in dealing with insurance companies and the current economic environment. The actual rejected claims in the past have not differed materially from those estimated by management.

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---:|---:|
| Revenue from rendering of services | **384,167** | 302,182 |
| Revenue from sale of goods | **64,889** | 62,859 |
| | **449,056** | 365,041 |

*Sensitivity analysis*

A reasonably possible outcome could be a 1% movement in the actual rejection rate and the sensitivity of this is shown below in terms of the impact on revenue and operating profit.

| | **2014 US$'000** | | 2013 US$'000 | |
|---|---|---|---|---|
| | **Rejection Rate** | | Rejection Rate | |
| | **Increase** | **Decrease** | Increase | Decrease |
| | **+1%** | **-1%** | +1% | -1% |
| Revenue and operating profit impact | **(3,741)** | **3,741** | (3,284) | 3,284 |

**17 Cost of sales**

Cost of sales, analysed by category, is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Cost of medicine and consumables | **95,094** | 86,488 |
| Medical staff cost | **152,515** | 118,032 |
| Depreciation | **9,436** | 5,983 |
| | **257,045** | 210,503 |

**18 Administrative expenses**

Administrative expenses, analysed by category, are as follows:

| | **Underlying** | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Other administrative expenses | **34,833** | 23,264 |
| Rent expenses | **17,864** | 16,094 |
| Staff costs | **48,286** | 37,230 |
| Depreciation and amortisation | **3,280** | 1,788 |
| Selling and distribution expenses | **2,344** | 1,107 |
| | **106,607** | 79,483 |

| | **Non- Underlying** | |
|---|---|---|
| Non-underlying administrative expenses* | **598** | 822 |
| **Total administrative expenses** | **107,205** | 80,305 |

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Acquisition related costs* | **598** | 507 |
| First time registration fees in London Stock Exchange | **–** | 315 |
| | **598** | 822 |

* Acquisition related costs represents legal fees, commercial and financial due diligence fees on potential, abortive or business acquisitions concluded during the year. These costs, as distinct from other operating expenses, are those which the directors consider separate presentation provides helpful information about the Group's underlying business performance.

**19 Staff costs and Directors' emoluments**

The average number of persons employed by the Group during the year, analysed by category, is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Medical staff | **2,162** | 2,003 |
| Administrative staff | **1,760** | 1,658 |
| | **3,922** | 3,661 |

The aggregate payroll costs of these persons including key management personnel and contracted outside doctors were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Wages and salaries | **169,434** | 130,871 |
| End of service benefits *(refer note 14)* | **2,897** | 1,711 |
| Directors' emoluments | **2,427** | 448 |
| Equity-settled share-based payment transactions *(refer note 15)* | **277** | 565 |
| Fees paid to contracted outside doctors | **25,766** | 21,667 |

| | | |
|---|---|---|
| | **200,801** | 155,262 |

### 20 Net finance cost

| | **Underlying** | |
|---|---|---|
| | **2014**<br>**US$'000** | 2013<br>US$'000 |
| **Finance income** | | |
| Interest income | **632** | 1,368 |
| Foreign currency exchange gain | **–** | 44 |
| | **632** | 1,412 |
| **Finance expenses** | | |
| Interest expense | **(9)** | (3,898) |
| Foreign currency exchange loss | **(332)** | – |
| Ineffective portion of hedge | **–** | (29) |
| Finance charges (comprising commitment fees and other bank charges) | **(1,211)** | (1,167) |
| | **(1,552)** | (5,094) |
| **Net finance cost – underlying** | **(920)** | (3,682) |

| | **Non-Underlying** | |
|---|---|---|
| | **2014**<br>**US$'000** | 2013<br>US$'000 |
| **Finance expenses** | | |
| Finance charges | **–** | (2,881) |
| **Net finance cost** | **–** | (2,881) |
| **Total net finance costs** | **(920)** | (6,563) |

### 21 Listing transaction costs

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Listing transaction costs recognised in the profit and loss account *(non-underlying)** | **–** | 6,134 |
| Listing transaction costs recognised in share premium reserve *(refer note 11)* | **–** | 10,292 |
| | **–** | 16,426 |

* Included in the listing transaction costs recognised in the profit and loss account is US$2.3 million for share awards to management that are recognised as a share-based payment expense *(refer to note 15)*.

Transaction costs arising on the issue of equity instruments do not include indirect costs, such as the costs of management time and administrative overheads, or allocation of internal costs that would have been incurred had the shares not been issued. Transaction costs of the Initial Public Offer (IPO) that are directly attributable to the issue of new shares are accounted for as a deduction from share premium. Costs relating to the issue of existing shares are expensed in the profit and loss account.

Judgment has been used to determine whether transaction costs are directly attributable or not. Allocation of costs between previously issued shares and new shares is made proportionately based on the relevant number of shares.

### 22 Taxation

The Group operates solely in the United Arab Emirates and Sultanate of Oman. There is no corporate or other tax in the United Arab Emirates ('UAE') and therefore the Group has no tax liability arising in the UAE.

In the Sultanate of Oman, the Group's operations have reported a loss for the year ended 31 December 2014 and accordingly a deferred tax asset amounting to US$269 thousand (2013: US$134 thousand) has been recognised.
The Group's parent company is registered in the UK and has recorded a loss for the year ended 31 December 2014. No deferred tax asset has been accounted for as recovery of this loss against future UK taxable profit is uncertain.

### 23 Auditor's remuneration

| | **2014**<br>**US$'000** | 2013*<br>US$'000 |
|---|---|---|
| Fees paid and accrued to the Company's auditor for the Company's annual accounts | **557** | 413 |
| Fees paid and accrued to the Company's auditor for the other services: | | |
| – audit related assurance | **241** | 232 |
| – other assurance and corporate finance services | **75** | 1,380 |
| – non audit services | **79** | 77 |
| Total auditor's remuneration | **952** | 2,102 |
| Off set against share premium | **–** | (605) |
| **Total recognised in the consolidated statement of profit or loss** | **952** | 1,497 |

* Auditor's remuneration in 2013 has been re-presented following an assessment of how much work undertaken during the year relates specifically to the year-end audit.

Additionally, in 2014 the Company paid further fees of USD 68,000 to KPMG for scope variations in respect of the 2013 statutory financial audit.

**24 Contingent liabilities and commitments**

| | **2014**<br>**US$'000** | 2013<br>US$'000 |
|---|---|---|
| Bank guarantees | **3,428** | 2,786 |
| Letters of credit | **4,384** | – |
| Capital commitment | **2,892** | 3,501 |

The above bank guarantees were issued in the normal course of business.

The Group defends various legal claims raised against it in the normal course of business. Where it considers that it is probable that it will settle a claim, management estimate the likely amount of settlement and provide accordingly. Claims that are considered remote or only possible represent contingent liabilities of the Group. If the Group's defence against these contingent liabilities is not successful, the Group may ultimately become liable for settlement. The Group's Medical Malpractice Insurance Policy covers all settlements made by the Group subject to insurance deductibles and the overall coverage provided by the policy. The Board of Directors and Management do not expect actions arising from the claims currently classified as contingent liabilities to have a material effect on the Group's future financial position.

**25 Earnings per share**

***(a) Basic earnings per share***

The calculation of basic earnings per share has been based on the following profit attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding.

| | **2014** | 2013 |
|---|---|---|
| Profit for the year (US$'000) | **81,212** | 61,391 |
| Weighted-average number of ordinary shares (basic) | **116,866** | 108,965 |
| Basic earnings per share (cents) | **69.5** | 56.3 |

***(b) Diluted earnings per share***

The calculation of diluted earnings per share has been based on the following profit attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding after adjustments for the effect of all dilutive potential ordinary shares

| | **2014** | 2013 |
|---|---|---|
| Profit for the year (US$'000) | **81,212** | 61,391 |
| Weighted-average number of ordinary shares (diluted) | **117,286** | 109,240 |
| Diluted earnings per share (cents) | **69.2** | 56.2 |

*Weighted-average number of ordinary shares (diluted) is calculated as follows:*

| | **2014** | 2013 |
|---|---|---|
| Weighted-average number of ordinary shares (basic) | **116,866** | 108,965 |
| Effect of equity-settled share-based payment arrangement | **420** | 275 |
| Weighted-average number of ordinary shares (diluted) as at 31 December | **117,286** | 109,240 |

***(c) The adjusted earnings per share (basic and diluted) after considering the non-underlying items;***

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to ordinary shareholders (USD'000) | **81,212** | 61,391 |
| Add: non-underlying items (USD'000) | **598** | 9,837 |
| Underlying profit attributable to ordinary shareholders (USD'000) | **81,810** | 71,228 |
| Weighted-average number of ordinary shares (basic) | **116,866** | 108,965 |
| Weighted-average number of ordinary shares (diluted) | **117,286** | 109,240 |
| | | |
| Adjusted basic earnings per share (cents) | **70.0** | 65.3 |
| Adjusted diluted earnings per share (cents) | **69.8** | 65.2 |

## 26 Operating leases

Total commitments under operating leases which expire in the following time period are:

| | **2014** | **2013** |
|---|---:|---:|
| | **USD'000** | **USD'000** |
| | 17,729 | 16,863 |
| Less than one year | | |
| Between one and five years | 58,931 | 54,104 |
| More than five years | 147,471 | 150,003 |
| | 224,131 | 220,970 |
| | **224,131** | **220,970** |

The Group leases a number of premises under operating leases from a shareholder of the Group (refer note 7(d)). The leases are for an initial period of 25 years with an option for the Group to renew the lease after that date at a market rate. The leases are cancellable only at the option of the Group, during the initial period of 25 years, with one year's written notice, unless the Ministry of Health (or similar body) cancels the Group's trade licences or otherwise prevents the Group from operating in the premises, in which case the leases could be immediately cancelled. Although the non-cancellable element is only one year, the remaining period of the initial 25 year profile is disclosed because the Group considers it is currently unlikely the leases will be cancelled. The lease rentals are subject to an increase of 5% per annum on a compound basis after 20 years. The terms of the Group's material leases which were effective from ,1 January 2012, are as follows.

| Lease | Segment | Tenure | Value of lease<br>USD' million |
|---|---|---:|---:|
| 1. | Central region | 25 years | 109 |
| 2. | Central region | 25 years | 65 |
| 3. | Eastern region | 25 years | 17 |
| 4. | Eastern region | 25 years | 24 |

## 27 Financial instruments

***(a) Capital management***

The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. In recent years, the Group has been strongly cash generative and this has allowed the Board to declare dividend payments in each of the last three years. The Company raised US$150 million from Premium Listing on the London Stock Exchange in 2013. Accordingly, the capital base increased by the same amount.

The Board's policy is to develop and maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. The Board believes that the Group can sustain an amount of debt so as to be financially efficient and regularly reviews its optimal target gearing ratio. In the event that the Group wishes to undertake any significant expansion requiring the raising of new capital, the Board will carefully consider what the appropriate ratio of debt to equity should be.

Retained earnings, cash reserves and bank facilities available to the Group are used within the business and are considered to be the capital of the Group.

***(b) Financial risk management objectives***

The Group is exposed to the following risks related to financial instruments-credit risk, liquidity risk, foreign currency risk and interest rate risk. During the current year, the Group did not enter into or trade in any new financial instruments, investments in securities, including derivative financial instruments, for speculative or risk management purposes.

***c) Credit risk***

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Note | **2014** | 2013 |
|---|---|---:|---:|
| | | **US$'000** | US$'000 |
| Trade and other receivables | 8 | **108,108** | 80,880 |
| Bank balances | 9 | **82,550** | 107,517 |
| Amounts due from related parties | 7(c) | **851** | 1,219 |
| Short-term deposit | 10 | **13,624** | – |
| | | **205,133** | 189,616 |

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties; significant revenue is generated by dealing with high profile customers for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have a low credit risk of default since these banks are highly regulated by the central bank of the United Arab Emirates.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. All balances with banks represent local and international commercial banks. The fixed deposits accounts are made in various local and international commercial banks. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties fail to perform their obligations generally approximates their carrying value.

Majority of customers have been transacting with the Group for several years, are either sovereign owned, listed or private companies and have a good credit performance record with the company.

***(d) Liquidity risk***

Ultimate responsibility for liquidity risk management rests with the Directors of the Group, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The table below summarises the maturity profile of the Group's non-derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities at the end of reporting period based on existing contractual repayment arrangements was as follows:

| | **Carrying amount US$'000** | **Contractual cash flows US$'000** | **One year or less US$'000** | **More than one year US$'000** |
|---|---|---|---|---|
| **31 December 2014** | | | | |
| Trade and other payables | **68,388** | **(68,388)** | **(67,792)** | **(596)** |
| Amounts due to related parties | **6,150** | **6,150** | **(6,150)** | **–** |
| | **74,538** | **(74,538)** | **(73,943)** | **(596)** |
| **31 December 2013** | | | | |
| Trade and other payables | 65,605 | (65,605) | (63,417) | (2,188) |
| Amounts due to related parties | 2,634 | (2,634) | (2,634) | – |
| Bank overdraft | 195 | (195) | (195) | – |
| | 68,434 | (68,434) | (66,246) | (2,188) |

***(e) Foreign currency risk management***

The Group does not have any significant exposure to currency risk as most of its assets and liabilities are denominated in UAE Dirhams or in US Dollars, the latter being currently pegged to the UAE Dirham at a fixed rate of exchange of 3.67 AED/US$.

***(f) Interest rate risk***

The Group adopts a policy of ensuring that at any time at least 50% of the debt exposure to changes in interest rate on borrowings of the Group is hedged, provided the total debt exceeds US$25 million. The Group has not entered into any new hedge contract during the year ended 31 December 2014.

**Fair value of financial instruments**

Management considers that the fair values of financial assets and financial liabilities approximate their carrying amounts as stated in the consolidated financial statements except for the items specified separately.

As at 31 December 2014 and 2013, the Group did not have any material financial assets and liabilities that are re-measured subsequent to initial recognition at fair value.

The fair value measurements of all of the Group's assets and liabilities that are recognised at fair value, or for which fair value is disclosed are categorised as level 3 fair values (i.e. not based on observable market data).

## 28 Operating segments

The Group has the following major reportable segments, which are the Group's strategic business units for which the Group's CODM reviews internal management reports. The Group operates in the Emirate of Abu Dhabi, the Emirate of Dubai and the Sultanate of Oman and the following summary describes the operations in each of the Group's reportable segments:

| Reportable segments | Operations |
|---|---|
| Central region | Operation of hospitals, clinics and pharmacies in Abu Dhabi. The hospitals cater to both in-patient and out-patient care. |
| Western and Eastern | Operation of hospitals, clinics and pharmacies in Abu Dhabi. The hospitals cater to both in- |

| | |
|---|---|
| region | patient and out-patient care |
| International | Operation of clinic and pharmacies in the Sultanate of Oman. The clinic caters to out-patient care. |
| Northern Emirates | Operation of clinic and physiotherapy in Dubai. The clinic caters to out-patient care. |

Performance is measured based on segment profit as included in the internal management reports that are reviewed by the Group’s CODM. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of each segment.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. As a result of the Group's liabilities not being directly reviewed by the Group's CODM, segment liabilities have not been disclosed in the consolidated financial statements.

Information about reportable segments:

| | **Central region US$'000** | **Western and eastern region US$'000** | **International US$'000** | **Northern Emirates US$'000** | **Total US$'000** |
|---|---|---|---|---|---|
| **31 December 2014** | | | | | |
| Revenue | **316,742** | **130,648** | **234** | **1,334** | **448,958** |
| Net profit/(loss) | **68,655** | **36,953** | **(991)** | **(598)** | **104,019** |
| Interest expense | **(297)** | **(83)** | **(2)** | **(23)** | **(405)** |
| Depreciation and amortisation | **(7,365)** | **(3,417)** | **(149)** | **(179)** | **(11,110)** |
| Capital expenditure | **16,881** | **5,965** | **232** | **284** | **23,362** |
| Segment total assets | **138,251** | **58,962** | **2,123** | **5,757** | **205,093** |
| 31 December 2013* | | | | | |
| Revenue | 277,751 | 86,866 | 30 | 253 | 364,900 |
| Net profit/(loss) | 71,102 | 17,180 | (784) | (16) | 87,482 |
| Interest expense | (227) | (38) | (2) | (5) | (272) |
| Depreciation and amortisation | (4,998) | (2,054) | (51) | (26) | (7,129) |
| Capital expenditure | 7,530 | 3,597 | 427 | – | 11,554 |
| Segment total assets | 81,166 | 39,234 | 2,392 | 5,516 | 128,308 |

*The prior year segmental analysis has been restated to be consistent with the presentation in the current year, which reflects the reallocation of corporate costs to the segments.

Reconciliations of reportable segment revenue, net profit and segment total assets:

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue for reportable segments | **448,958** | 364,900 |
| Other revenue | **98** | 141 |
| **Total revenue for the year** | **449,056** | 365,041 |

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| **Net profit** | | |
| Total net profit for reportable segments | **104,019** | 87,482 |
| Other income | **98** | 242 |
| Interest income | **632** | 1,412 |
| Corporate shared services | **(14,053)** | (10,455) |
| *Un-allocated corporate expenses:* | | |
| Depreciation | **(1,606)** | (640) |
| Interest expenses | **(1,147)** | (7,703) |
| Other expenses | **(3,922)** | (2,534) |
| Listing transaction costs | **–** | (6,134) |
| **Net profit for the year** | **84,021** | 61,670 |

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| **Total assets** | | |
| Total assets for reportable segments | **205,093** | 128,308 |
| *Un-allocated assets:* | | |
| Short-term deposit | **13,624** | – |
| Cash and cash equivalents | **79,084** | 107,679 |
| Head office assets | **29,501** | 23,386 |
| Amounts due from related parties | **851** | 1,219 |
| **Total assets** | **328,153** | 260,592 |

| | Reportable segment totals US$'000 | Adjustments US$'000 | Total US$'000 |
|---|---|---|---|
| **Other material items for the year ended 31 December 2014** | | | |
| Interest expenses | **(405)** | **(1,147)** | **(1,552)** |
| Depreciation and amortisation | **(11,110)** | **(1,606)** | **(12,716)** |
| Capital expenditure | **23,362** | **10,117** | **33,479** |
| Other material items for the year ended 31 December 2013 | | | |
| Interest expenses | (272) | (7,703) | (7,975) |
| Depreciation and amortisation | (7,129) | (640) | (7,769) |
| Capital expenditure | 11,554 | 7,769 | 19,323 |

**Major customer**

Revenue from the following customers of the Group represented approximately 70% *(2013: 68.1%)* of total revenue of the Group.

| | **2014 US$'000** | 2013 US$'000 |
|---|---|---|
| Customer I | **282,134** | 209,430 |
| Customer II | **33,651** | 39,341 |
| | **315,785** | 248,771 |

## 29 Acquisition of subsidiaries

### *(a) Al Madar Group LLC*

In October 2013, the Group acquired 75% of the shares and voting interests in Al Madar Group LLC which includes Al Madar Medical Centre Pharmacy, Aquacare Medical Centre and Al Madar Medical Centre, for US$11.2 million (AED 41.25 million). The total consideration was included under other payables as at 31 December 2013.

**Acquisition-related costs**

In 2013, the Group incurred acquisition-related costs of US$128,000 on legal fees and due diligence costs. These costs have been included in 'Administrative expenses' under non-underlying.

During the year 2014, the Group has finalised the accounting records of four branches namely Dubai, Ajman, Abu Dhabi and Al Maqam which were acquired on 31 October 2013 as part of acquisition of Al Madar Group LLC. As a result of this, the statement of financial position as at 31 December 2013 was restated with the identifiable assets and liabilities as shown below.

As there is no additional consideration payable, recording these net assets as at 31 December 2013, results in a reduction of the original goodwill figure from US$7,526 thousand to US$5,985 thousand as at 31 December 2013.

| | Reported In 2013 US$'000 | Adjustments US$'000 | Restated US$'000 |
|---|---|---|---|
| Property and equipment | 2,029 | 1,972 | 4,001 |
| Inventories | 183 | – | 183 |
| Trade and other receivables | 1,517 | 20 | 1,537 |
| Cash and cash equivalents | 2,347 | 130 | 2,477 |
| Trade and other payables | (885) | (45) | (930) |
| Employee benefits obligations | (240) | (21) | (261) |
| **Total identifiable net assets acquired** | 4,951 | 2,056 | 7,007 |
| 75% share of total net assets paid/accrued for | | | 5,255 |
| *Purchase consideration:* | | | |
| Payables as at 31 December 2013* (see below) | | | 11,240 |
| **Goodwill** | | | 5,985 |

* The Group has included US$1.6 million (2013: US$2.8 million) as contingent consideration payable to the selling shareholders of Al Madar Group LLC if the acquiree's target quarterly profit of US$545,000 is achieved over the next 11 quarters (refer to note 13). The payment of contingent considerations is not dependent on the former owners remaining in employment.

### *(b) Manchester Clinic and British Urology Centre LLC*

In October 2013, the Group acquired 75% of the shares and voting interests in Manchester Clinic LLC and 100% beneficial ownership of British Urology Centre LLC, for an amount of US$4.8 million (AED 17.5 million).

**Acquisition-related costs**

In 2013, the Group incurred acquisition-related costs of US$95,000 on legal fees and due diligence costs. These costs have been included in 'Administrative expenses' under non-underlying.

***(c) Al Noor Hospital Family Care Centre – Al Mamura LLC***

In February 2013, the Group acquired a clinic, Al Noor Hospital Family Care Centre – Al Mamura LLC, formerly known as Solutions Medical Centre LLC located in the Emirate of Abu Dhabi. The Group owns 100% of share capital of this company. There are no material separately identifiable tangible and intangible assets and therefore the majority of the purchase consideration is for goodwill, representing the location and future earning potential of the clinic.

***(d) Emirates American Company for Medical Services LLC***

During the year, the Group acquired 100% of the shares and voting interests in Emirates American Company for Medical Services LLC (also known as 'Gulf International Cancer Centre'/'GICC') on 10 February 2014 for an amount of US$21.8 million (AED 80 million). Results from the date of acquisition to 31 December 2014 are not material to these financial statements.

**Acquisition-related costs**

During the year, the Group incurred acquisition-related costs of US$145,000 on legal fees and due diligence costs. These costs have been included in 'Administrative expenses' under non-underlying.

***Identifiable assets acquired and liabilities assumed on above companies***

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

***Acquisitions made in the year ended 31 December 2014***

Emirates American Company for Medical Services LLC

| | **Pre-acquisition US$'000** | **Fair value adjustment US$'000** | **Fair value US$'000** |
|---|---:|---:|---:|
| Property and equipment | 12,038 | 943 | 12,981 |
| Intangible asset | 3 | – | 3 |
| Inventory | 246 | (49) | 197 |
| Trade and other receivables | 7,712 | (5,862) | 1,850 |
| Cash and cash equivalents | 502 | – | 502 |
| Trade and other payables | (1,357) | (1,267) | (2,624) |
| Employee benefits obligations | (905) | – | (905) |
| **Total** | 18,239 | (6,235) | 12,004 |
| **Goodwill** | | | 9,794 |
| **Consideration** | | | 21,798 |

***Acquisitions made in the year ended 31 December 2013***

| | **Al Madar** US$'000** | **Manchester US$'000** | **Al Mamura US$'000** | **Total US$'000** |
|---|---:|---:|---:|---:|
| Property and equipment | 4,001 | 488 325 | 325 | 4,814 |
| Inventories | 203 | – | 84 | 287 |
| Trade and other receivables | 1,517 | 163 | – | 1,680 |
| Cash and cash equivalents | 2,477 | 107 | – | 2,584 |
| Bank overdraft | – | (197) | – | (197) |
| Trade and other payables | (930) | (342) | – | (1,272) |
| Employee benefits obligations | (261) | (380) | – | (641) |
| **Total identifiable net assets acquired** | 7,007 | (161) | 409 | 7,255 |
| % share of total net assets paid/accrued | 5,255 | (121) | 409 | 5,543 |
| Purchase consideration: | | | | |
| Cash paid in 2013 for purchase | – | 4,763 | 1,045 | 5,808 |
| Payables as at 31 December 2013* (see below) | 11,240 | – | – | 11,240 |
| | 11,240 | 4,763 | 1,045 | 17,048 |
| **Goodwill** | 5,985 | 4,884 | 636 | 11,505 |

The Group has included US$1.6 million *(2013: US$2.8 million)* as contingent consideration payable to the selling shareholders of Al Madar Group LLC if the acquiree's target quarterly profit of US$545,000 is achieved over the next 11 quarters *(refer to note 13)*. The payment of contingent consideration is not dependent on the former owners remaining in employment.

** Represented for acquisition accounting adjustments. See note 29 (a).

**Reconciliation to consolidated statement of cash flow:**

| | **2014**<br>**US$'000** | 2014<br>US$'000 |
|---|---|---|
| Cash paid for purchase during the year | **21,798** | 5,808 |
| Less: cash and cash equivalents acquired | **(502)** | (2,584) |
| Cash paid for deferred consideration on acquisition of Al Madar | **9,622** | – |
| Plus: bank overdraft acquired | **–** | 197 |
| Plus: acquisition related costs | **598** | 507 |
| | **31,516** | 3,928 |

**30 Non-controlling interest (NCI)**

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intragroup eliminations.

***For the year ended 31 December 2014***

| | **Al Madar**<br>**US$'000** | **Manchester**<br>**US$'000** | **Total**<br>**US$'000** |
|---|---|---|---|
| Non-current assets | 5,795 | 426 | 6,221 |
| Current assets | 16,870 | 421 | 17,291 |
| Non-current liabilities | (632) | (430) | (1,062) |
| Current liabilities | (2,059) | (1,192) | (3,251) |
| **Net assets/(deficit)** | **19,974** | **(775)** | **19,199** |
| **Carrying amount of NCI/(deficit)** | **4,994** | **(194)** | **4,800** |
| Revenue | 26,117 | 1,334 | 27,451 |
| Profit/(loss) | 11,834 | (598) | 11,236 |
| OCI | – | – | – |
| **Total comprehensive income/(loss)** | **11,834** | **(598)** | **11,236** |
| **Profit/(loss) allocated to NCI** | **2,959** | **(150)** | **2,809** |
| Cash flows operating activities | 3,450 | 619 | 4,069 |
| Cash flows investment activities | (2,808) | (281) | (3,089) |
| Cash flows financing activities | (59) | (217) | (276) |
| **Net increase in cash and cash equivalents** | **583** | **121** | **704** |

***For the year ended 31 December 2013***

| | **Al Madar***<br>**US$'000** | **Manchester**<br>**US$'000** | **Total**<br>**US$'000** |
|---|---|---|---|
| Non-current assets | 4,361 | 462 | 4,823 |
| Current assets | 4,972 | 170 | 5,142 |
| Non-current liabilities | (287) | (384) | (671) |
| Current liabilities | (904) | (424) | (1,328) |
| **Net assets/(deficit)** | **8,142** | **(176)** | **7,966** |
| **Carrying amount of NCI/(deficit)** | **2,035** | **(44)** | **1,991** |
| Revenue | 2,768 | 253 | 3,021 |
| Profit | 1,134 | (16) | 1,118 |
| OCI | – | – | – |
| **Total comprehensive income/(loss)** | **1,134** | **(16)** | **1,118** |
| **Profit/(loss) allocated to NCI** | **283** | **(4)** | **279** |
| Cash flows operating activities | (698) | (102) | (800) |
| Cash flows investment activities | (444) | - | (444) |
| Cash flows financing activities | (6) | - | (6) |
| **Net decrease in cash and cash equivalents** | **(1,148)** | **(102)** | **(1250)** |

* Re-presented for acquisition accounting adjustments. See note 29 (a).

**31 Subsequent events**

There is no material subsequent events occurred after balance sheet date.