NMC Health plc Annual Report 2012

Committed to care

nmc health
committed to care

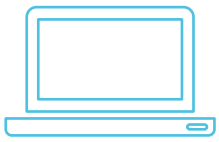
Who we are

NMC Healthcare is the largest private healthcare operator in the UAE. It operates hospitals and pharmacies and distributes pharmaceuticals, scientific and medical equipment, FMCG, food, veterinary and educational products across the UAE.

Financial Summary

US$m (unless stated)	FY2012	FY2011	Growth
Group			
Revenue	490.1	443.7	10.5%
Gross profit	160.3	137.4	16.7%
Gross profit margin	32.7%	31.0%	+170bps
EBITDA	79.6	70.5	12.9%
EBITDA margin	16.2%	15.9%	+30bps
Earnings per share (US$)	0.343	0.331	3.6%
Dividend per share (GBP pence)	4.1p	–	
Normalised operating cashflow	38.7	10.9	255.0%
Total Capital Expenditure in the year	94.9	22.2	327.5%
Capital Expenditure relating to four capital projects announced at IPO	82.3	18.0	357.2%
	At 31 Dec 2012	At 31 Dec 2011	
Total cash	257.5	54.1	376.0%
Total debt	303.6	182.2	66.6%
Net Debt	46.1	128.1	-64.0%
Divisional performances	FY2012	FY2011	
Healthcare revenue	251.6	218.7	15.0%
Healthcare EBITDA	68.2	56.9	19.9%
Healthcare occupancy	60.5%	53.0%	+750bps
Distribution revenue	271.1	253.4	7.0%
Distribution EBITDA	26.2	24.9	5.2%

Notes:
- Normalised operating cash flow is a non-IFRS line item and is equivalent to Net cash from operating activities with the adjustment made on exceptional items. There are no adjustments in FY2012, however, FY2011 was adjusted for amounts due from related parties (US$60.6m) in that financial year.
- Total cash is represented by bank deposits and bank balances and cash.
- Total debt is a non-IFRS line item and includes short term and revolving working capital facilities required for the operation of the Distribution division but excludes accounts payables and accruals, amounts due to related parties, Employee end of service benefit and other payable.
- Net Debt is a non-IFRS line item and is total cash less total debt, both as defined above.



Read the annual report and much more on our website:
www.nmc.ae

Financial Highlights

Group revenues

+10.5%
US$490.1m

Healthcare Division revenue
(principally driven by occupancy levels up 750bps to 60.5% compared with FY2011)

+15.0%
US$251.6m

Distribution revenue
(principally driven by continued expansion of product lines)

+7.0%
US$271.1m

EBITDA
(growth of 30bps due to higher occupancy and improved efficiency in healthcare division)

+12.9%
US$79.6m

Income
(received in 2012 in relation to the Sheikh Khalifa General Hospital management services contract)

US$0.9m

Proposed first annual dividend
Amounting to 20% of the Profit after Tax for FY2012

4.1pence per share

Total capital expenditure
(of which US$82.3m related to the four capital development projects announced at IPO)

US$94.9m

Syndicated debt facility
(led by J.P. Morgan Chase Bank fully drawn down)

US$150m

Total cash
(and net debt position of US$46.1m)

US$257.5m

Reported profit
changes made to methodology and useful economic life rates of depreciation during the 2012 financial year resulting in an increase in reported profit of

US$5.3m

Contents

Chairman's Letter

2012 has been a momentous year of change and achievement for your company, NMC Health plc.

H. J. Mark Tompkins
Independent Non-Executive Chairman

All of this has been a significant achievement and only been possible as a result of the exceptional efforts of management and the 4,600 Group staff.

Dear Shareholder,

2012 has been a momentous year of change and achievement for your company, NMC Health plc.

Firstly, of course, we completed the Company's IPO in the Premium Section of the London Official List on 2 April 2012, raising net proceeds of US$168.1m (£106.0m), at a price of 210p per share. The new shareholders, now holding 33% of the Company's equity capital following the IPO, include some premier names from both the US and UK asset management industries. This achievement, in a difficult market, represents a great tribute to the track record and continuing commitment of Dr Shetty who founded your Company some 38 years ago, but also a recognition by investors of the considerable opportunities available in the UAE healthcare marketplace where, in 2011, the healthcare spend amounted to only 2.8% of GDP, in contrast to levels of 8.8% in the United Kingdom and 9.8% in Germany.

Moreover, it is to be noted that all of the IPO proceeds were committed to the expansion of the Company's activities within the UAE, its core market, on five named expansion projects which, when completed, will take the Company's number of beds from 230 at the end of 2012 to 495 at the end of 2014, when the first phase of our Khalifa City Hospital is expected to be complete. As many of you will know the successful IPO of NMC Health plc on the London market was a first for an Abu Dhabi company and should be a source of pride and satisfaction for all shareholders.

In addition to the successful completion of the Company's IPO, a new Syndicated Bank Loan was closed on 8 March 2012, with the help of J P Morgan, raising a total of US$150.0m during the financial year. The IPO proceeds, when taken together with proceeds of the Syndicated Bank Loan, mean that your Company's current development programme is now fully and conservatively financed. In addition on-going operations generated a net cash inflow of US$38.7m during the 2012 financial year which, taken with similar surpluses in future years will, over five years, substantially further strengthen your company's financial position.

Since the IPO the new and expanded Board has assisted management in the wider aspects of Corporate Governance to ensure that your Company operates in a manner which is in line with UK Company Law and with the "Best Practice" standards of Corporate Governance in the London community of Listed Companies. Internal audit has been outsourced and the external audit scope has been widened to cover those areas that would be expected of a UK listed plc. A wide ranging evaluation of market opportunities has been undertaken and is currently being used as the basis for the development of a 5 year Strategic Business Plan. Capital Investment evaluation protocols are being strengthened along with Project Management capabilities. In addition, during the year your Board has appointed a Group Company Secretary with extensive UK listed company experience to assist

the Board and management in all aspects of good Corporate Governance. As your Company enters 2013, emphasis is being placed on the upgrading of integrated IT systems.

In addition to the significant events during the year outlined above, the Group has continued to perform strongly. Group Revenue increased from US$443.7m in 2011 to a record for the Group of US$490.1m in 2012. EBITDA at Group level also reached a new high all time high of US$79.6m.

In the Healthcare division, improving occupancy rates and outpatient numbers across all our Specialty Hospitals, and an increasing range of specialty procedures that our clinical teams undertake, is driving improved financial performance. It should also be noted that your Company was the first UAE healthcare provider to be awarded a large management services contract, following a competitive tender to operate the Sheikh Khalifa General Hospital, on behalf of the Ministry of Presidential Affairs, in the Northern Emirate of Umm Al Quwain.

In the Distribution division, performance improved as expected during the second half of 2012 driven principally by an increase in the number of product lines distributed. General macro-economic conditions remain good resulting in increased consumer spend across many of the division's products. The opening of our new Distribution warehouse in Dubai Investment Park in August 2012 has helped us to consolidate our Dubai Distribution operations and prepare the business for anticipated further growth.

As promised in the IPO documentation, your Board plans to submit a Resolution to shareholders at the annual general meeting authorising payment of a cash Dividend, in respect of 2012, of 4.1 pence per share. If approved, this dividend will be paid on 4 July 2013 to all shareholders on the share register as at 31 May 2013.

Within your Company, the Board operates in a conventional manner supported by Audit, Nominations and Remunerations Committees. A Clinical Governance Committee is in the course of formation.

All of this has been a significant achievement and has only been possible as a result of the exceptional efforts of your management and the 4,600 staff in the Group who have handled a period of hard work and change with great energy, commitment and goodwill. During 2013 your Board plans to introduce a revised senior management remuneration structure, including share incentive arrangements, in line with best practice amongst companies of comparable size, to ensure that the management team are properly rewarded and motivated in the longer term.

Your Board views the coming years with confidence and enthusiasm and looks forward to a period of further, prudently financed growth.

IPO raised net proceeds of

US$168.1m

Syndicated bank loan of

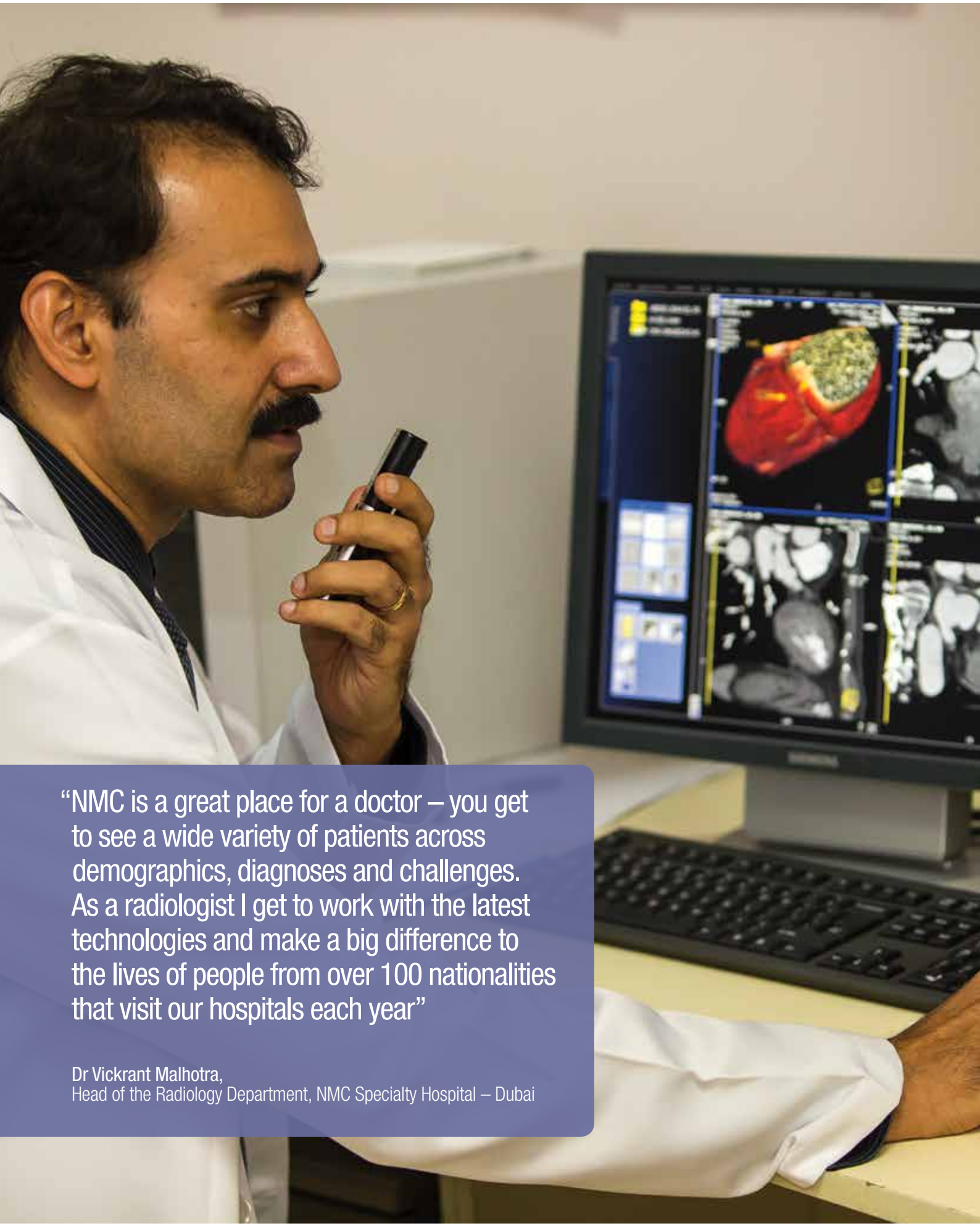
US$150.0m

Planned dividend of

4.1 pence per share

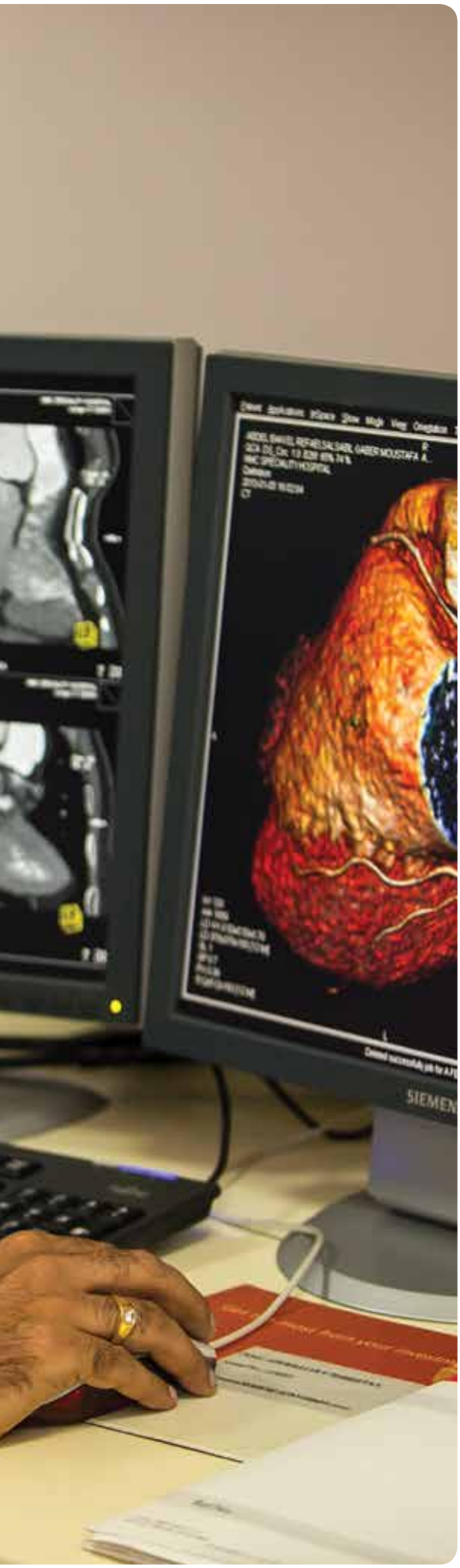
IPO proceeds were committed to the expansion of the Company's activities within the UAE

Board operates a conventional Corporate Governance Structure



"NMC is a great place for a doctor – you get to see a wide variety of patients across demographics, diagnoses and challenges. As a radiologist I get to work with the latest technologies and make a big difference to the lives of people from over 100 nationalities that visit our hospitals each year"

Dr Vickrant Malhotra,
Head of the Radiology Department, NMC Specialty Hospital – Dubai



Overview & Healthcare Market

- The Company listed on the Premium Section of the London Stock Exchange on 2 April 2012
- First company in the UAE to provide private healthcare
- Largest private sector healthcare provider across the fast-growing UAE healthcare market in terms of total patient numbers
- During 2012, we treated a total of 35,209 inpatients and 1,269,661 outpatients at our facilities
- In 2011, healthcare services expenditure in the UAE was estimated at approx. US$8.1 billion and forecast to grow to US$13.0 billion by 2015
- NMC Trading, is today one of the largest distribution houses in the UAE, with a business model based on securing exclusive distribution agreements with our suppliers
- By 2012, the Distribution division operated over 500,000 sq. ft. of dedicated warehousing space in four locations across the UAE

Company History and Overview

NMC Health plc was the first Abu Dhabi based company to list on the premium segment of the London Stock Exchange in April 2012.

Company History and Overview

When NMC Health plc listed as a public company on the premium segment of the London Stock Exchange in April 2012, the first Abu Dhabi based company to do so, this was the latest chapter of a successful story of growth spanning 38 years in a country which is just 41 years old. In this Company History and Overview we briefly describe the origins and growth milestones of both our Healthcare division, NMC Healthcare, and our Distribution division, NMC Trading, and provide shareholders with an outline of the current structure of the Group's business operations.

NMC Health plc is listed on the Premium Segment of the London Stock Exchange

Founded in 1975 by Dr B R Shetty, the business opened as a pharmacy

First company in the UAE to provide private healthcare

In 1981 a distribution business, NMC Trading LLC commenced

First Abu Dhabi company listed on the premium segment of the London Stock Exchange in April 2012

Dr. B.R. Shetty, CEO and Founder and Binay Shetty, COO, NMC Health

Origins

The NMC Group was founded in 1975 by Dr B. R. Shetty and we believe it was the first company in the UAE to provide private healthcare services when, owing to the benevolence of The Late His Highness Sheikh Zayed bin Sultan Al Nahyan (Peace Be Upon Him), the then President of the UAE and Ruler of Abu Dhabi, the UAE government provided free, albeit basic, healthcare facilities to all residents. The business opened as a pharmacy, extending to a small clinic shortly after, under the trading name New Medical Centre on Electra Street in Abu Dhabi. This first place of business was in the same location where the NMC Specialty Hospital tower stands proudly today.

In 1981 a Distribution business carried out under the name NMC Trading LLC commenced operations.

From these early beginnings, NMC has grown into a Group of two principal trading divisions with NMC Healthcare becoming the largest healthcare provider in the private sector having a pan-UAE presence and NMC Trading becoming one of the leading distribution businesses in the UAE.

Our Timeline

The journey so far

During the last 38 years, our Healthcare and Distribution businesses have seen a number of significant milestones which have impacted the journey we have undertaken to be the Group we are today.

1975

New Medical Centre – NMC commences operations in Abu Dhabi as a small pharmacy in 1975 with a clinic added in 1976

1981

One of the UAE's largest distributors – NMC Trading starts distribution of medicines to pharmacies in Abu Dhabi in 1981

Alongside a burgeoning oil and gas industry producing significant wealth into Abu Dhabi, NMC expands into a medical centre and eventually a hospital

1996

NMC expands into the emirate of Sharjah by setting up New Medical Centre in 1996

1999

NMC opens its first hospital in Deira, Dubai in 1999

2004

NMC sets up its most advanced hospital to date – NMC Specialty Hospital in Al Nahda, Dubai in 2004

Our Timeline
Continued

2008

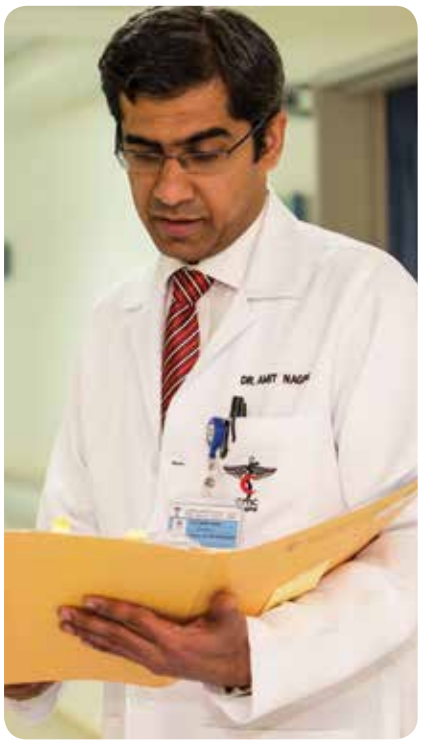
NMC expands into the beautiful garden city of Al Ain with NMC Specialty Hospital, Al Ain in 2008

2009

NMC Specialty Hospitals in Abu Dhabi, Dubai and Al Ain are awarded the prestigious Joint Commission International (JCI) accreditation in 2009

2012

In 2012, NMC becomes the first Abu Dhabi company to be listed on the London Stock Exchange as NMC Health plc. NMC is listed on the premium segment of the London Stock Exchange



NMC acquires its first day-patient medical centre, the elite BR Medical Suites in Dubai Healthcare City in 2012

In 2012 NMC is awarded a five year contract to manage and operate the Sheikh Khalifa General Hospital in Umm Al Quwain on behalf of the UAE Ministry of Presidential Affairs

2014

NMC Healthcare eagerly anticipates the future with the opening of Brightpoint Womens Hospital (Abu Dhabi), NMC Day Patient Centre (Musaffah) and NMC General Hospital (Dubai Investment Park) in 2013 and then the NMC Specialty Hospital (Khalifa City) by the end of 2014

NMC Health Group Today

The NMC Group through its two operating divisions now has a broad and diverse network of facilities across the UAE.

The NMC Group, through its two operating divisions, now has a broad and diverse network of facilities including specialty hospitals, general hospitals, day patient medical centres, pharmacies and distribution facilities across the UAE. We believe this makes us one of the largest integrated private sector healthcare companies in the region.

Hospitals and Medical facilities today

Healthcare business overview

NMC Healthcare, is the largest private sector healthcare provider across the fast-growing UAE healthcare market in terms of total patient numbers. We have a strong track record of organic growth in our Healthcare division since commencing operations in 1975. This growth has centred on the addition of new hospitals and capacity expansion within existing facilities and been coupled with improvements in service and quality. We have ensured a continuous focus on increasing the number of high value specialty procedures we offer and the introduction of state-of-the-art equipment.

During the financial year ended 31 December 2012, we treated a total of 35,209 inpatients and 1,269,661 outpatients at our facilities and as at 31 December 2012 our healthcare facilities operated 230 beds. By 31 December 2012, we owned and operated six healthcare facilities across three emirates.

Our Healthcare division portfolio also includes a pharmacy business. All of our Group pharmacies are attached to our healthcare hospitals and clinics.

In 2012, we initiated a new business activity by entering into a contract with the UAE Ministry of Presidential Affairs to manage and operate the new Sheikh Khalifa General Hospital in Umm Al Quwain. We believe this management services contract is the first such contract to manage a large Government healthcare facility awarded by a Government Department to a local UAE business. This demonstrates confidence in NMC's significant healthcare experience and capabilities.

Regulation

The provision of healthcare is a regulated activity within the UAE. The regulatory structure is fragmented comprising four health authorities. The role of these authorities is set out in the Market Review on pages 20 to 27.

Healthcare Revenue

We currently serve the UAE market for insured and self-funded (cash paying) inpatients and outpatients. In the 2012 financial year, approximately 90% of our healthcare revenue was generated from insured patients. We contract with the majority of the 39 insurers, who have either a direct relationship with us or through the 13 Third Party Administrators (TPAs), who currently provide private medical insurance into the Abu Dhabi market. In 2012, across all our facilities, 2.7% of our patients were inpatient and 97.3% were outpatients.

Our new business acquired in 2012, BR Medical Suites, operates in a different manner to our other owned healthcare facilities. The BR Medical Suites facility provides day healthcare services with a significant level of revenue generated from visiting doctors utilising the facility. These visiting doctors are entitled to a proportion of the revenue earned for the procedures that they deliver to patients. Within this business, a high proportion of revenue is achieved from surgical (inpatient) procedures and as a result the business achieves a higher revenue per patient than is prevalent in our other healthcare facilities.

In 2012 treated 35,209 (2.7%) inpatients and 1,269,661 (97.3%) outpatients

Healthcare facilities operated 230 beds

Own and operate 6 healthcare facilities across the UAE

90%
of healthcare revenue was generated from insured patients

NMC Health Group Today Continued

Market environment

In 2011, healthcare services expenditure in the UAE healthcare market was estimated at approximately US$8.1 billion and forecast to grow to US$13.0 billion by 2015, representing a Compound Average Growth Rate of 12.7% (Economist Intelligence Unit; Booz and Company). As the only private sector healthcare company with a broad UAE presence, we seek to be at the forefront of the healthcare industry in the UAE. This is done by continuing to expand with new services and employing highly skilled medical professionals, providing them with the most advanced technologies. We offer specialised healthcare models to provide world-class healthcare services for the ultimate benefit of our patients, becoming a pre-eminent emerging markets healthcare provider.

We believe that the private healthcare market in the UAE is attractive due to:

- the relatively high cultural and regulatory barriers to entry in the private hospital sector
- a growing privately-insured population following actual and proposed regulatory changes in the UAE
- strong Government support for increased private sector participation in healthcare provision
- a rising incidence of lifestyle diseases
- increased healthcare awareness
- a reduction in overseas treatment provided to UAE Nationals and Expats
- strong population growth (both Emirati nationals as well as through immigration)

The UAE healthcare market is reviewed in more detail in the Market Review on pages 20 to 27.

Owned and operated Healthcare facilities

The following is a brief summary of each of our owned hospitals and medical facilities:

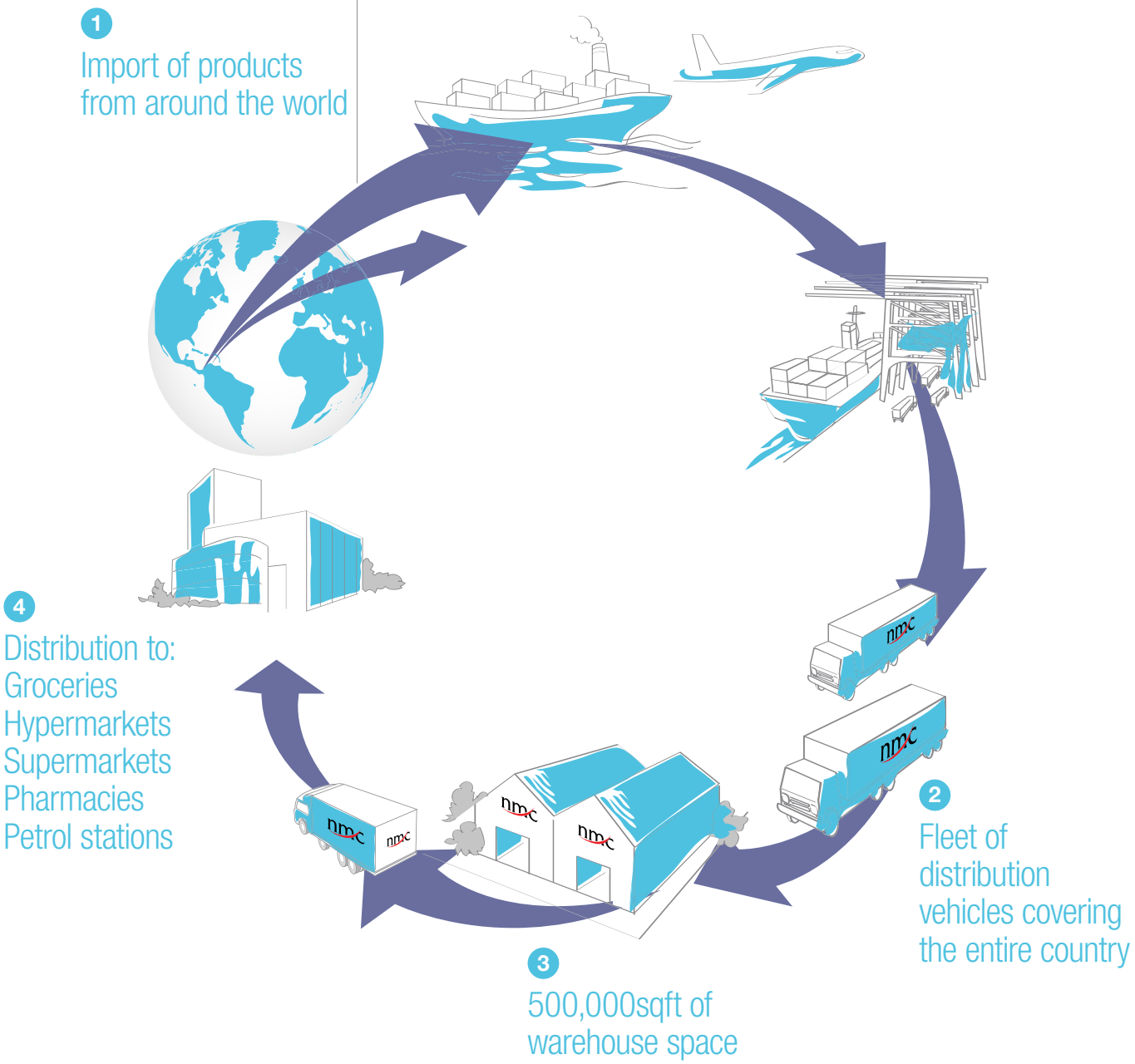
	Specialty Hospital Abu Dhabi	Specialty Hospital Dubai	Specialty Hospital Al Ain	General Hospital Dubai	Medical Centre Sharjah*	BR Medical Suites Dubai
Established/ acquired	1976	2004	2008	1999	1996	2012
No of Beds	100	75	45	10	—	—
Accreditation	JCI	JCI	JCI	—	—	—
No of inpatients (2012)	20,025	7,689	6,108	1,387	—	—
No of Outpatients (2012)	585,855	205,290	246,551	134,948	95,490	1,527
2012 Bed Occupancy	68.4%	56.0%	55.6%	37.9%	—	—

* Note: Outpatient facilities only

Pharmacies

The following graphic gives an overview of all the currently operational NMC pharmacies

Distribution value chain



Our Distribution business, NMC Trading, is today one of the largest distribution houses in the UAE, a country with a population of over 8 million. The UAE imports a significant amount of the products that the population consumes.

The NMC Trading business model is based on securing distribution agreements, many of which are exclusive, with our suppliers (Principals). Under these agreements, we supply their products to a range of Customers in the UAE, including private and Government healthcare providers, pharmacies, supermarkets and other retailers and educational establishments. Within the Distribution business sector, agreements with Principals are ordinarily referred to as "agency agreements" even though NMC Trading does, in fact, act as a principal in its trading relationships with both its Principals and Customers.

A number of our distribution agreements have also now become "super-agency" agreements allowing NMC to appoint and control distributors in various other countries, principally those countries neighbouring the UAE in the south of the GCC region. Our flexible business model and effective management of conflicts of interest allows NMC Trading to engage competing Principals through the use of different independent sales teams for each Principal.

Our sales teams work with our Customers to secure orders for products and, in relation to some of our Principals, we provide marketing support for their products also. The efficient management of the division is supported by effective planning, a dedicated sales team with marketing professionals, strategically located warehousing facilities, a robust sales and distribution network and fully integrated inventory management and logistics systems. These added value services provide full value chain support to our Principals for the distribution of their products throughout the UAE and to our Customers by ensuring an efficient supply service.

By 31 December 2012, the Distribution division operated over 500,000 sq. ft. of dedicated warehousing space in four locations across the UAE, in Abu Dhabi, Ajman, Al Ain and Dubai with a total workforce of some 1,600 employees. We believe that NMC Trading is the only Distribution business to have a pan-UAE presence across all our Distribution categories.

In the financial year ended 31 December 2012 the Distribution division produced Revenue of US$271.1m for the Group, distributing product lines principally in the FMCG, food, pharmaceutical, educational, scientific equipment and veterinary sectors.

A few of the leading brands distributed by NMC Trading

Revenue

US$271.1m

Employees

1,600

Dedicated warehouse space of

500,000sqft

The NMC Group of Tomorrow

When NMC Health plc listed on the London Stock Exchange in April 2012, it raised funds through an equity issue of shares. The stated intentions of the Company at the time of its IPO was to use those funds raised, together with funds raised through long-term syndicated debt facilities, to further grow the Healthcare division with an acquisition and a number of new capital projects. The Company believes that this strategy will give the Group the opportunity to take best advantage of the growing healthcare sector in its home market of the UAE.

The Group has progressed this strategy as follows:

BR Medical Suites

Dubai Healthcare City

a high-end specialty Day-Patient Medical Centre in the Dubai Healthcare City free zone acquired by the Group for US$9.0m on 1 July 2012. This facility has four operating theatres designed to provide minimally invasive surgery. The facility has 25 patient beds.

Mussafah Day Patient Centre

Abu Dhabi

a new day patient centre in the new and growing industrial and residential area of Mussafah, where demand for healthcare is greater than facilities available. This facility is expected to open in March 2013.

Brightpoint Womens Hospital

Abu Dhabi

the first specialist hospital catering specifically for Women and Children in the UAE and is now expected to open in Q3, 2013.

DIP General Hospital

Dubai

a new general hospital with a wide range of outpatient services and a capacity of up to 60 inpatient beds. This facility is in a growing area of Dubai and is expected to open by the end of 2013.

Khalifa City Specialty Hospital

Abu Dhabi

this new hospital is our largest project to date and is expected to be the biggest hospital in the Group's portfolio when it is fully functional by the end of 2016. The Hospital will open initially with a large range of outpatient services and 75 inpatient beds by end of 2014.

The NMC Group continues to seek new opportunities to add to our owned and managed healthcare facility portfolio, as well as grow our existing Healthcare facilities organically.

In addition to the growth expected in some existing product lines from a growing economy and population of the UAE, the Group expects the Distribution division to grow organically. NMC Trading will also seek to achieve growth from securing the rights to distribute new product lines to the division's product portfolio, either through additional products entering the UAE market or through a growth in existing market share.

Following completion of all of our current capital projects under construction, the NMC Group will have locations serving much of the UAE

Healthcare locations

1 **NMC Specialty Hospital**
Abu Dhabi

2 **Brightpoint Womens Hospital**
Abu Dhabi (Q3, 2013)

3 **NMC Day Surgery**
Musaffah (March 2013)

4 **NMC Specialty Hospital**
Khalifa City (end 2014)

5 **NMC Hospital**
Dubai Investments Park (end 2013)

6 **B R Medical Suites**
DHCC

7 **NMC Hospital**
Deira, Dubai

8 **NMC Specialty Hospital**
Dubai

9 **NMC Medical Center**
Sharjah

10 **Sheikh Khalifa General Hospital**
Umm al Quwain

11 **NMC Specialty Hospital**
Al Ain

Trading locations

A **NMC Trading warehouse**
Mina, Abu Dhabi

B **NMC Trading Sales and Marketing office**
Abu Dhabi

C **NMC Trading warehouse**
Al Ain

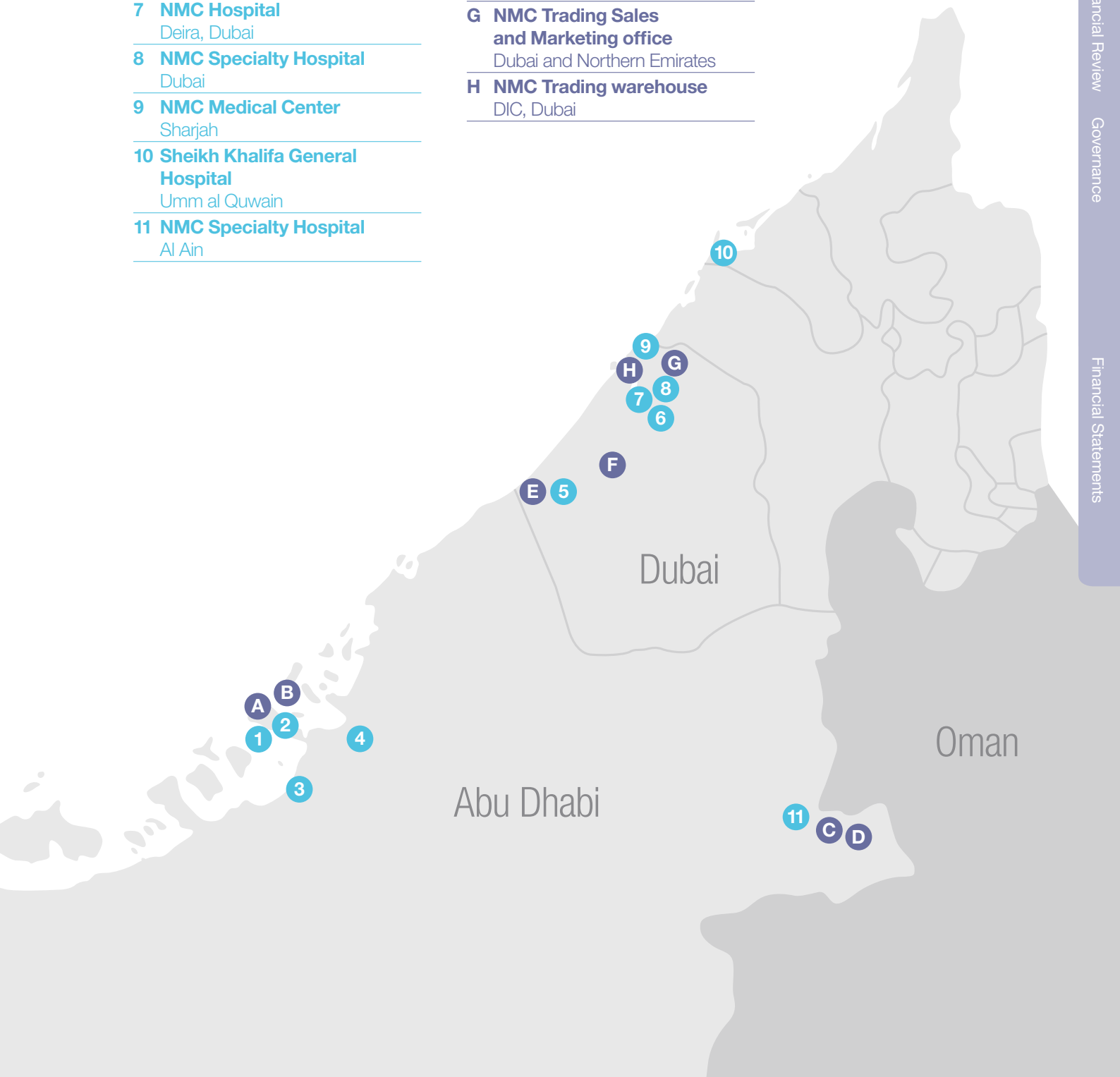
D **NMC Trading Sales and Marketing office**
Al Ain

E **NMC Trading warehouse**
DIP, Dubai

F **NMC Trading warehouse**
Al Quoz, Dubai

G **NMC Trading Sales and Marketing office**
Dubai and Northern Emirates

H **NMC Trading warehouse**
DIC, Dubai



Market Review and Group Positioning

The NMC Group came to market with a stated aim to grow the Group through a number of identified capital projects.

Healthcare services expenditure in the UAE is expected to grow at a rate of 12.7% per annum from 2011 to 2015 as a result of a number of key drivers.

The NMC Group came to market with an equity fund raising as part of its IPO in April 2012 and a stated aim to continue to grow the NMC Group through a number of identified capital projects. Four of the five projects identified at IPO have been or are expected to be completed and operational by the end of 2013. The construction of the new hospital at Khalifa City, the Group's most significant building project, will continue on a phased basis until it is fully opened by the end of 2016.

The Board believes that significant opportunities exist in the UAE healthcare sector to further grow the NMC Healthcare business, to enhance the Group's successful growth trends of previous years and deliver incremental returns for shareholders.

Accordingly, towards the end of 2012, the Board commissioned an independent UAE Healthcare Market Review, undertaken by Booz & Co. The initial Market Review has recently been completed and the management team and the Board are currently considering the significant areas of opportunity in the UAE healthcare sector which the Market Review suggests are available. The Board intends to use this Market Review as a basis to develop its strategic plan for the Group for the next three to five years.

In the meantime, shareholders will be interested in the general findings of the independent Market Review and where the board currently consider the Group is positioned in the UAE healthcare market.

Market background and environment

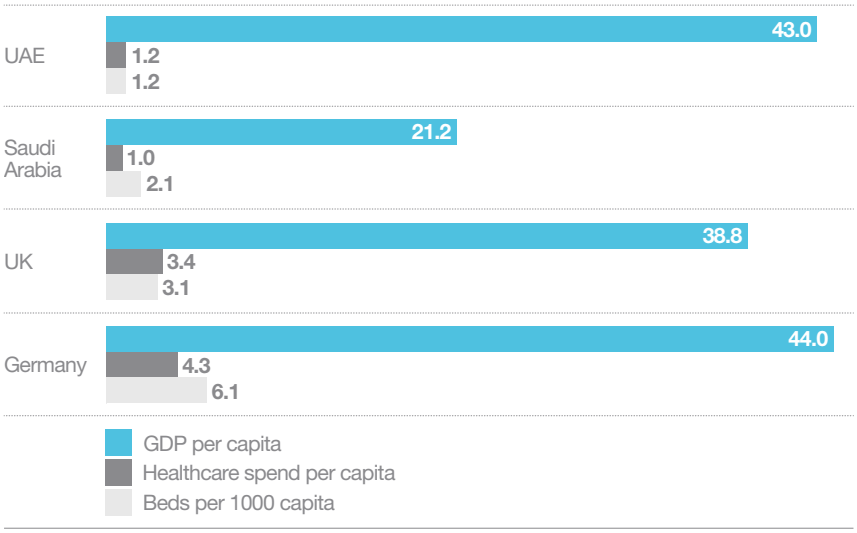
The UAE healthcare market has, in recent years, undergone significant regulatory and market driven change. The particular economic and social drivers which exist in the UAE suggest that this trend will continue at least over the next three years.

The UAE healthcare landscape is segmented into three specific catchment areas: Emirate of Abu Dhabi, Emirate of Dubai and the five Northern Emirates. Each of these areas is segmented from a healthcare regulatory perspective, population density as well as the level and breadth of previous healthcare provision.

In terms of demographics, the UAE has a young, expatriate male dominated population. The population is diverse in terms of ethnicity across each of its three recognised regions, but overall has a population of approximately 17% Nationals with 83% being Expats, a large proportion of which originate from Asian countries.

In general macro-economic terms, the UAE's GDP per capita is at a par with Western developed countries, but healthcare expenditure per capita is significantly below those of Western developed countries.

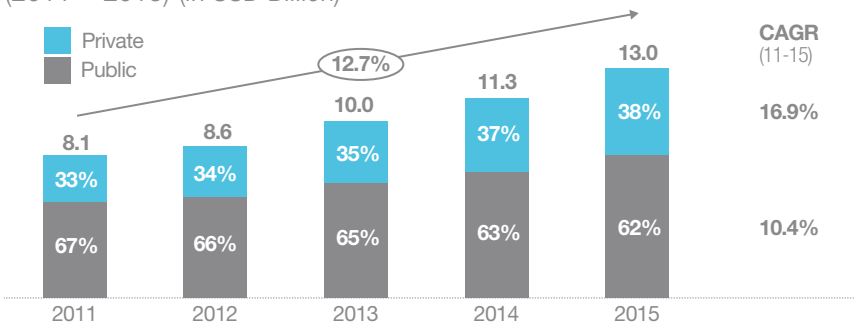
Macro-Economic vs. Healthcare Indicators (2011) (GDP and Spend in '000 USD)



Source: OECD, WHO, Booz & Company

Healthcare services expenditure in the UAE is expected to grow at a rate of 12.7% per annum from 2011 to 2015 as a result of a number of key drivers.

UAE – Healthcare Services Expenditure (2011 – 2015) (in USD Billion)



Source: Economist Intelligence Unit, Booz & Company

Key Drivers for this expected growth are:

- Rising life expectancy
- Rising incidence of lifestyle diseases
- Dubai and Northern Emirates expected to implement mandatory health insurance
- Decreased incidence of Nationals and Expats seeking medical treatment abroad
- Health Authority of Abu Dhabi stated aim to encourage a higher level of private sector participation in the sector

Market Review and Group Positioning Continued

In 2007, the Government of the UAE passed a Federal Law requiring all emirates to implement mandatory private health insurance for all UAE residents.

UAE Healthcare Landscape

The UAE Healthcare system has four main constituents:

- Regulators
- Payors
- Healthcare providers
- Patients

Regulatory environment and drivers

NMC Healthcare is a regulated business within the UAE which has a fragmented regulatory structure comprising:

Health Authority of Abu Dhabi (HAAD)

Its role

- To set healthcare policy and regulate all healthcare facilities within the emirate of Abu Dhabi
- All Government Hospitals in the emirate of Abu Dhabi are operated by a separate Government organisation but regulated by HAAD

HAAD regulates our NMC Specialty Hospitals in Abu Dhabi and Al Ain as well as our pharmacy businesses at both of these locations.

Key Trends

- Leading the way in the UAE in terms of insurance policy making
- Encouraging private sector participation, particularly to address current market gaps in healthcare provision
- Developed mandatory e-claims and clinical standards for pricing

Dubai Health Authority (DHA)

Its role

- To set healthcare policy and regulate all healthcare facilities within the emirate of Dubai
- Operate all Government Hospitals in Dubai

DHA regulates our NMC Specialty Hospital and General Hospital in Dubai as well as our pharmacy businesses at both of these locations.

Key trends

- Plan to roll out mandatory insurance when approved
- Currently considering capacity gaps in the Dubai healthcare market
- Planning to increase the number of private clinics in Dubai
- Seeking to increase private sector participation where there are capability or capacity gaps in the Government sector and to prepare for increased capacity required for introduction of mandatory insurance

Ministry of Health (MOH)

Its role

- To set healthcare policy and regulate all healthcare facilities in the five emirates of the UAE outside of Abu Dhabi and Dubai
- To operate all Government Hospitals in those five emirates
- To regulate pharmaceutical product licensing and pricing across the UAE

MOH regulates our NMC Medical Centre in Sharjah and the Sheikh Khalifa General Hospital in Umm Al Quwain, which we manage on behalf of the Ministry of Presidential Affairs, and regulates the pharmacy businesses at both of these locations and in Dubai.

Dubai Healthcare City (DHCC)

Its role

- Although located within the emirate of Dubai, Dubai Healthcare City is a free zone in Dubai which has a separate healthcare regulator to Dubai
- The role of DHCC is to set healthcare policy and regulate all healthcare facilities within this free zone

DHCC regulates our BR Medical Suites business.

Licensing

Each regulatory authority operates independently with different policies and regulations in relation to both the operation of healthcare facilities and also the licensing of doctors and other clinical staff. Following an agreement reached between HAAD and DHA during 2012, it is now possible for doctors to be licensed to practice within facilities regulated by both those regulatory authorities through a fast track approval process as long as they meet the requirements of the respective regulatory body. DHA and DHCC have also signed a similar cross licensing agreement.

Mandatory Insurance

In 2007, the Government of the UAE passed a Federal Law requiring all emirates to implement mandatory private health insurance for all UAE residents. In 2008 the emirate of Abu Dhabi implemented such schemes under which mandatory health insurance is provided for:

- UAE Nationals – this is paid for by the Government of Abu Dhabi
- Expats earning less than approximately US$1,500 per month – this is a health insurance scheme called the Basic Plan for which employers must pay a fixed insurance premium. The insurance fund is supplemented from Government funds
- Expats earning more than approximately US$1,500 per month – health insurance arrangements are made, and premiums paid for, by individual employers

At the date of production of this Annual Report, the other six emirates making up the UAE have not yet passed laws to implement mandatory health insurance for their residents, but such laws are expected in due course. Whilst the introduction of such schemes across the rest of the UAE is expected to result in a positive impact to the Group, the Company will update shareholders as to the potential impact of such changes when these are announced and full details of the scheme are available.

Payors

Following the introduction of mandatory health insurance in Abu Dhabi, Dubai and the northern emirates are expected to follow with the introduction of their own mandatory health insurance schemes.

Abu Dhabi

There are some 39 providers of medical insurance in Abu Dhabi. Some of these insurers contract directly with healthcare providers and the remainder manage their medical insurance services through Third Party Administrators. Daman is a key insurance provider as it operates the schemes controlled or part-funded by the Government, being the insurance scheme for Nationals and the Basic Plan for employees earning less than approximately US$1,500 per month. Steps aimed at limiting high utilisation rates for healthcare services were recently introduced in Abu Dhabi, including the introduction of a GP referral gatekeeper system at primary care level.

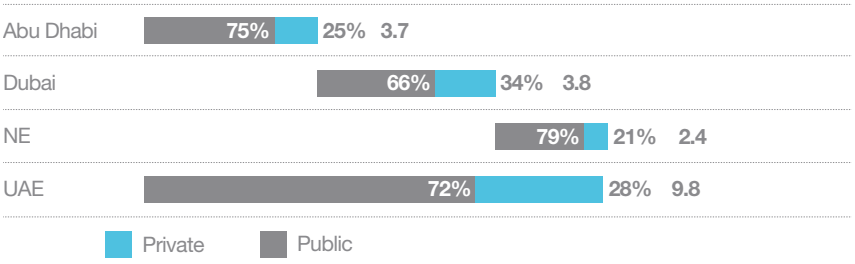
Market Review and Group Positioning
Continued

Dubai
Some one-third of residents on Dubai are already believed to be covered under private health insurance. These are made up of Government workers who are covered by such a scheme, private individuals and many multinational company employees who receive private medical insurance as an employment benefit. Mandatory insurance is expected to be rolled out in Dubai and we already have the appropriate e-claims and insurance coding systems in place.

Northern emirates
There is limited private insurance penetration currently in the northern emirates, where a higher percentage of healthcare services are provided by the Ministry of Health. This has led to a minimal private sector participation in the healthcare market in this region at the current time. Mandatory health insurance is expected in the northern emirates but implementation has not yet started.

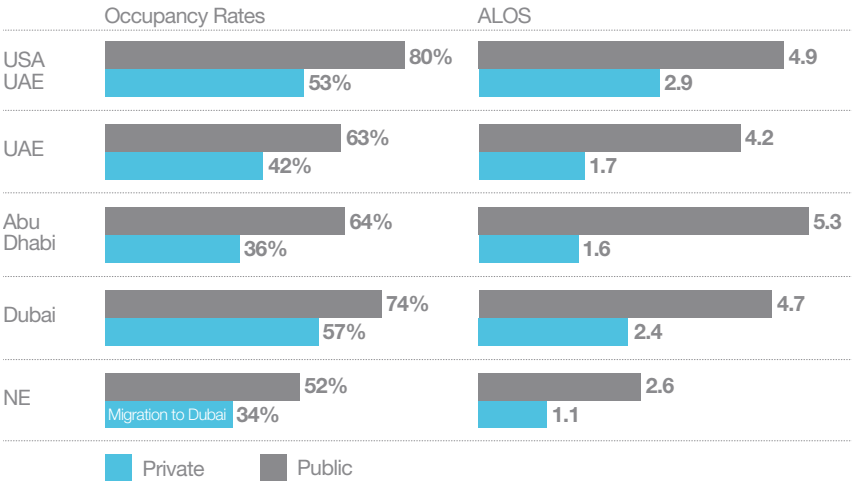
Healthcare providers
The public sector still dominates the inpatient market across the UAE with higher occupancy and average length of stays.

UAE – Number of Beds – By Region (2011) (in '000 beds)



Source: HAAD, DHA, MoH, Industry reports, Booz & Company analysis

UAE Hospitals Operational KPIs (2011)



As reported by OECD, ALOS for all causes
Source: HAAD, DHA, MoH, Industry reports, Booz & Company analysis

Overall occupancy and average length of stays are traditionally lower than Western benchmarks driven by:

- Young population
- Expats being treated in home countries for complex procedures
- UAE Nationals treated abroad
- Less efficient management of Government hospitals and patient flow

The public sector has traditionally dominated inpatient care as prior to the introduction of medical insurance, inpatient care was free in Government hospitals and the private sector was not encouraged to invest in specialised healthcare provision. With the significant increase in Government healthcare spend over the next few years, and a planned re-balancing of public and private healthcare provisions, private providers are now investing more in specialised healthcare provision.

Patients

Whilst the UAE has previously had a young population, life expectancy is increasing the average age of the population and unhealthy lifestyles are leading to increased levels of chronic diseases and associated morbidities.

Key Health Drivers

Disease drivers such as unhealthy dietary habits, smoking, low exercise levels, poor road safety and inter-family marriages result in a number of primary public health issues in the region:

- Obesity
- Congenital Diseases
- Cardiovascular Diseases
- Diabetes
- Road Accidents

These leading primary public health issues are considered to lead directly to the leading causes of death in the UAE in recent years. Increased preventative care, disease management and increased healthcare provision across the population is therefore required to address population needs and alleviate the prevalence of chronic diseases.

Utilisation

Government and regulatory statistics found that in 2011 UAE Nationals utilised nearly 50% of inpatient and outpatient services in the UAE despite representing just 17% of the population. Utilisation rates for services and conversion ratios of outpatient to inpatient in Dubai and the northern emirates is significantly lower than in Abu Dhabi. This is due principally to the lack of insurance in these areas as well as limited geographic access to care in relation to the latter. The introduction of mandatory insurance and the planned increase of medical provision in the northern emirates is expected to lessen this utilisation imbalance and significantly increase future revenue opportunities outside of Abu Dhabi.

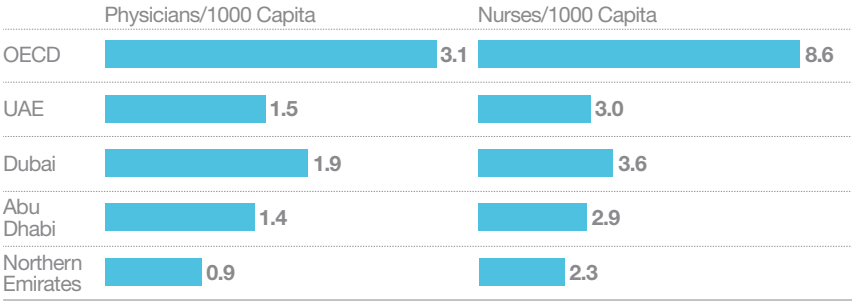
Market Review and Group Positioning Continued

The Market Review has shown that the NMC Group is well placed to continue its positive growth trend in this expanding market.

Clinical staff

The worldwide challenge of sourcing physicians and other clinical staff is highly prevalent in the UAE, which has difficulty in attracting and retaining healthcare talent. This has resulted in the number of physicians and nurses per capita being lower than in the developed Western world:

UAE Healthcare Manpower KPIs (2011)



Includes physicians for hospitals and clinics, excluding dentists
Source: HAAD, DHA, MoH, Industry reports, Booz & Company analysis

The challenges faced in attracting key staff include:

- Traditionally low levels of UAE Nationals in medical training
- Limited commitment of expats to the region
- Long licensing delays deterring qualified medical staff from around the world
- Limited potential for research and career development

The change in the competitive environment and increased Government focus on healthcare provision is starting to change the perception of the UAE healthcare sector.

Competitive differentiation

There are an increasing number of competitors in the UAE market encouraged to invest by the phased implementation of mandatory health insurance and aim of the health regulatory authorities to move to a higher level of private sector inpatient care provision. More specialised services and quaternary care in particular is offered primarily by public sector providers at the present time.

Outside of the Government healthcare provision, the competitive environment is principally made up of private healthcare providers focussed on the provision of services within one emirate. The different and fragmented regulatory structure and the lack of penetration of health insurance outside Abu Dhabi is the primary barrier to healthcare providers entering the UAE healthcare market or expanding across various emirates.

For these reasons, the Market Review has found that many private healthcare providers operate at the emirate level only and focus on specific demographics. NMC Healthcare has specifically chosen to operate on a pan-UAE basis and our patient mix largely mirrors the ethnic mix of the UAE population. In addition to this patient mix, we believe that we also offer the following strong characteristics:

- Trust with the community built over 38 years
- Attractive working environment and patient flow for a small country thereby enabling our doctors to build on their skills
- A team driven healthcare provider where input from all staff matters
- A focus on achieving high quality levels
- High ethics in practice that ensures our credibility with our patients, regulators and insurance companies

We believe that this diversity and focussed approach leaves us well placed to expand across the growing UAE healthcare market.

Summary and strategic plan

Expenditure in the UAE Healthcare market has been growing significantly and key drivers and dynamics in the provision of private healthcare indicate that this will continue driven by:

- The roll out of mandatory insurance
- The move towards increased private sector participation, particularly in Dubai and Abu Dhabi to improve efficiency and increase required capacity
- Required increased investment in infrastructure and re-balancing of per capita spending and bed provision as healthcare market becomes more sophisticated
- Increase in the provision of healthcare facilities in the northern emirates
- Increased move towards the gatekeeper model of primary care
- An ageing UAE population
- An increasing disease burden

The Market Review has provided the Board with improved visibility of the healthcare market in the UAE. It also confirms the significant areas of future opportunity that the Board and management team believes exist in the region.

Drawing on the output of the Market Review, NMC Group is developing a strategic business plan which will focus on both Healthcare division expansion over the next 3-5 years and the increasing utilisation of the Group's existing assets.

The Market Review has shown that the NMC Group is well placed to continue its positive growth trend in this expanding market.

"Working here has been incredibly satisfying, rich and rewarding. You become part of this amazing and wonderful endeavor – and you grow tremendously in the process. This sums up my 3 decades of association with NMC"

Dr Karunakar Hegde,
Head of the Paediatrics Department, NMC Specialty Hospital – Abu Dhabi

Business Highlights

- Completed acquisition of BR Medical Suites in Dubai for a cash consideration of US$9.0m
- Awarded five year contract to manage the Sheikh Khalifa General Hospital in Umm Al Quwain
- Capital projects remain on budget and the Group is adequately financed to progress all new facility developments:
  - Mussafah Day Patient Centre, Abu Dhabi: opening in March 2013
  - Brightpoint Womens Hospital, Abu Dhabi: now expected to open in Q3 2013
  - DIP General Hospital, Dubai: expected to open by the end of 2013 with capacity for 60 inpatient beds
  - Khalifa City Specialty Hospital, Abu Dhabi: expected to open with an initial 75 beds by the end of 2014
- Opening of the state-of-the-art warehouse facility in Dubai Investment Park in August 2012
- JCI accreditations at Dubai Specialty Hospital and Al Ain Specialty Hospital successfully renewed

CEO Review

Dr B. R. Shetty
Chief Executive Officer

Since I founded the NMC Group in 1975, we have achieved many significant milestones. 2012 proved no exception to this pattern as the Company became the first UAE business to list on the Premium Segment of the London Stock Exchange.

NMC Health is the leading integrated healthcare provider in the United Arab Emirates and is the only private sector provider to offer a pan UAE presence.

NMC Health is the leading integrated healthcare provider in the United Arab Emirates and is the only private sector provider to offer a pan UAE presence. The Healthcare division currently operates or manages five hospitals, one day-care patient centre, one medical centre and eight pharmacies. The Group also operates a significant distribution business supplying product lines to UAE customers across the Pharmaceutical, FMCG, Food, Scientific and Medical, Educational and Veterinary sectors.

Since I founded the NMC Group in 1975, we have achieved many significant milestones. 2012 proved no exception to this pattern, as the Company became the first UAE business to list on the Premium Segment of the London Stock Exchange. At the time of the IPO, the Group raised funds to pursue a growth plan, with a number of capital projects for new healthcare facilities in Abu Dhabi and Dubai. I am pleased to say that we are executing successfully on this growth strategy, with four main capital projects in development and on budget, which I shall comment on further below.

Group performance

I am pleased to report that Group performance for 2012 has been strong and we have seen good growth in both Revenue and EBITDA across both of our divisions. Revenue increased from US$443.7m in FY2011 to US$490.1m in FY2012, a growth of some 10.5%. EBITDA increased from US$70.5m in FY2011 to US$79.6m in FY2012, a growth of 12.9%.

Healthcare division

Our Healthcare division continued to perform well throughout the year. Revenue increased from US$218.7m in FY2011 to US$251.6m in FY2012, a growth of 15.0%. EBITDA increased from US$56.9m in FY2011 to US$68.2m in FY2012, a growth of 19.9%. Our EBITDA margin also grew by 109 bps to 27.1%.

This performance was driven by a number of factors. Within our hospitals, we are offering a wider range of specialty procedures. Both these factors are driving increased patient numbers and improving efficiencies. In addition, the Government is providing strong support for increased private sector participation in the healthcare sector.

A general theme across our Specialty Hospitals has been a growth in gynaecology and cardiology related procedures. The latter has been driven by the increase in lifestyle related illnesses that the UAE population is experiencing. We position our facilities to encourage individuals from all parts of the UAE population to utilise our services, Our pan-UAE presence, and this specific market positioning, has enabled us to extend the range of services provided hence providing further stimulus to growth. Our Al Ain Specialty Hospital, which opened in 2008, is performing particularly well as it continues to establish its presence in the local market. This facility also benefits from cross border healthcare revenue from Oman.

Our pharmacies, which are all connected to our healthcare facilities, have also grown well in 2012 as a result of increased product supply and, in the second half of the financial year, our decision to roll out an e-prescription system whereby patients' prescriptions are electronically delivered to our in-facility pharmacy for collection.

We continue to enjoy good relationships with the regulators and governing bodies and all licences and quality accreditations due for review in 2012 were successfully renewed. The agreement between the Health Authority of Abu Dhabi and the Dubai Health Authority, to simplify the cross licensing of doctors to practice across both jurisdictions, will result in some efficiency benefits for NMC in the longer term as well as making it economically viable for the Group to increase its service provision in certain low volume clinical areas. We expect a similar agreement between Dubai Health Authority and Dubai Healthcare City to benefit our BR Medical Suites business.

We are still awaiting further developments in relation to the implementation of mandatory medical insurance in Dubai and the northern emirates. Abu Dhabi implemented mandatory medical insurance shortly after the introduction of the Federal Law requiring all emirates to introduce such provisions, and we expect the six remaining emirates to follow suit in due course.

Distribution division

Revenues in the Distribution division increased from US$253.4m in FY2011 to US$271.1m in FY2012, a growth of 7.0%. EBITDA increased from US$24.9m in FY2011 to US$26.2m in FY2012, a growth of 5.2%.

This top line growth was driven by improving general economic growth across the UAE, as well as a significant increase in our product ranges.

Although the first half of 2012 was impacted by a decision from Nivea to discontinue a number of their personal care products on a worldwide basis, the business had been seeking to add additional product ranges for our portfolio, in order to mitigate this and similar future effects of product withdrawals. These new product lines and good performance from existing products helped the business to recover growth in the second half of 2012.

During the year, the Group completed the construction and opening of a new warehousing facility at Dubai Investment Park. This new facility consolidates a number of our processes in one location, as well as increasing the level of automation. Alongside our expansion of warehousing space in the northern emirates, this will enable us to drive a number of efficiencies into our operational processes in the Distribution division across the UAE.

Revenue increased – 2012

US$490.1m
Growth of 10.5%

Performance driven by offering a wider range of speciality procedures in gynaecology & cardiology

Our Al Ain Specialty Hospital is performing particularly well

Strong Government support for increased private sector participation in healthcare

Pharmacies benefiting from e-prescriptions

Opened a new warehouse facility at Dubai Investment Park

CEO Review
Continued

Business expansion and Capital Projects

2012 has been a particularly notable year for the expansion of our hospitals business. On the 1 July 2012, the Group completed the acquisition of BR Medical Suites for a consideration of US$9.0m. BR Medical Suites is a high-end specialty day patient medical centre, located in Dubai Healthcare City. It is specifically designed to attract highly experienced doctors from around the world to provide minimally invasive surgery and other procedures. Since acquisition, we have been successfully marketing the services available at this facility and we expect this business to make a positive contribution to the Group going forward.

In December 2012, we announced that NMC had been awarded a five year contract to manage the new Sheikh Khalifa General Hospital in Umm Al Quwain on behalf of the UAE Ministry of Presidential Affairs. This contract opens up a new revenue stream of Third Party Management Services to the Healthcare division and enables us to leverage our experience and capabilities to manage facilities owned outside of the Group. We are very proud to be awarded the first material contract from a Government department to a local UAE private healthcare provider, and we expect this will generate revenues of between US$4.0m and US$5.4m during the 2013 financial year.

The Group also has a number of capital projects. Our new Day Patient Medical Centre at Mussafah, in Abu Dhabi is expected to open in March 2013. We expect this facility to act as a strategic centre for referrals to our principal Specialty Hospitals.

NMC Breaks Ground on Khalifa City Specialty Hospital in Abu Dhabi

We now expect Brightpoint Womens Hospital, the first dedicated maternity hospital of its kind provided by a private healthcare operator in Abu Dhabi, to open in Q3, 2013. This delay, which occurred when specialist flooring being used within the hospital, supplied by a third party, was found to be faulty, is not expected to increase the capital cost of this project.

We believe both these new facilities will contribute to EBITDA growth from 2014.

Our other capital projects include the development of the Dubai General Hospital, located in Dubai Investment Park, which is expected to open in the third quarter of 2013. In addition, construction at our largest development, Khalifa City Specialty Hospital, has recently commenced and we will provide an update on the progress of this significant project during the course of 2013.

External support

Our business growth over the last year, and the many years previously, would not have been possible without the external support that we have at various levels. I would like to thank His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President of the UAE and Ruler of Dubai and members of the Royal Families for their continued support in increasing the provision of healthcare to UAE residents.

I would also like to thank all our Regulators and our Principals and Customers for the significant support which they continue to provide to both our business divisions.

Employees and Management

As always, our growing number of employees across all our facilities have contributed to the overall success of the Group. Their continued dedication and long-serving support is very much appreciated.

I would specifically like to thank the management team for their continued hard work and significant contribution to the Group throughout the year. They have helped to ensure we have the correct strategy for both future development and growth. Particular congratulations must go to our finance team during what has been a year of transformation for the Group. In December 2012 this was recognised publicly at the ICAEW Middle East Awards. Our Chief Financial Officer, Prasanth Manghat, was honoured to receive the CFO of the Year Award. At the same awards presentation, our finance team were awarded the Finance Team of the Year Award. I would like to congratulate all members of the finance team for their awards which were well deserved.

Finally, I would also like to thank my colleagues on the Board of Directors, all of whom have provided significant assistance to the management team during 2012. The vision that our management team and employees have for the business has been recognised by the Board. The support and confidence that the Board have in the business model and the management team has been demonstrated throughout the period since the Company's IPO, and again recently with the investment made by some of the Non-Executive Directors through their purchase of shares in the Company. The Board's support of our vision for the Group is very much appreciated.

Outlook

The management team and Board have recently undertaken a detailed market review, of both the healthcare industry in the UAE, and NMC's position within the sector.

In the coming year, the Group will benefit from the openings of our new facilities, as well as our ongoing efforts to focus on the primary healthcare segment and medical specialities where we believe there is a lack of supply in the UAE.

Macro-economic conditions in the UAE remain good with a number of growth indicators. We expect to see progress in relation to the introduction of mandatory health insurance across the remaining emirates outside of Abu Dhabi.

These factors all provide NMC with the opportunity to grow and ensure good returns for all our stakeholders.

I view the Group's future outlook with confidence, both in the medium and longer term.

Completed acquisition of BR Medical Suites for

US$9.0m

Awarded significant Government department contract worth between US$4m – US$5.4m during 2013

Brightpoint Womens Hospital, the first dedicated maternity hospital by a private healthcare operator in Abu Dhabi will open in 2013

Prasanth Manghat – CFO of the Year Award at the ICAEW Middle East Awards

Macro-economic conditions in the UAE remain good with a number of growth indicators

The UAE economy has continued to grow throughout the global downturn and has weathered wider challenging economic conditions well.

The UAE economy has continued to grow throughout the global downturn and has weathered wider challenging economic conditions well. The provision of quality healthcare remains one of the key aims of the UAE Government and healthcare spend is expected to grow from an estimated US$8.1bn in 2011 to US$10.0bn in 2013.

NMC is the leading private healthcare provider across the UAE. The Group is well positioned to further build the business and implement its growth strategy against the backdrop of these strong economic conditions and increased healthcare spend in the year ahead.

During 2012, NMC Group underwent a year of real transformation and growth across all of the NMC businesses. In addition to the significant changes implemented across our management processes, the Company also secured the long term financing structure it needed to implement its exciting growth plans through the IPO and agreement of a syndicated long term debt facility.

Performance was strong across the two main business lines with a 15.0% growth in Revenue in the Healthcare division and 7.0% Revenue growth in the Distribution division. We commenced a new revenue stream within the Healthcare division of provision of management services to third party facilities. We have also commenced our capital projects program which will add significant healthcare capacity to the Group in the coming year.

Business operations

Healthcare

A description of how the Healthcare division generates Revenue, and the key drivers for that business is set out in the Company History and Overview on pages 6 to 19. This section outlines key business activity during the 2012 financial year.

Hospitals and medical facilities

The healthcare market in the UAE during FY 2012 continued to be supported by positive sector dynamics including:

- Strong Government support for increased private sector participation in the delivery of healthcare services
- Compulsory medical insurance in Abu Dhabi for the local and Expat population
- Increased health awareness
- Reduction in overseas referrals for UAE nationals
- Rising incidents of lifestyle diseases driving increased healthcare demand

The improved performance across the Healthcare division during the year resulted principally from an increase of 9.9% to 420 (2011: 382) in the number of doctors within the business and additional Revenue arising from specialised procedures such as Gynaecology and Cardiology.

The increase in bed occupancy, being the percentage of time that beds are utilised by patients, and Revenue per patient increase due to better service mix, also led to an improvement in both Revenue and efficiency levels within all facilities. As occupancy rates continue to increase we expect this to drive higher profitability in all of our facilities going forward, due to the operational leverage that exists within the business.

A summary of the performance of the operational facilities in the Healthcare division against key KPIs is shown on the next page:

Healthcare spend in the UAE expected to grow

US$8.1bn – 2011
US$10.0bn – 2013

Healthcare division
Revenue

15% growth

Distribution division
Revenue

7% growth

Increase in the number of doctors

9.9%
382 – 2011
420 – 2012

	Year	Revenue (US$m)
	Yr 2012	89.7
	Yr 2011	79.7
Abu Dhabi Specialty Hospital	**% Change**	**12.5%**
	Yr 2012	48.3
	Yr 2011	43.2
Dubai Specialty Hospital	**% Change**	**11.8%**
	Yr 2012	39.8
	Yr 2011	31.8
Al Ain Specialty Hospital	**% Change**	**25.2%**
	Yr 2012	11.7
	Yr 2011	10.8
Dubai General Hospital	**% Change**	**8.3%**
	Yr 2012	8.9
	Yr 2011	7.3
Sharjah Medical Centre	**% Change**	**21.9%**
	Yr 2012	1.2
	Yr 2011	0
BR Medical Suites	**% Change**	**N/A**
	Yr 2012	199.6
	Yr 2011	172.8
Total	**% Change**	**15.5%**

Abu Dhabi Specialty Hospital
The Group's first ever hospital in the densely populated centre of Abu Dhabi, remains the Group's largest healthcare facility some 37 years later.

The facility continues to provide a wide range of specialties and has JCI accreditation for its service levels. It has built a significant reputation for the quality of its healthcare services amongst the local population. Revenue grew 12.5% to US$89.7m in 2012 with occupancy, outpatient and inpatient numbers all continuing to see good growth continuing the positive trend of recent years. The key Revenue and EBITDA growth drivers for Abu Dhabi Specialty Hospital during the year were:

- An increase in efficiency and occupancy
- Upward revision of consultation charges for outpatients
- Increased number of deliveries increasing Gynaecology revenues
- An increase in Cardiology revenues as a result of more minimally invasive procedures
- An increase on Ophthalmology revenue
- Additional and wider insurance networks increasing patient numbers

The hospital continues to have capacity to deal with additional inpatient services, but the increased demand for outpatient services has required some reconfiguring of certain areas of the hospital in 2012, which has continued into the first few months of 2013. When complete, this reconfiguration will provide additional overall capacity at the hospital. We also expect that the opening of Brightpoint Womens Hospital, a short drive away from Abu Dhabi Specialty Hospital, will increase both inpatient and outpatient capacity in this facility, particularly in relation to Women and Childrens' departments.

Occupancy	Inpatient Nos.	Outpatient Nos	Revenue/ Patient	Inpatient-Outpatient Ratio
68.4%	20,025	585,855	100.7	3.4%
60.4%	17,623	545,564	97.8	3.2%
8.0%	**13.6%**	**7.4%**	**3.0%**	**0.2%**
56.0%	7,689	205,290	158.1	3.7%
51.1%	6,998	193,861	143.4	3.6%
4.9%	**9.9%**	**5.9%**	**10.3%**	**0.1%**
55.6%	6,108	246,551	108.3	2.5%
44.9%	4,915	219,345	98.6	2.2%
10.7%	**24.3%**	**12.4%**	**9.8%**	**0.2%**
37.9%	1,387	134,948	58.1	1.0%
30.4%	1,108	119,957	60.4	0.9%
7.5%	**25.2%**	**12.5%**	**-3.8%**	**0.1%**
0	0	95,490	73.3	0
0	0	76,162	73.8	0
0.0%	**0.0%**	**25.4%**	**-0.7%**	**0**
0	0	1,527	733.8	0
0	0	0	0	0
0	**0**	**N/A**	**N/A**	**0**
60.5%	35,209	1,269,661	105.7	2.8%
53.0%	30,644	1,154,889	100.5	2.7%
7.5%	**14.9%**	**9.9%**	**5.2%**	**0.1**

Dubai Specialty Hospital

Opened in 2004, the Dubai Specialty Hospital is well situated in the growing residential area of Al Nahda on the Dubai-Sharjah border which enables the hospital to take advantage of referrals from both the Dubai General Hospital and Sharjah Medical Centre but also target certain sections of the population of the northern emirates. This has helped the hospital grow significantly since opening.

The facility continues to provide a wide range of specialties. During 2012, the Dubai Specialty Hospital had its JCI accreditation for its quality and service levels renewed for a further three year period.

Revenue grew 11.8% to US$48.3m in 2012 with occupancy, outpatient and inpatient numbers all continuing to see strong growth. The key Revenue and EBITDA growth drivers for the Dubai Specialty Hospital during the year were:

- An increase in Cardio-thoracic bypass and Gynaecology procedures driving inpatient numbers
- Increased admissions from GP & Emergency departments
- An increase in Ophthalmology procedures
- Increased use of facilities by community based doctors
- Additional and wider insurance networks increasing patient numbers
- Improved service mix driving revenue per patient
- Increased occupancy levels which creates incremental profit levels as utilisation of the facility improves

Business and Financial Review
Continued

The hospital still has significant capacity for increased patient numbers across all departments and will benefit from its growing reputation in the area, increased referrals from its sister and third party facilities and also from any implementation of mandatory insurance in the Emirate of Dubai when this occurs.

Al Ain Specialty Hospital
NMC's newest specialty healthcare facility, which opened in 2008, has continued to grow Revenue and patient numbers in the 2012 financial year. We expect this to continue as it becomes even more established in the local market.

During 2012, Al Ain Specialty Hospital had its JCI accreditation for its quality and service levels renewed for a further three year period.

Revenue in the 2012 financial year grew 25.2% to US$39.8m. The key growth drivers for the hospital during the year were:

- Improved GP and Emergency Revenue as the hospital becomes more established
- Higher inpatient numbers primarily from increased Cardiology, Urology and Gynaecology procedures
- Specific insurance companies stipulating a compulsory consultation by a GP prior to any referral to a specialist

Given its relatively recent opening compared to the Group's other healthcare facilities, and its favourable location in the region, we expect continued growth within this facility.

Sheikh Khalifa General Hospital, Umm Al Quwain

Dubai General Hospital
Established in 1999, the Dubai General Hospital is situated in the highly populated area of Deira, which is known to have a transient immigrant population providing access to significant numbers of potential patients. Whilst Revenue and EBITDA percentages from the facility are relatively low as a result of limited inpatient capacity, the Group also benefits from the referrals the facility generates for the Dubai Specialty Hospital which is a short distance away.

Both Revenue and EBITDA grew during the 2012 financial year driven principally by:

- An increase in dental, paediatric, general surgical and orthopaedic revenues
- Increased patient flow as well as general price increases
- Increased cardiology screening and referrals

Sharjah Medical Centre
This multi specialist medical centre was opened in 1996 and is located on the busy commuter route along the Corniche in Sharjah. Since the facility was upgraded in 2010 from a clinic to a medical centre offering increased specialities such as radiology and minor procedures, revenue has increased significantly and the facility has become profitable. The Group also benefits from referrals made from this facility to the Dubai Specialty Hospital.

Revenue and EBITDA grew again in 2012 driven principally by:

- An increase in General Clinic revenue
- Increased Pharmacy revenue

BR Medical Suites

On 1 July 2012, the Group completed the acquisition of BR Medical Suites for a consideration of US$9m paid in cash. BR Medical Suites is a high-end specialty day patient medical centre, located in Dubai Healthcare City. It is specifically designed to attract highly experienced doctors from around the world to carry out minimally invasive surgery and other procedures. Progress has been made under the NMC umbrella in marketing the facilities available at these suites and this business is expected to make a positive contribution to the Group in 2013.

In 2012, the Dubai Health Authority and Dubai Healthcare City Authority signed an agreement on simplifying the licensing process for doctors wishing to practice in both healthcare jurisdictions. This agreement, similar to an arrangement also entered into in 2012 between the Health Authority of Abu Dhabi (HAAD) and Dubai Health Authority, allows a fast track licensing process for doctors licensed in one health authority to become licensed to practice in the other. We believe that this further agreement will be of particular benefit to BR Medical Suites.

Third Party Management Services

In December 2012, the Group announced an exciting new revenue stream for the Healthcare division, derived from the provision of Third Party Management Services. The Sheikh Khalifa General Hospital is one of three new general hospitals built by the UAE Ministry of Presidential Affairs (the "Ministry") in the Northern Emirates. NMC Healthcare was delighted to be offered the opportunity to tender for, and to be awarded, a five year contract to operate the first of these three hospitals to be opened on behalf of the Ministry.

This new contract was a departure from the Group's usual model of healthcare operations, which is to build and operate its own hospitals. In addition to the expansion of the business model, this contract provides the Group with a stable source of reliable revenue which is not dependent on patient numbers in the hospital.

The awarding of this contract was another first for the Healthcare division in that it is the first time that the management of such a large Government medical facility has been awarded to a local private UAE healthcare provider. This is a testament to the confidence that the Ministry has shown in the NMC Group and the priority of the business is to provide a first class clinical service to the population of Umm Al Quwain and the northern emirates.

Under this new contract, NMC Healthcare will manage all aspects of the facility including a wide range of clinical and healthcare services including general medicine and surgery, emergency and intensive care, and dental services. When fully operational, the Sheikh Khalifa General Hospital will have a capacity of 55 rooms for outpatient consultation, examination and treatment, as well as nine operating theatres and a total of 205 inpatient beds.

As part of its contract, NMC Healthcare will also be managing all support services including pharmacy, equipment sterilisation and ambulance services as well as hospital administration.

The Hospital opened on 2 December 2012, the 41st National Day of the UAE, well in advance of the Ministry's initial expectations. The services provided at opening were a number of outpatient services and the remaining operations of the hospital are planned to open on a phased basis to June 2013.

Under the terms of the agreement with the Ministry, the management fees that NMC Healthcare will receive is dependent on a number of Key Performance Indicators based on Quality and Safety of the healthcare operations. All staff costs, capital expenditure and other operational expenditure for the hospital are paid for by the Ministry, as such the Group incurs no capital expenditure and minimal operating expenditure.

Business and Financial Review
Continued

In 2012, this contract earned the Group Revenue of US$0.9m. In 2013, the EBITDA for managing the Sheikh Khalifa General Hospital is expected to be in the region of US$4.0m to US$5.4m.

The area of third party management services is seen as a useful additional revenue stream to the Healthcare division. The extensive operational experience that the Group possesses can be leveraged in order to add additional facilities to the Group's Healthcare portfolio without significant capital expenditure. NMC Group continues to monitor the availability of other such contracts as they arise.

Pharmacies

As three of our pharmacies are located within our medical facilities, and therefore included financially within the results of those facilities, we do not report financial information in relation to the whole pharmacy business separately. 2012 has been a successful year for our pharmacy business. The majority of the Group's eight pharmacies are located within, or adjacent to, our medical facilities. Patients appreciate the convenience that this co-location provides.

During the year we commenced the start of a phased re-fit of our pharmacy estate. Our intention is to improve the look and feel of all of our pharmacy facilities. This will improve the customer experience and improve revenue and margins through an increase in product range and service offering across this business for a minimal level of capital expenditure. The programme commenced with the re-fit of the Bait Al Shiffa pharmacy which is located adjacent to our Dubai General Hospital in Deira, in September 2012 and will extend into Abu Dhabi in 2013.

A number of initiatives have been undertaken to improve both the efficiency and the service provided in our pharmacies, such as the introduction of e-prescriptions, where the doctor generates prescriptions sent electronically to the hospital pharmacy. This service will improve the proportion of patients using our pharmacies.

Program Certified
by Joint Commission International

Clinical Governance

In the Healthcare division, Quality of Care for our patients is of utmost importance. We have 3 priorities which are:

- Safer Facilities
- Clinical Excellence
- Patient Experience

While we follow the International Patient Safety Goals we are also pleased to report that we had zero incidence of pressure sores in any of our facilities for 2012. The JCI reaccreditation of our Al Ain and Dubai Specialty Hospitals, with exceptional results, through the collective efforts of our physicians, nurses and all our departments, is a testament to our commitment to achieving higher standards of quality.

We were able to achieve ISO 15189 accreditation for our laboratory in the Dubai General Hospital and ISO 9001:2008 re-certification for our Abu Dhabi Specialty Hospital in 2012. In efforts to further enhance our Clinical Governance we have laid down specific Clinical Key Performance Indicators which govern the evaluation of the performance of our doctors. This also includes the adherence to adopted international best practice guidelines. Targets have been readjusted to achieve higher goals in the year 2013.

Regulatory

The Regulatory environment under which NMC Healthcare operates, and the role of the different regulatory bodies in the UAE, is explained in the Market Review section on pages 20 to 27 of this Annual Report.

We continue to enjoy a good working relationship with all our regulators and Government bodies. The high regard with which the Government see NMC is evidenced by the new management contract awarded in relation to the Sheikh Khalifa General Hospital in Umm Al Quwain as well as our partnering with Government Hospitals for those services the Group can deliver efficiently.

NMC Healthcare has been preparing for the introduction of mandatory health insurance in Dubai, with appropriate e-claim coding classifications already in place within our systems. Sharjah has also announced an intention to introduce mandatory health insurance for its residents, but at present, no timeframe has been announced. Given that a significant proportion of the Group's revenue is generated through insurance income, any new schemes introduced in emirates outside of Abu Dhabi should be of benefit to the Group.

During the year our JCI accreditations at Dubai Specialty Hospital and Al Ain Specialty Hospital were successfully renewed. The Abu Dhabi Specialty Hospital JCI accreditation is due for renewal in 2013. The HAAD annual renewals for the NMC Specialty Hospitals in Abu Dhabi, Al Ain and the DHA annual approvals for NMC Specialty Hospital in Dubai and the NMC General Hospital in Dubai were all successfully completed during the year.

HAAD introduced new regulations in 2012 to improve standards and address difficulties arising from the multi-use of buildings which are currently used by healthcare providers in Abu Dhabi. From a quality and infection control perspective NMC supports any initiative which is designed to reduce the possibility of infection spread. As part of the introduction of these new standard, HAAD reviewed our Abu Dhabi Specialty Hospital tower, which is part hospital and part residential accommodation. As this building has been constructed with fully separate entrances, as well as having separate services for each of the hospital and residential sections of the building, HAAD have confirmed that our principal hospital tower in Abu Dhabi fulfils the higher standards regulations and is therefore not affected by these new regulations.

During the year the medical licensing rules for doctors in the UAE have been modified. A fast track process has been put in place to allow doctors licensed in Abu Dhabi and Dubai to practise in the other emirate through a simplified licensing process. We expect this to provide some long term efficiency benefits for the Group and we believe it will make the UAE more attractive for doctors. It may also allow lower-volume specialities to become more cost effective as the area of practice expands under the new licencing arrangement. We already have a number of doctors who are licensed in both Abu Dhabi and Dubai. We expect the similar agreement between Dubai Health Authority and Dubai Healthcare City to benefit our BR Medical Suites business.

We are aware of changes being considered by the Ministry of Health in the pricing of pharmaceutical products in the UAE. Any changes made in the pricing structure of such products is likely to affect, positively or negatively, the retail sale price, pharmacy and distribution margins as well as manufacturer sale prices. The review by the Ministry is not yet complete. When any changes are announced we will update shareholders in relation to any potential effect on Group Revenue and EBITDA.

Business and Financial Review
Continued

Brand awareness activities

During the 2012 financial year, the Healthcare division continued to try to build brand recognition, particularly in the emirates of Abu Dhabi and Dubai, our primary markets. This was done in a number of different ways, including the way in which the Group interacts with the local community through events and health awareness programs. An example of some of some of these activities is set out in the Corporate Social Responsibility statement on pages 56 to 61.

These campaigns provide the NMC brand with excellent reach and visibility with many new people experiencing the NMC Healthcare service for the first time, thus providing us with great benefits from a marketing perspective.

Capital Projects

At the time of the Company's IPO, the Group announced plans to undertake four key projects at a total capital cost of US$315m within our Healthcare division. This is in addition to the acquisition of BR Medical Suites.

Brightpoint Womens Hospital (capital expenditure budget of US$70m plus capitalised expenses)

The development of Brightpoint Womens Hospital, the first dedicated maternity facility in Abu Dhabi, continues to progress. However, we have experienced an additional delay in construction relating to faulty specialist flooring supplied by a third party.

The facility is now expected to open in Q3, 2013. We are currently in discussions with our building contractor in relation to liquidated damages to be claimed by NMC as a result of this further delay.

When this facility opens 50 beds will be available, with the capacity to expand up to 100 beds at a later stage. Total capital expenditure (excluding capitalised expenses) on the development of the hospital and the initial equipment within the facility is in line with original management forecasts of up to US$70m. Given the increased Revenue from Gynaecology across our hospitals, and the favourable basic plan tariff changes in relation to maternity procedures in Abu Dhabi announced in Q3, 2012, we believe that this will be a successful investment for the Group.

Khalifa City construction site

Mussafah Day Patient Centre (capital expenditure budget of US$15m plus capitalised expenses)

This new facility in Mussafah, a growing residential and industrial suburb of Abu Dhabi, will operate as a general practice day-patient medical centre, with the ability to refer patients directly to principal Specialty Hospitals. The facility is connected to a shopping mall and includes a pharmacy in its footprint. Total capital expenditure (excluding capitalised expenses) on the development and initial equipment within the facility will be up to US$15m, in line with original management forecasts. Following a slight construction delay, this facility is expected to open in March 2013.

Dubai Investment Park General Hospital (capital expenditure budget of US$30m plus capitalised expenses)

This new facility is situated in a growing residential area of Dubai close to our new DIP Distribution Warehouse. The facility was originally to be developed on a phased basis, opening as a day patient medical centre in Q4, 2012 and being upgraded to a general hospital by end of 2013. Following a project review, the Group concluded it was more effective to develop the facility as a general hospital and pharmacy facility from the beginning. Development plans have therefore changed and the full facility is expected to open in 2013. Total capital expenditure (excluding capitalised expenses) on the development of the full facility of up to US$30m, is unchanged as a result of the re-phasing.

Khalifa City Specialty Hospital (capital expenditure budget of US$200m plus capitalised expenses)
On 12 December 2012, the ground breaking ceremony was held on the site of our new Khalifa City Hospital. Khalifa City is a growing suburb of Abu Dhabi and along with other neighbouring suburbs of Sheikh Mohammed bin Zayed City, Mussafah, Baniyas and Shahama, is anticipated to house around 20% of the population of Abu Dhabi by 2030. All required building approvals for the new hospital have been received and construction is now underway. We currently expect the hospital to open with an initial 75 beds by the end of 2014. Upon opening, the hospital will focus on specific specialist areas. Total capital expenditure (excluding capitalised expenses) for all phases of development and equipment within the facility anticipated to be up to US$200m. This will be phased from project commencement in 2012 to the expected completion of the final development phase in 2016.

A table setting out the capital costs of development and capitalised expenses relating to each project is set out on page 47.

Distribution Division

A description of how the Distribution division generates Revenue, and the key drivers for that business is set out in the Company History and Overview on pages 6 to 11. This section outlines key business activity during the 2012 financial year.

Distribution market

Given the limited manufacturing and food production capabilities in the UAE, the distribution sector is key to the country's population. As one of the largest distribution businesses across the UAE, the Group is well placed to benefit from the good economic and population growth trends across the country. Furthermore, the growing population within the country means many new global companies are keen to sell their products in the UAE market.

The majority of the agreements for the distribution of products within UAE are exclusive arrangements with suppliers (Principals), with all such agreements registered with a Government ministry. This provides distributors with long-term stability and the larger distributors with economies of scale and greater bargaining power with local customers, principally retailers and medical facilities.

Distribution division performance

Revenue in the Distribution division for the year was US$271.1m (2011: US$253.4m), a growth of 7.0% compared with last year. The division was able to maintain an average gross margin contribution of 24.0% for the year despite increased competition in the market. EBITDA for the year was US$26.2m, an increase of 5.2% (FY2011: US$24.9m), with an EBITDA margin of 9.7% compared with 9.8% for the 2011 financial year.

The first half of 2012 was affected by the discontinuance worldwide of a number of products of one of our Principles in the FMCG sector. This led to a review of the business and a significant increase in the product ranges offered, particularly in the Scientific, Pharmaceutical, Food and FMCG sectors, to compensate for this loss of Revenue.

As expected, it took some time for these new product ranges to establish themselves in the local market, but with our Principals' support in relation to increased promotional and marketing activities, these new product ranges, and improved performance during UAE festive periods, helped the division return to more normal revenue growth in the second half of the financial year.

Business and Financial Review
Continued

Other factors which led to the division's improved performance were an excellent performance by the catering, food and pharmaceutical areas of the business, the economy of Dubai showing signs of improvement and additional tourism into the UAE in 2012.

Facilities
During the financial year we made a number of changes to our warehousing facilities. We announced in August the opening of our new state-of-the-art warehouse facility in Dubai Investment Park at a capital cost of US$8.9m. The new warehouse opened with 64,000 square feet of storage, with expansion capacity for a further 18,000 square feet of storage. It accommodates chilled, frozen and dry goods in a single facility and acts as a central distribution point for the Group's Distribution business in Dubai and has enabled the business to close a number of other smaller facilities in the Dubai area. In due course the facility will be fully automated, replacing many of the current warehousing processes which are handled manually, which will improve operational efficiency in the medium term. We also expanded our current warehousing capacity with additional warehousing space in the northern emirates, allowing us to improve and extend the number of products and services we provide for Customers in that region.

Following these changes, the Group has over 500,000 square feet of warehousing space across the UAE.

Efficiencies
In addition to the changes made to our facilities, which were necessary to deal with increased product supply and led to efficiencies within our existing business, during the year we also introduced a new process to assess employee utilisation within the Distribution division in order to optimise staffing levels. The division has also reduced its overall employee housing costs and outsourced employee transportation which has resulted in operational cost savings during the year and for future financial years.

The newly constructed NMC Trading warehouse in Dubai Investment Park which opened 2012

Legal issues
A subsidiary company, NMC Healthcare LLC, is a party to litigation between former shareholders in the UAE regarding matters which occurred prior to the flotation of the Company in April 2012. This action, which has no impact on the day to day operations of the Company, has been investigated by the Company and by an outside firm of legal advisers, who have concluded, on the basis of the known facts, that there is no evidence to substantiate the claims being made. This reflects the views of both the Board and the Management. Consequently no financial provision, or contingent liability disclosure, is being made by the Company in the Group and Parent Company audited financial statements in respect of this matter.

Employees
The Group employs over 4,600 employees of 45 different nationalities, including 420 Doctors of 17 different nationalities and 1,189 other clinical staff of 19 different nationalities. The group aims to recruit more staff to meet the staffing requirements for its upcoming facilities.

Despite the shortage of quality medical professionals worldwide, the Group continues to attract quality medical professionals to the UAE. Furthermore, with the level of growth and increased opportunities in the UAE, especially in the healthcare sector, it has become an attractive destination for the employment of all categories of quality professionals including medical professionals.

In view of this, the Group has engaged with recruitment agencies across a number of different countries. We are, therefore, confident that despite various challenges in availability and recruitment of quality medical professionals, we are well placed to staff our new facilities.

During the year under review, the employee attrition rate of the Group came down to 8.14% from 11.71% in the previous year. The Group continues to make every effort in the growth and development of its staff so as to keep the employee attrition rate under control.

In December 2012, the Group finance team were presented with awards at the ICAEW Middle East Awards. Prasanth Manghat, Chief Financial Officer, received the CFO of the Year Award and at the same awards ceremony, the NMC Group finance team were awarded the Finance Team of the Year Award. NMC is delighted that its finance team have been recognised for their significant contribution to the Group in this way.

NMC Group finance team presented with the Finance Team of the Year Award at the 2012 ICAEW Middle East Awards

NMC Health delivered a good performance in 2012 at both the Group and divisional level in what was a transformational year for the Group.

Financial Review

NMC Health delivered a good performance in 2012 at both the Group and divisional level in what was a transformational year for the Group. Consolidated Group Revenue increased from US$443.7m in FY2011 to US$490.1m in FY2012, a growth of 10.5%. After elimination of US$32.7m of intra-group trading revenue, Consolidated Group EBITDA improved from US$70.5m in FY2011 to US$79.6m in FY2012, a growth of 12.9%.

Revenue in the Healthcare division for the year increased from US$218.7m in FY2011 to US$251.6m in FY2012, a growth of 15.0%. EBITDA increased from US$56.9m in FY2011 to US$68.2m in FY2012, a growth of 19.9%. EBITDA margin improved from 26.0% in FY2011 to 27.1% in FY2012.

Within the Distribution division, revenues increased from US$253.4m in FY2011 to US$271.1m in FY2012, a growth of 7.0%. EBITDA increased from US$24.9m in FY2011 to US$26.2m in FY2012, a growth of 5.2%.

Earnings per share (EPS) was US$0.343 for the 2012 financial year compared to US$0.331 for the same period in 2011.

Capital Expenditure

Capital expenditure for the year was US$94.9m (FY2011: US$34.5m). This encompassed US$91.9m on the Group's capital projects, including US$82.3m on the four Healthcare capital projects announced at IPO. Capital expenditure on the Group's capital projects in the Distribution division totalled US$8.8m, including US$4.6m on the new DIP Warehouse facility. The remaining spend on capital projects of US$0.8m was in respect of other projects within the Group. The Group also spent US$3.0m on equipment required across the existing operations.

The Company was able to capitalise certain expenses, in accordance with IFRS and the Company's accounting policies, which would otherwise have been written off through the Income Statement. We expect this to largely continue in relation to costs (for example lease costs) arising during the construction of future projects. Although pre-operating expenses were nil in the year to 31 December 2012, we expect a small level of pre-operating expenses in the 2013 financial year as a result of the opening of new facilities.

A table outlining original estimated capital expenditure and other budgeted costs for each of our current development projects, and a further table setting out costs to date on these projects is set out below:

(All US$m)	Original estimated costs			
Project	Original capital budget	Other budgeted costs (note 1)	Accounting adjustment for lease rental (note 2)	Total Budget
Brightpoint	70	8	8.2	86.2
Khalifa City	200	17	–	217
Mussafah	15	2	–	17
DIP Hospital	30	3.5	–	33.5

Note 1: Prior to commencement of development of the existing four capital projects, management had an expectation that there would be an element of expense incurred before the new facilities were opened which would be written off through the Income Statement. Following a review certain of these costs have been capitalised in line with the Company's accounting policies (for example lease rent paid and finance costs). The Group expects such costs will continue to be capitalised on these projects during the construction phase.

Note 2: The lease in respect of Brightpoint contains a rent free period as well as specified rent increases. In line with IFRS and the Company's accounting policy, the rental cost of the lease has been adjusted to appropriately account for these items over the length of the lease.

(All US$m)	Costs to date			
Project	Capital costs	Capitalised expenses (note 1)	Accounting adjustment for lease rental (note 2)	Total Capital cost
Brightpoint	58.4	5.7	8.2	72.3
Khalifa City	20.6	0.9	–	21.5
Mussafah	5.8	0.3	–	6.1
DIP Hospital	0.4	–	–	0.4

With the finalisation of three of our four capital projects in 2013, and the commencement of the development of our largest project at Khalifa City, we expect total capital expenditure to increase by some 30% for both the 2013 and 2014 financial years, the majority of which comes from the committed equity and long term debt funds raised during 2012.

Cash

Net cash inflow from operating activities for the 2012 financial year was US$38.7m, compared with US$71.4m for the comparative period in 2011. The differential is mainly due to a one-off receipt of US$60.6m in 2011 from related parties arising from the repayment of previous shareholder loan balances. Normalised net operating cash inflow for FY2011, excluding the effect of this one-off receipt, would have been US$10.9m.

Including funds held on deposit, cash as at 31 December 2012 was significantly higher than at the end of 2011 primarily as a result of the proceeds raised from the issue of new shares by the Company at the time of its IPO in April 2012 and also the new syndicated long-term debt facility with JP Morgan which was entered into during the year. These funds raised are all allocated against the capital cost of the five expansion projects announced as part of the Company's IPO. As a result, together with positive operating cashflow, the Company is well financed to complete its capital expenditure program through to 2016.

As expected, the Group had a net debt position of US$46.1m at 31 December 2012 compared with US$128.1m at 31 December 2011. As the Group continues with its capital project development program, and the Company's cash is committed to such projects, the level of net debt is expected to increase for both the 2013 and 2014 financial years.

Movement in net debt

The movement in cash and the level of capital expenditure have had a significant effect resulting in a significantly reducing net debt during the 2012 financial year. A summary of the principal drivers of this reduction is shown in table opposite:

Working Capital

Working capital for our two operating business divisions is funded differently due to the nature of their business models. The Group is able to fund its working capital requirements for its Healthcare division from operational cash flow, and we do not expect this position to change in the 2013 financial year.

In relation to our Distribution division, the working capital requirement is dependent on a number of factors including the timing of receipt of debtors and creditors as well as inventory flow during the year and the timing of re-imbursement of promotional expenses agreed with our Principals in relation to the sale and marketing of their products. The Distribution division requires external working capital facilities throughout the year, the level of which is dependent on business seasonality. These working capital facilities are arranged through a number of banking providers and in general terms the level of working capital required is between 30%-40% of the Group's total debt facilities.

Long term debt facilities

A debt facility of up to US$150m was made available to the Group during the year by a syndicate of lenders led by J.P. Morgan Chase Bank, to assist the Group in relation to its capital investment program. A total of US$120m was drawn down from this facility in the period to April 2012 and the remaining US$30m was drawn down on 13 December 2012. As a result, the total debt of the Group, excluding accounts payable and accruals, increased from US$182.2m on 1 January 2012 to US$303.6m on 31 December 2012.

Finance costs and income

We have been able to raise syndicated debt at 3.50% +1 month Libor. Total finance costs have come down by 19% in 2012 (US$13.7m) compared to 2011 (US$16.9m). This is mainly through reduction in finance costs of working capital facilities coupled with better cash management. We were also able to obtain competitive rates for the fixed deposits made on excess funds. The company was able to capitalise finance costs on debts raised for capital expenditure, in accordance with International Financial Reporting Standards, resulting in higher net income and lower finance expenses.

Depreciation

As reported as part of our 2012 Half-Year Results Announcement in August 2012, the Group re-assessed the deprecation method from reducing balance to straight line and the useful economic lives of all asset categories with effect from 1 January 2012 following a review of the useful economic lives of the Group's assets and market research conducted on deprecation rates and methods in the healthcare sector. The impact of these changes is an increase in reported profit of US$5.3m in FY2012. The changes in depreciation policies are detailed in note 2.3 of the notes to the consolidated financial statements on page 102 of this Annual Report.

Movement of net debt

(US$m)

Total Debt as at 1 January 2012	182.2	Total Cash as at 1 January 2012	54.1	Net Debt as at 1 January 2012	128.1
Add:		Add:			
New JP Morgan Facility	150.0	Cash received from JP Morgan Facility	150.0		
		IPO Proceeds (net)	168.7		
		Operational cash inflow	38.7		
		Finance Income	2.3		
	150.0		**359.7**		
Less:		Less:			
JP Morgan facility repayments	18.9	JP Morgan Facility repayments	18.9		
Other Bank facilities (Net movement)	9.7	Other Bank facilities (Net movement)	9.7		
		Additions and disposals to Property and Equipment	105.2		
		Acquisition of BR Medical Suites	8.8		
		Finance Costs	13.7		
	28.6		**156.3**		
Total Debt as at 31 December 2012	**303.6**	**Total Cash as at 31 December 2012**	**257.5**	**Net Debt as at 31 December 2012**	**46.1**

Dividend

The Group did not pay an interim dividend during the year. In line with the guidance range of a dividend payment of between 20% and 30% of Profit After Tax, which the Company gave in its IPO prospectus, the Board is recommending that a final dividend of 4.1 pence per share be paid in cash in respect of the year ended 31 December 2012 (FY2011: Nil).

Key risks and uncertainties

The Board consider the identification and mitigation of material risks faced by the Group as a key issue to be monitored at all levels of the organisation. The senior management team ensure that operational management consider risk as part of their day to day activities. This is considered to be particularly key for NMC as a Group working in a regulated environment.

During the 2012 financial year, in order to monitor the Group's business and strategic plans on a more formal basis, the management team has, with the assistance of the Group's Internal Auditors, Horwath Mak, reviewed and re-assessed the strategic and key risks faced by the Group. These risks, the potential effect of these risks on the Group and the mitigation of those risks is analysed in the following table. It should be noted that the order that these risks are expressed in the table do not reflect an order of magnitude as regards their potential impact on the Group.

Principal Risks and Uncertainties

Risk	
Economic and Political risk	A change in the political environment or civil unrest in the UAE
Working capital	Insufficient free cash flow, borrowings headroom or material changes to supplier payment terms
Management succession and depth	The lack of depth of experienced senior management coupled with the lack of sufficient succession capabilities where the business has traditionally been reliant on a few individuals
External interests	Potential conflicts of interest and time conflicts in relation to the other significant business interests of senior management
Capital projects risk	Failure to deliver key projects on time or on budget
Competitor environment	New significant entrants into the UAE healthcare market given government focus on healthcare in UAE
Recruitment	Loss of specialist medical professionals as a result of wage inflation and increased healthcare provision in the UAE

Potential impact	Mitigation
Reduction in population resulting from departure of expats from the country Loss of customers and revenue streams Disruption to delivery of service or inability to provide products and services	Diverse multi-cultural population with significant percentage of expats providing local services Each division is diverse in nature Traditional stability in UAE driven by wealth from oil revenue
Reduced liquidity and access to working capital funds Inability to complete capital projects Disruption to revenue streams and loss of supplier base	Management continually monitor cash headroom and borrowings All capital expenditure for key capital projects is fully financed Five year debt facilities and working capital facilities available from a number of international banks Working capital facilities not fully utilised Strong banking and supplier relationships
Inability to complete announced capital projects Loss of key business and regulatory relationships Inability to manage the businesses effectively affecting the long term future of the Group	The Group has an established succession planning framework within the business beneath senior management level Senior management have a long track record and shown ability to manage change NMC Board comprises highly experienced members with a proven track record
Loss of focus on the NMC business Potential for operational inefficiencies Potential for inter-company contractual arrangements not being operated on an arms-length basis	The Company has a professional management team whose primary focus and commitment is on the Company's activities Senior management involvement in other business interests are as investors or board oversight only and not as part of management within those third party businesses The Company has a process in place to record all related party transactions which arise and these are detailed in the notes to the financial statements
Revenue growth less than expected Failure to deliver return on investment Delayed lead time to new facility profitability and positive cash flow affecting the Group's financial position Potential for impairment of assets	Capital projects fully monitored by the management team and the project team Board review progress on capital projects and revised financial projections on a regular basis
Loss of market share resulting in a loss of revenue and lower margins Access to future expected growth in UAE healthcare expenditure reduced	The regulatory environment in the UAE is a significant barrier to entry and limits competitor expansion across different emirates NMC has first mover advantage in the healthcare sector and is listed as a public company creating greater visibility and acceptance of standards
Increased operational costs May reduce the ability of the Group to provide certain services to patients Potential loss of reputation	We have a good recruitment process with wide international connections and have attracted doctors from 18 different countries Management team have a proven track record of operating within an environment of high wage inflation previously Our doctor attrition rate remains very low which we believe indicates the level of dedication our doctors have for the success of the business

Principal Risks and Uncertainties
Continued

Risk	
Clinical risk	Unforeseen significant clinical negligence leading to significant damages, loss of patient confidence and potential criminal proceedings
Legal and Regulatory risk	Failure to comply with applicable health authority regulatory requirements and unanticipated regulatory changes and working within a changing and developing legal environment different to what shareholders would be used to in other parts of the world
Cultural	A very small entrepreneurial management team which has faced significant changes in business process as a result of the Company's IPO

Potential impact	Mitigation
Significant reputational damage Financial losses as a result of fines and/or financial awards made against the Group Risk of loss of operating licenses and quality standard accreditations	The business and our doctors have a continuous focus on delivering high levels of service All doctors are monitored by virtue of rigorous licensing procedures which operate in the UAE The Healthcare division is a regulated business and the Group's three principal hospitals have international quality standards accreditation We have a series of Ethical and Standards Committees for monitoring clinical governance with the business We have medical malpractice insurance to cover any awards of financial damages
Risk of loss of operating licenses and quality standard accreditations Risk of extended legal processes in a legal system where an element of proof is not required before a legal claim is pursued within the Court Reduced revenue or operating efficiency as a result of regulatory changes	We have a good relationship with all of our regulators and quality standard accrediting bodies Our regulators and quality standard accrediting bodies review and visit our facilities periodically to ensure compliance with regulations The management team ensures that the business is operated in an ethically appropriate way and that all employees are aware of the Group's Code of Business Ethics with which they must comply
Significant increase in financial and operational process and reporting required internally and externally stretching management bandwidth Management inexperience in the listed company environment may affect both the team's focus on operational matters or lead to Company valuation erosion as a result of poor investor relations	The Company has a very experienced board of directors who monitor financial and operational matters regularly and advise on listed company and strategic matters The Company has a team of very experienced external advisers who assist the management team in external reporting matters The Company appointed a Company Secretary with significant UK plc experience to assist with the process of change management required following IPO

Corporate Social Matters
Details in relation to the Company's policies and interaction in relation to environmental, employee, social and community matters are detailed in the Corporate Social Responsibility report on pages 56 to 61.

Basis of preparation and forward-looking statements
This business and financial review has been prepared solely to provide additional information to shareholders to assess the Group's performance in relation to its operations and growth potential. It 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. These risks, uncertainties or assumptions could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements, and should be treated with caution.

Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this review or to correct any inaccuracies which may become apparent in such forward-looking statements.

Governance Summary

- We follow the International Patient Safety Goals and have Joint Commission International accreditation in each of our three Specialty Hospitals
- NMC Healthcare has undertaken hundreds of community initiatives over the year
- NMC has been running an online awareness campaign with the aim of educating the populace of the UAE about the importance of health issues
- The Group is proud of the values with which it conducts its business activities and encourages all of its employees to uphold these values
- The Board considers that the diverse business backgrounds, skills and healthcare experience of the Non-Executive Directors enable them to bring independent judgement to bear on issues of strategy, performance and standards of conduct
- The Board has established Audit, Remuneration and Nomination Committees consisting entirely of independent Non-Executive Directors
- The Remuneration Committee will ensure senior management are incentivised through a remuneration structure that aligns with delivering shareholder value, sustains operational performance and Group effectiveness within the key business sectors and promotes a strategy for growth for the Group

"The UAE market outlook is indeed very robust and promising. With the inspiring leadership of the higher management and the roll-up-the-sleeves-and-get-down-to-work attitude of the NMCians, I am very confident of NMC Trading galloping across new frontiers and creating new benchmarks. Consolidation and acquisition of businesses along with exports continue to be key drivers for NMC Trading in 2013 as well"

Dr Krishnan Unni,
Executive Vice President, NMC Trading

Corporate Social Responsibility

NMC Health plc takes its role as a corporate citizen very seriously.

Sustainability

NMC Health plc takes its role as a corporate citizen very seriously. We are very active in engaging with all our stakeholders in a holistic manner with the objective of providing both short term and long term benefits to them. NMC Health's engagement with its patients, with the community, with its employees and its efforts in protecting and improving our environment are all initiatives that not only make NMC Health socially responsible but also, in the long term, makes sound business sense in perpetuating and strengthening the business. This concept is captured by the idea of Sustainability.

Our Vision and Mission statements

Our Vision

To be the trusted healthcare provider in UAE and abroad driven by excellence through innovation, quality, team work, advanced technologies, patient safety and customized care offerings.

Our Mission

- To lead the healthcare industry in UAE by providing customized healthcare solutions to different segments of the society.
- To provide consistent high quality cost-effective patient care in a compassionate and caring environment.
- To achieve high levels of customer satisfaction through integrity, dedication, professionalism, teamwork and timely service.
- To introduce the latest technologies in healthcare for better diagnosis and treatment.

Patients

- From its inception, NMC Health has always had a policy that it provides healthcare for everyone – irrespective of nationality, income level or socio-economic demographic. NMC Healthcare, is one of the few large hospital chains in the UAE that accepts patients from virtually all health insurance plans, ranging from the highest end plans, meant for high net worth individuals, to the lowest end plan which is meant for blue collar workers.
- Due to the above policy, NMC Healthcare's patient base is almost identical to, and representative of, that of the demographic make-up of the population of the UAE, making NMC Healthcare a true people's choice.

Nationality	% of UAE residents	% of NMC patients in 2012
Emiratis	15	**9.6%**
Indian sub-continent	50	**65.8%**
Filipino	15	**4.2%**
Other Arab	10	**2.1%**
Western world	5	**5.7%**
Others	5	**12.6%**

- NMC Healthcare operates or manages hospitals and medical centres in four of the largest cities in the UAE and in four emirates. Our facilities are accessible to over 90% of the country's population. We are the only healthcare provider in the country (both in the private and public sector) that has such a broad presence across the country, with a operations in:

Abu Dhabi

- NMC Specialty Hospital, Abu Dhabi
- Brightpoint Womens Hospital (expected to open in Q3, 2013)
- NMC Specialty Hospital, Al Ain
- NMC Day Surgery, Musaffah expected to open in early March 2013

Dubai

- NMC Specialty Hospital, Dubai
- NMC Hospital, Deira
- B R Medical Suites, Dubai Healthcare City
- NMC Hospital, DIP (expected to open in 2013)

Corporate Social Responsibility Continued

Campaign to support World Diabetes Day 14th Nov 2012.

NMC celebrates UAE National Day.

Patients continued

Sharjah

- NMC Medical Center, Sharjah

Umm al-Quwain

- Management of Sheikh Khalifa General Hospital, Umm al-Quwain

Quality of Care for our patients is of utmost importance. We have 3 priorities which are:

- Safer Facilities
- Clinical Excellence
- Patient Experience

We follow the International Patient Safety Goals and have Joint Commission International accreditation in each of our three Specialty Hospitals. Through the collective efforts of our physicians, nurses and all our departments' patients very much benefit from our commitment to achieving high standards of quality.

- NMC Health's distribution business, NMC Trading, has many pharmaceutical medical representatives and medical equipment salespersons who meet with doctors and bio-medical and administrative teams in hospitals, medical centres and pharmacies across the UAE. The business imports essential pharmaceuticals, medical equipment and consumables of high quality to ensure their availability to healthcare institutions so that the medical community can provide the highest level of service to the patient.

Community

- NMC Health believes that reaching out and actively participating in the community in which it operates is one of the best ways to serve its existing and potential patients. In this regard, NMC Healthcare has undertaken hundreds of community initiatives over the year and the following section will provide a few examples of our Community program.
- World Heart Day 2012 – September 29th is commemorated around the world as World Heart Day. Over the course of one week in September 2012, NMC Health conducted one of the largest public awareness and education drives in the UAE on heart diseases and cardiac care

  - 5,993 people received free of cost heart check-ups comprising of BMI (Body Mass Index), blood pressure, blood glucose and cholesterol level measurements
  - The check-ups were conducted at all NMC Health facilities
  - Out of the 5,993 free check-ups undertaken as part of this campaign, 2,352 were done outside NMC facilities, in high traffic public spaces such as shopping malls
  - NMC cardiologists went on air on six different radio stations (across English, Arabic, Hindi, Malayalam and Tamil languages) conducting health awareness talks and answering questions live on air
  - Apart from our own facilities, our health teams also visited private companies as well as government ministries and public entities to conduct these check-ups for their employees
  - The campaign provided the community with valuable information in relation to cardiac care and heart disease awareness

- Diabetes Retinopathy Campaign (December 2012)
  - NMC Healthcare conducted a free retinopathy screening program for diabetics at NMC Specialty Hospital, Abu Dhabi and NMC Specialty Hospital, Dubai
  - The screening program was supported by mainstream newspapers and radio
  - The screening program was very successful and over 500 diabetics were screened for free in December 2012
- Starting in September 2012, twice each week, NMC Healthcare doctors go on air on radio stations to deliver talks on various health related issues as well as answering listener queries. This is seen as a useful public service initiative from NMC.
- NMC Healthcare was the official partner of the ADNIC Yas Run. For the last two years NMC Healthcare has been invited to be the official health partner to this event where over 3,000 runners of all ages participated. NMC provided emergency services (ambulance, paramedics, doctors) for the run as well as conducted free health check-ups for the participants in the run.
- NMC run a blood donation drive amongst its employees each year in order to contribute to the growing needs of blood banks in the UAE.
- NMC has been running an online awareness campaign with the aim of educating the populace of the UAE about the importance of health issues.
- MamaCare – NMC Healthcare conducts free counselling and pre-natal classes for expecting parents each week in all its specialty hospitals. This program, called MamaCare, involves education talks from gynaecologists, neonatologists and paediatricians, diet planning by our dieticians and pregnancy and post natal exercises with exercise physiotherapists. This program is open to anyone and is conducted pro-bono by NMC Healthcare.

Employees

Being part of the NMC Health business family

- Both principal operating divisions of NMC Health are service businesses – and the most important asset the company has is its people. NMC Health values its employees and takes good care of them.
- All NMC Health staff are provided with the option of free company accommodation or an accommodation allowance. This allows them to stay close to their place of work if they wish saving them commuting time. In the Healthcare division this also contributes to providing better care to our patients since on-call doctors can be at the patient's side in minutes in the event of the emergency.
- From time to time, NMC Health extends additional benefits to its employees – in the last quarter of 2012, NMC Health offered all its female employees over the age of 40, free mammogram screening at all our hospitals.
- NMC runs a number of fitness events and sports clubs including cricket and volleyball teams.
- NMC Health employees are eligible for discounted rates for most services within our medical facilities, and can also take advantage of discounted prices for the FMCG and food products that are distributed by NMC Trading.
- NMC Health celebrates events and conducts cultural and social gatherings for its employees, such as the cultural programs conducted every year on the occasion of International Nurses' Day and the celebrations of UAE National Day among many other such occasions. These events provide an opportunity for our employees to indulge their creativity, meet colleagues they would not normally meet and feel part of our business family.

Corporate Social Responsibility Continued

Employees continued

Diversity and equal opportunities

As at 31 December 2012, the Group had grown its employee base across all its business operations to 4,600 employees.

Whilst the Group does not have formal Equal Opportunities or Diversity policies, it has always been a practice that none of the Group's businesses use any form of discrimination based on a person's race, religious beliefs, age, sex, marital status, nationality, any form of disability or any other factors other than a person's ability to undertake their specified job.

Within the Group as at December 2012, we employed individuals of 42 different nationalities. In addition 38% of our workforce is female and 62% male.

We have one female member of the Board, which represents 14% of Board members. Whilst the Board will be mindful in relation to any future Board appointments of the recommendations set out in the Lord Davies Report: "Women on Boards" and acknowledges the significant benefits of diversity on the Board, the Nomination Committee's primary role is to ensure the correct mix of experience on the Board to monitor the progress of the Group on behalf of shareholders.

Business ethics

The Group is proud of the values with which it conducts its business activities and encourages all of its employees to uphold these values and the highest levels of business ethics and personal integrity in all types of transactions and interactions. In this respect the Group has the following policies in place which all employees of the Group are subject to:

Code of Business Conduct and Ethics

This Code sets out how employees should act in a range of different areas including

- potential conflicts of interest,
- dealing with matters fairly as regards competitors, suppliers, customers and colleagues,
- maintaining confidentiality in all areas of the business,
- compliance with all laws and regulations,
- the protection and proper use of Group assets.

Anti-Bribery, Anti-Corruption, Gifts and Entertainment Policy

This Policy sets out the rules and obligations of employees in relation to:

- the offer or acceptance, or the engagement in any activity that gives the appearance of accepting or accepting, a bribe,
- the offer or acceptance of gifts or entertainment,
- prohibition of facilitation payments
- any payment of charitable contributions or political donations
- the procedure for engaging any third parties.

All employees have been provided with a copy of these policies, as well as guidelines relating to them, and are aware of the significance of these policies to the Group. The Company also ran a series of workshops to explain these policies to employees in more details. New employees receive training on all company policies and procedures as part of their induction program. A copy of the policies is included on the Company's employee intranet.

Given the principal activities of the Group, NMC Healthcare employees are issued with specific guidance in relation to attendance at Pharmaceutical conferences and clinical training events. Employees of NMC Trading are also specifically made aware, as part of their training activities, of the potential issues which may arise ethically in their dealings with our Distribution division's Principals and Customers.

The Group also has in place a Whistleblowing procedure which is made aware to all employees of the Group and is available on the Company's Employee intranet site.

Environment

NMC Health is an environmentally conscious company and undertakes numerous initiatives to ensure that the negative impact of our activities on the environment is minimized and we can make a positive difference in achieving a safe, healthy and sustainable environment. Some of the initiatives we have undertaken in this regard include:

- Environmentally safe disposal of medical waste
- NMC Healthcare hospitals are in compliance with the Environmental Health and Safety requirements of the health authorities and municipalities of Abu Dhabi and Dubai. NMC Healthcare has policies to prevent and control environmental, occupational health, safety, and infection-control related incidents. This is achieved through identifying hazards and risk factors, developing Environment, Health and Safety (EHS) policies and procedures, conducting audits, inspections and incident investigations and, ensuring continuous improvement of the NMC EHS management system and processes. The ultimate goal is to eliminate or reduce the risk of fatalities, occupational diseases and disorders, disabling and other injuries, healthcare associated infections, spread of antimicrobial resistance and significant environmental incidents
- The introduction of e-claims for health insurance has significantly reduced the amount of printed paper submitted in our monthly invoices to insurance paying companies
- NMC Healthcare recycles the paper it uses internally within the company to reduce the consumption of paper
- NMC Trading distributes sound and air quality monitoring products
  - combining business with promoting a better, safer and sustainable environment, for example
  - Noise Monitoring at Work Place – a hand held sound level meter manufactured by Cirrus Research PLC, UK
  - Device for Sampling of Air for Workplace Air Quality – a device manufactured by SKC Ltd, UK
- NMC Healthcare doctors conduct awareness talks on the negative effects of air and sound pollution on the human body

NMC Cardiac Care – World Heart Day.

Medical specialists answering questions live on radio.

Health partners at the ADNIC YAS Run 2012.

Board of Directors

- ● Member of the Audit Committee
- ■ Member of the Remuneration Committee
- ▲ Member of the Nominations Committee

Meet the NMC Health Board of Directors.

Mr H J Mark Tompkins

Independent Non-Executive Chairman
aged 72

● ■ ▲

Mr H J Mark Tompkins was Non-Executive Chairman of Allied Healthcare International Inc. one of the UK's leading providers of domiciliary care and healthcare staffing services, from 2007 to 2009, serving as a Director from 2005 to 2009. From 2005 to 2008 he also served as Non-Executive Chairman of Healthcare Enterprise Group Plc, an international healthcare products company which was listed on the AIM market in London. Mr Tompkins served as *Conseiller Special aupres du Conseil D'Administration* of Sodexo S.A. ("Sodexo") from November 2010 to August 2012 after serving as a Non-Executive Director of Sodexo from 2002 to 2010 and a member of its Audit Committee for six of those eight years. Sodexo is engaged in food service provision and facilities management, including to the healthcare sector, to which it provides catering, facilities management and sterilisation services and has annual turnover of approximately US$23billion. During his career, Mr Tompkins has previously served on a total of 11 publicly listed company boards, including five NYSE, NASDAQ or junior market U.S. exchange boards and four London Stock Exchange or AIM boards. These directorships have included Abbey Healthcare Group Inc., and Apria Healthcare Group Inc. Prior to his non-executive director roles, Mr Tompkins served as the Chief Executive Officer of Compagnie Financiere Haussmann, a publicly listed company in France involved in property development, investment and management.

Mr Tompkins began his career in investment banking in 1964 with Samuel Montagu & Company (now HSBC). From 1965 to 1971, he was a Management Consultant with Booz Allen Hamilton, Inc., working on assignments in the UK, continental Europe and the U.S. Mr Tompkins returned to investment banking joining Slater Walker Securities group from 1972 to 1974. He subsequently entered into international real-estate development from 1974 to 1993 investing in both residential and commercial assets across the Middle East, the United States and Europe (France, Germany and Spain).

Khalifa Bin Butti
Executive Vice-Chairman
aged 33

Mr Khalifa Bin Butti is the first son of Butti Bin Omeir whose father, Omeir Bin Yousef was one of the first well-known businessmen in Abu Dhabi. He joined the Abu Dhabi National Oil Corporation (ADNOC) in 2003, working in the finance department. In 2004 he established KBBO Group as a trading house, which has now grown into a diversified real estate development, oil refinement and processing, technology and investment company. KBBO Group owns the FSA-registered One Financial in the UK. In 2006, he was appointed Chairman and CEO of Brokerage House Securities LLC, a Middle Eastern finance group focused on high-net worth individuals.

He was educated in England and went on to study business administration in the US, graduating with a concentration in finance from Suffolk University in Boston.

H.E. Saeed Bin Butti
Non-Executive Director
aged 44

His Excellency, Saeed Bin Butti is founder, Chairman and sole owner and investing principal of Centurion Investments Company, a private equity firm based in Abu Dhabi. His Excellency is also the founder and Chairman of Infinite Investment LLC. Since 1997 His Excellency has been Managing Director of The Ministry of Presidential Affairs which combines both the Office of His Royal Highness the President and the Presidential Court. His Excellency's portfolio of assets include significant real estate holdings in London and Monaco. He is also currently a member of the board of directors of Tasameem, a real estate firm based in Abu Dhabi which owns and manages substantial investments in real estate throughout the world.

His Excellency is extensively involved in charitable and philanthropic activities in the areas of heritage and culture where he participates in initiatives to establish closer ties and bridge divides between the western and Islamic communities by personally funding centres of global studies and research in universities in the Middle East, as well as centres of Islamic studies in western universities.

His Excellency graduated from the American University of Switzerland in 1995.

Dr B R Shetty
Chief Executive Officer
aged 70

Dr B R Shetty is the founding partner of NMC. He received the Order of Abu Dhabi in 2005, the highest civilian award, for contribution to the development of the community and the cause of the emirate, as well as the Padma Shri Award from the government of India in January 2009. He is a member of the Advisory Board of the Financial Sector of the Dubai Economic Department, the Chairman of the Abu Dhabi Indian School, the Founder and Vice President of the Swiss Business Council, the Founder of the Australian Business Council, the Canadian Business Council, the Netherlands Business Group and the Philippines Business Council. He is also a member of the Executive Panel of Dubai's Pharmaceutical and Health Equipment Trading Business Group under the Dubai Chamber of Commerce and Industry, the ex-President of the Abu Dhabi Cricket Council and was the Managing Director of the Abu Dhabi Cricket Club since its inception in 1989 until 2006.

Dr Shetty trained as a Pharmacist. He received a Doctorate degree from Georgia State University, Atlanta, USA and was invited by the Harvard Business School to attend its Owner/President Management programme. He holds a controlling interest in the Alexandria New Medical Centre in Egypt.

Mr Justin A S Jewitt
Senior Independent Non-Executive Director
aged 58

Mr Jewitt was employed by Nestor Healthcare Group plc, a FTSE-250 listed company and one of the largest publicly listed private healthcare service companies in the UK, from 1994 to 2004. During this period he served as a board member from 1996 and as CEO from 1998. Nestor Healthcare is the UK's largest provider of managed services to the UK health and social care market. Since 2008, Mr Jewitt's experience has included a non-executive directorship with NHS Shared Business Services Ltd, the largest provider of back office services to the NHS and membership in the NHS East of England SHA Innovations board. Mr Jewitt has previously served as a non-executive director of South Staffs Water Company Plc and HomeServe PLC.

Mr Jewitt received a B.A. (Hons.) from Leicester University, and he currently serves as a visiting professor at the Welsh Institute for Health and Social Care at the University of Glamorgan.

Mrs Heather Lawrence OBE
Independent Non-Executive Director
aged 63

Mrs Lawrence OBE has over 20 years' experience as a Chief Executive Officer in the hospital and healthcare sector. From 2000 to July 2012 she served as CEO of the Chelsea and Westminster Hospital, which gained NHS Foundation Trust status in 2006. Prior to 2000 she served as CEO of North Hertfordshire NHS trust from 1996 to 2000 and Hounslow and Spelthorne Community and Mental Health Trust from 1989 to 1996.

Mrs Lawrence chaired the UK-wide negotiations for the Staff and Associate Specialists (SAS) Doctors contract during 2004 to 2006 and chaired the "Agenda for Change" three-year pay deal for non-medical staff on behalf of NHS employers during 2006 to 2009. She has also served as a Commissioner for the UK Prime Minister's Commission for the Future of Nursing and Midwifery and was a Founding Member of the Dr Foster Global Comparators Founders Board, which is an initiative to share comparative health data with other leading medical institutions in various countries to improve clinical quality.

Mrs Lawrence originally trained as a nurse at St Mary's Hospital Paddington and is a Chartered Fellow of the Institute of Personnel Management. She was appointed as a Non-Executive Director of Monitor in July 2012.

Mrs Lawrence was awarded an OBE in the 2010 New Year Honours List for her services to healthcare.

Lord Clanwilliam
Independent Non-Executive Director
aged 52

Lord Clanwilliam is an international businessman and high-level government and financial communications specialist possessing over 30 years of business and political experience across a broad range of sectors, including mining, drilling, oilfield services and operational management and consultancy. During his career, Lord Clanwilliam has established an extensive network of senior level governmental and institutional contacts across the Middle East, the United Kingdom and Eastern Europe. He is currently Chairman of Eurasia Drilling Company, a drilling and work-over company operating in Eurasia and listed on the Premium Segment of the London Stock Exchange with a market capitalisation of $3.5 billion. He is also a Non-Executive Director of Polyus Gold OJSC, a Russian gold mining company listed on the Premium Segment of the London Stock Exchange with a market capitalisation of $10.5 billion. Lord Clanwilliam is the Founding Partner and Chairman of Gardant Communications Limited, a political, strategic, financial and litigation communications company based in London and Senior Advisor to Milio International Limited, a British owned and operated commodities and logistics company.

Lord Clanwilliam graduated from Eton College in 1978 and from The Royal Military Academy, Sandhurst in 1979 after which he served for four years with the 1st Battalion Coldstream Guards.

The Directors of NMC Health plc are pleased to submit their Annual Report for the year ended 31 December 2012.

The Directors of NMC Health plc (the "Group" or the "Company") are pleased to submit their Annual Report and audited financial statements of the Group and the Company for the year ended 31 December 2012.

Information on pages 34 to 53, which constitutes a fair review of the business required by the Companies Act 2006, and in the Corporate Governance Report on pages 72 to 85, is incorporated into this Directors' Report by reference.

The details of salaries, bonuses, benefits and share interests of directors are shown in the Remuneration Report on pages 86 to 91.

Incorporation, group reorganisation and IPO

The Company was incorporated on 20 July 2011. On 28 March 2012, the Company purchased 99,999 of the 100,000 shares in NMC Holding LLC, the Dubai registered holding company of the NMC Healthcare group. The remaining 1 share of NMC Holding LLC is registered in the name of NMC Health Holdco Limited, a UK registered wholly owned subsidiary of the Company.

On 2 April 2012, the Company undertook an Initial Public Offering and on 5 April 2012 the Company's Ordinary Shares were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. NMC Health plc did not trade prior to 28 March 2012.

Principal Activities

NMC Health plc is a holding company. The principal activities of the Company's subsidiaries include the operation of healthcare facilities and pharmacies and the distribution of consumer and pharmaceutical products. The Group's business operations are based solely within the United Arab Emirates.

Further details in relation to the activities of the Group, together with a description of the principal risks and uncertainties facing the Group, are set out in the Business and Financial Review on pages 34 to 53.

Results and Dividends

The Group results are shown in the Consolidated Statement of Comprehensive Income on page 96. Profit after taxation for the year was US$59.8m (2011: US$43.8m). Factors influencing the results are discussed in the Business and Financial review on pages 34 to 53.

No interim dividend was declared during the period. Subject to shareholder approval, a final dividend of 4.1p per share (2011: Nil) is proposed, to be paid on 4 July 2013 to shareholders on the Company's share register on 31 May 2013.

Future Developments

The potential future developments of the Group are outlined in the Business and Financial Review on pages 34 to 53.

Composition of the Board

The following have served as directors of the Company since incorporation:

Director	Position	Date of appointment	Date of resignation (if applicable)
Mr H J Mark Tompkins	Non-Executive Chairman	7 March 2012	–
His Excellency Saeed Bin Butti	Non-Executive Director	20 July 2011	–
Mr Khalifa Bin Butti	Executive Vice Chairman	20 July 2011	–
Dr B R Shetty	Chief Executive Officer	20 July 2011	–
Mr Justin Jewitt	Non-Executive Director	7 March 2012	–
Lord Clanwilliam	Non-Executive Director	7 March 2012	–
Mrs Heather Lawrence	Non-Executive Director	19 March 2012	–
Infinite Investment LLC	Director	20 July 2011	7 March 2012

No other directors have been appointed to serve during the period from incorporation to 31 December 2012 or subsequently.

Share Capital

On incorporation the share capital of the Company was £100 divided into 100 Ordinary shares of £1 each. On 28 March 2012, as authorised by resolutions of the Company:

- each of the Ordinary shares were sub-divided into 10 Ordinary shares of 10p each; and
- the share capital of the Company was increased to £13,000,000 by the issue of 129,999,000 Ordinary shares of 10p each.

On 2 April 2012, the share capital was further increased (as authorised by resolution of the Company) to £18,571,428 by the issue of 55,714,286 Ordinary shares of 10p each in connection with the offer of shares made at the time of the Company's IPO.

The issued share capital of the Company as at 31 December 2012 is £18,571,428 divided into 185,714,286 shares of 10p each. As at the date of this report, the Company has not issued any options over the Company's share capital.

Under the articles of association of the Company, all Ordinary shares have equal rights to dividends and capital and to vote at general meetings of the Company. There are no restrictions on the size of holding nor on the transfer of shares, which are both governed under the terms of the articles of association and relevant legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or in voting rights.

Directors' Report
Continued

Principal Shareholders

As at 22 February 2013 the Company was aware of substantial interests in the Company's shares, or had been notified of interests in voting rights under Chapter 5 of the Disclosure and Transparency Rules as follows:

Shareholder	Number of shares	% of issued share capital held	Nature of holding
H.E. Saeed Bin Butti	53,466,559	28.8	Direct
Dr B R Shetty	37,742,409	20.3	Direct
Mr Khalifa Bin Butti	19,059,842	10.3	Direct
Infinite Investment LLC	14,072,024	7.6	Direct
BlackRock Investment Management	9,878,644	5.32	Indirect

Lock-up arrangements

As part of the arrangements agreed at the time of the Company's IPO, each of H.E. Saeed Bin Butti, Khalifa Bin Butti, Dr B.R. Shetty and Infinite Investment LLC have agreed that, subject to certain exceptions, for a period of 18 months to 27 September 2013, they will not, without the prior consent of Deutsche Bank, Numis Securities Limited and SHUAA Capital (Underwriters of the Company's share placement at the time of IPO), directly or indirectly, offer, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of, any shares in the Company.

Policy on Payment of Suppliers

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that the supplier is aware of the terms and to abide by the terms of the payment. Neither the Company nor the Group has signed up to any specific standard policy suggested by external bodies in this respect. The Group is mindful of regional practice in relation to its payment of creditors.

Trade creditors of the Group at 31 December 2012 were equivalent to 80 days' purchases (2011: 81 days), based on the average daily amount invoiced by suppliers during the year.

Value of Land

The value of land held in the Group's Consolidated Statement of Financial Position is held at cost. The value of this land on the Group's Statement of Financial Position is considered using available current market information each year by the Executive Management as part of the impairment analysis process. In relation to the land held on the Group's Consolidated Statement of Financial Position, the Board believe that there is no material difference between the market value of such land and the value at which it is carried in the Group's financial statements. Additional information relating to land is set out in note 2.3 to the consolidated financial statements.

Political and Charitable Contributions

Neither the Company nor any subsidiary company in the Group made any Political or Charitable donations during the year ended 31 December 2012.

Whilst the Company has no intention of making formal political donations in the future, the Board acknowledge that given the wide interpretation of such donations, certain business events in which the Company or any of its subsidiaries, or the Board, may wish to participate may be caught under the formal definition of political donations. The Company will therefore be seeking

approval from shareholders at the annual general meeting, for a small approved limit for "political donations", for use in such circumstances. If this is approved by shareholders, the Board will provide full details of any such payments made in the next annual report.

Contracts of significance with directors

Under UAE law and regulations, with the exception of certain specific areas designated by the Government as such, all land must be held legally by a UAE National. In addition, all healthcare facility and pharmacy operating licences may only be held legally by a UAE National, and not a body corporate. As a result, some of the property owned beneficially by the Group and all the Group's medical facility and pharmacy licences, are held legally in the name of either H.E. Saeed Bin Butti or Mr Khalifa Bin Butti, both Directors of the Company.

Related Party Transactions

Details of related party transactions are included in note 28 of the financial statements on pages 121 and 122.

Post Balance Sheet Events

There were no events which would have a material effect on the Consolidated Financial Statements between 31 December 2012 and the date of this report.

Going Concern

The Group has two diverse operating divisions, both of which operate in a growing market. The Board have undertaken an assessment of the future prospects of the Group and the wider risks that the Group is exposed to. In its assessment of whether the Group should adopt the going concern basis in preparing its financial statements, the Board has considered:

Operating risk: The Board receives monthly management reports covering key operational matters and updated forecasts for the full financial year to ensure that the business is trading in line with its expectations. The management team have also prepared a Group budget for the 2013 financial year and a high level five year cashflow which allows the Board to monitor the financial position of the Group and to consider appropriate risks which the business may face from a financial perspective.

Financing risk: For the purposes of funding the Group's material capital projects, the funds raised as a result of the share issue undertaken at IPO and from the US$150m five year syndicated term debt facility, are committed to fully finance the expected capital expansion cost of the Group's five capital projects announced at IPO. The Group has banking arrangements through a spread of local and international banking groups and utilises short and medium term working capital facilities to optimise business funding. Debt covenants are reviewed by the board each month. The Board believes that the level of cash in the Group, the spread of bankers and debt facilities mitigates the financing risks that the Group faces from both its capital expenditure program and in relation to working capital requirements.

Business Performance: Both the Healthcare and Distribution divisions have continued their positive growth trends. All major financial and non-financial KPIs showed good improvement during 2012. The Board has reviewed the business plan for 2013 as well as considered growth forecasts for the healthcare sector in UAE, and considers the Group's future forecasts to be reasonable.

Impairment risk: The Board has considered the carrying value of inventories, accounts receivable and property and equipment and concluded that there are no indicators of material impairment of these items and therefore no material cash flow impact associated with any loss in those areas.

In its review, the Board considered other areas of potential risk, including regulatory risk, insurance and legal risks and potential areas of contingent liability and found no matters which are likely to affect the viability of the Group in the medium term.

The Directors therefore continue to adopt the going concern basis in the preparation of the financial statements.

Financial risk management objectives

The financial risk management objectives and policies of the Group are included in note 29 to the financial statements on pages 122 to 125.

Annual General Meeting

The time and date of the Company's annual general meeting, and further details of the resolutions to be proposed at that meeting, are set out in the separate Notice of Meeting circular which accompanies this Annual Report and audited financial statements.

Auditors

Directors' statement as to disclosure of information to auditors:

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 67. Having made enquiries of fellow directors and of the Company's Auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the group's Auditor in connection with preparing their report) of which the Company's Auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Ernst & Young LLP have confirmed that they are willing to be reappointed as auditor for the financial year ending 31 December 2013. During the year, the Company agreed a basis for audit fees for a three year period and agreed, subject to their annual re-appointment by shareholders, that Ernst & Young LLP would remain as auditor to the Group for the 2012, 2013 and 2014 financial years. The Company is intending to undertake a competitive audit tender during the 2014 financial year.

Further details in relation to the level of non-audit fees, work undertaken and the independence of the Auditor is set out in the Corporate Governance Report on pages 72 to 85.

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Ernst & Young LLP as statutory auditor to the Company will be proposed at the annual general meeting.

Statement of Directors responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required by Company Law to prepare financial statements for the Group in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and Article 4 of the International Accounting Standard ("IAS") Regulations and have also elected to prepare financial statements for the Company in accordance with IFRS.

IAS 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other

events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. In preparing the Group and parent company financial statements the Directors are also required to:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

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 financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Business and Financial review, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face

The Directors' Report was approved by the Board on 25 February 2013 and is signed on its behalf by:

Simon Watkins
Group Company Secretary

NMC Health plc (registered in England and Wales, number 7712220)
Suite 3.15, 3rd Floor, 7 Hanover Square, London W1S 1HQ.

Corporate Governance Report

The Board is responsible for, and committed to, ensuring that the Company operates at all levels with good standards of corporate governance.

H J Mark Tompkins
Chairman

For and on behalf of the Board of NMC Health plc.

Good progress has been made on the governance environment during the period and will continue into the new financial year.

Governance Environment

The Board is responsible for, and committed to, ensuring that the Company operates at all levels with good standards of corporate governance as set out in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (the "Code"). This Corporate Governance report, and the Remuneration report set out on pages 86 to 91, describe how the Board has applied Corporate Governance Principles during the period since the Company's IPO in April 2012.

Whilst the Group had a good level of control of its business procedures prior to IPO, the Board acknowledges that given the background of the Company as a private company in an emerging market prior to IPO, such controls were in some instances informal and undocumented and the governance framework was not to a level as would be expected of a UK listed company. Accordingly, the management team and the Board, supported by the Audit Committee, has spent significant time, immediately prior to and since the IPO, reviewing its governance procedures and ensuring that governance processes are formally documented and, where appropriate, improved. Good progress has been made on the governance environment during the period and this will continue into the new financial year.

Within this report, the application of the principles of good governance and the extent of our compliance with the Code are reviewed.

UK Corporate Governance Code compliance

Given that the Board has only been constituted for part of 2012, and has been focussed principally on the development of the business post IPO and the installation of formal Board processes, the Board has not undertaken a formal and rigorous evaluation of its own performance, or that of its individual directors or the Chairman, during the period. Whilst the Board intend to undertake such an evaluation process during the 2013 financial year, the Company has not complied with Provisions A.4.2 or B.6 of the Code during the period under review.

Similarly, during the period to 31 December 2012, neither the Board nor the Nominations Committee of the Board met to consider senior management succession planning. A formal succession plan is due to be implemented in the first half of 2013 and the Nominations Committee will meet to consider the effectiveness of such plan shortly thereafter. The Company was therefore not compliant with Provision B.2 of the Code during the period under review.

Unless otherwise stated in this Corporate Governance Report, the Board believes that it has been compliant with the remaining provisions of the Code for the period from 2 April 2012, the date of the Company's IPO, and 31 December 2012.

The Board of Directors

Membership of the Board

The names of the directors and their biographical details are set out on pages 62 to 65.

Mr Tompkins, Mr Jewitt and Mrs Lawrence were all appointed following a search made on behalf of the pre-IPO shareholders and directors of NMC Healthcare LLC by independent recruitment consultants, Egon Zehnder, and in discussion with the Company's advisers. Lord Clanwilliam was appointed through a contact of one of the Company's principal advisers to the IPO.

Role of the Board

The Board is responsible to shareholders for the overall management and performance of the Group. As part of the terms of their appointment, each director agreed that they will act collectively with the rest of the Board to ensure the success of the Group. The Board is primarily responsible for determining the strategic direction of the Group, monitoring the financial performance of the Group against its targets, demonstrating leadership and focussing on matters that affect shareholder value. It seeks at all times to ensure that there is an appropriate balance between short term and long term considerations and objectives of the Group.

The Board promotes good governance within the Group, and is seeking to ensure that the Company meets its responsibilities towards all stakeholders. Since IPO, the Company has agreed a formal schedule of matters reserved for the Board which includes approval of strategic plans, financial statements, budgets, material investment decisions, acquisitions and divestments. The Board has overall responsibility for the effectiveness of the Group's systems of internal control and is assisted by the Audit Committee in this respect.

The Board delegates authority in relation to matters which it has not reserved to the CEO who is responsible for delivering the Company's strategic objectives.

Board balance and independence

Since the Company's IPO in April 2012, the Board has comprised seven directors

- the Non-Executive Chairman
- two Executive Directors
- one Non-Independent Non-Executive Director
- three Independent Non-Executive Directors

The Non-Executive Chairman and the three independent Non-Executive Directors are all UK based. The two Executive Directors and the Non-Independent Non-Executive Director are based in Abu Dhabi. The Senior Independent Non-Executive Director is Justin Jewitt, who is available to shareholders should they have any concerns that they do not wish to raise with the Company or the Chairman directly. Mr Jewitt can be contacted by telephone (+44 7970 287 743) or by email (justinjewitt@aol.com).

Corporate Governance Report
Continued

The diverse business backgrounds, skills and experience of the Non-Executive Directors enables them to bring independent judgement on strategy, performance and standards of conduct.

The Board considers that the diverse business backgrounds, skills and experience of the Non-Executive Directors enable them to bring independent judgement to bear on issues of strategy, performance, standards of conduct and other matters presented to the Board. For the purposes of the Code, the Board considers Mr Mark Tompkins, Mr Justin Jewitt, Lord Clanwilliam and Mrs Heather Lawrence to be independent. These individuals provide extensive and diverse business and operational experience in relation to the healthcare business and, given their extensive UK listed company experience, also ensure that appropriate corporate governance procedures are considered in all aspects of Group decision making and control.

Other than Mr Tompkins and Mr Jewitt acting in an advisory capacity in relation to the Company's IPO, none of the Independent Non-Executive Directors were connected to or involved in the Company or its subsidiaries prior to their appointment as Directors of the Company. The Independent Non-Executive Directors met separately to the other directors on four occasions during the period from IPO to the end of the 2012 financial year. The Independent Non-Executive Directors also discussed matters of interest to them on an ad-hoc basis on a number of occasions during the period. The intention of the Independent Non-Executive Directors is to meet formally at least eight times during each future full financial year.

The Board does not classify His Excellency Saeed Bin Butti as an Independent Director for the purposes of the Code because of his significant shareholding in the Company. However, His Excellency has a detailed knowledge of the UAE and its culture as well as having good connections within Abu Dhabi, both of which are of significant value to the Group.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer ("CEO") are separate. The Chairman was appointed to the Board in March 2012 in anticipation of the Company's IPO and in consideration of his previous position as a Chairman and a director of a number of companies listed in both the UK and the USA, including companies in the healthcare sector. The Chairman is responsible for the proper functioning of the Company's Board of directors who oversee the strategic direction of the Group.

The CEO is responsible for identifying, with the senior management team, opportunities that are deemed appropriate and in line with the Board's strategic objectives. He is also responsible for delivering the key strategic objectives set by the Board and is assisted in this task by the senior management team who meet with the CEO formally each month, and more often as required, to review the performance of the business, the progress of key capital projects and new development opportunities. The CEO reports to the Board each month on operational matters, progress on development of key capital projects as well as other material matters arising within the business. The CEO is assisted by members of senior management who attend Board meetings, as appropriate, to highlight and debate, with the Board, developments within their areas of responsibility.

Board meetings

During the period under review, the Board met formally on three occasions. The Board intends to meet formally six times per annum, plus additional meetings required in relation to ad-hoc matters that arise. Scheduled Board Meetings are planned in each financial year to be split evenly where possible between London and Abu Dhabi.

The attendance of the Directors at each of the Board and Committee meetings during the period was as follows:

Director	Board meetings (*note)	Audit Committee
Mr H J Mark Tompkins	12 (13)	3 (3)
H.E. Saeed Bin Butti	5 (14)	–
Mr Khalifa Bin Butti	12 (14)	–
Dr B R Shetty	13 (14)	–
Mr Justin Jewitt	13 (13)	3 (3)
Lord Clanwilliam	11 (13)	3 (3)
Mrs Heather Lawrence	13 (13)	3 (3)

*Note: The number of meetings that each director could have attended during the period under review is noted in brackets. The Remuneration Committee and the Nominations Committee did not meet during the period under review.

Board information

The Company Secretary supports the Chairman in finalising the agenda for each Board meeting and ensuring that appropriate papers are provided from the management team in a timely manner for circulation in advance of Board and committee meetings in order that fully informed decisions can be reached.

In addition to specific agenda items which are discussed as required, the Board considers the following standard matters at each of its Board meetings:

- Operational performance
- Financial performance, including monitoring current and forecast trading, cash and debt levels against its expectations
- Progress on the Group's key capital projects
- Legal and regulatory matters
- Investor relations

The Board also receive regular updates from management in relation to the healthcare regulatory framework in the UAE and updates have also been provided in relation to various aspects of the Listing Rules during the period. Finally, the Board receives a monthly update in relation to activity in the Company's shares and principal movements of its shareholders.

During the course of each financial year the Board considers, as appropriate, the Group's half-year and full-year results, interim management statements, updates from each of the Board Committees and the proposed budget for the following financial year.

Board updates and training

The Directors maintain an appropriate dialogue amongst themselves and senior management, which ensures that Non-Executive Directors are kept up to date with major developments in the Group's business.

A pre-appointment induction process was undertaken whereby the Non-Executive Directors visited the Company's facilities and met with management, All the Non-Executive Directors also undertook several visits to operational facilities during the period in order to further understand the way the business operates. In particular, the Chairman and Senior Independent Non-Executive Director have visited the UAE a number of times since IPO, with particular emphasis on monitoring progress in relation to the Company's key capital projects and to oversee the implementation of improving controls and governance within the Group. Mrs Lawrence made a specific visit to the UAE to further understand the clinical processes followed within the Group's healthcare business.

Lord Clanwilliam visited the Executive Directors to discuss both business matters and remuneration issues.

In addition, briefings were provided by the Company's advisers to Executive Directors and the Non-Independent Non-Executive Director in advance of the Company's IPO in relation to the key regulatory and compliance background to listing on the London Stock Exchange.

Whilst there has been no formal programme of other training organised for directors during the first few months' of the Company's life as a listed Company, several of the directors' have attended externally provided seminars and discussion forums relating to their areas of Board responsibility during the period and also met individually with a number of industry specialists to increase their current knowledge of key investment issues in the healthcare sector. These seminar and discussion forums included:

- Corporate Governance Workshops
- Industry Remuneration trends and reporting seminars
- Audit Committee shareholder communication trends and updates
- IFRS reporting
- Public Private partnerships in the UK
- General Economic reviews

Performance evaluation

In view of the Company's recent IPO and the new composition of its Board, the Board did not undertake an evaluation of its own performance during the 9 month period from IPO to 31 December 2012. It is the Board's intention to formally evaluate the performance of directors individually and collectively during the 2013 financial year and to advise shareholders of the findings of that review in the 2013 Annual Report and audited financial statements.

Election and re-election of directors

Pursuant to the provisions of the Company's articles of association, and in accordance with best practice, all directors of the Company are required to submit themselves for re-election at each annual general meeting of the Company. Each resolution for the re-appointment of a retiring director will be proposed as a separate resolution.

Protection and advice available to the Directors

Each of the directors is permitted to obtain independent legal advice at the Company's expense in the performance of their duties as directors. The Company has put in place a Directors and Officers Liability Insurance policy which provides all Board members with insurance cover in respect of any legal action that may arise against the Directors collectively or individually. The Directors do not benefit from any form of qualifying third party indemnities made by the Company.

All directors, and the Board as a whole, also have access to the advice and services of the Company Secretary who, under the Chairman's direction, is responsible for ensuring that good Board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Committees of the Board

The Board has established the following standing committees all of which operate under formal terms of reference set by the Board.

Audit Committee actions included

- appointment of internal auditors
- constitution of an audit sub-committee to monitor financial reporting
- reviewing fees and effectiveness of external auditors
- reviewing Group risk

Audit Committee

The Audit Committee consists entirely of independent non-executive directors and was established immediately prior to the Company's listing on the London Stock Exchange. For the period since its establishment, the Audit Committee has comprised of Mr Jewitt (Chairman), Mr Tompkins, Lord Clanwilliam and Mrs Lawrence.

There are no Chartered Accountants on the Audit Committee, but members have general financial experience gained through their previous employment and board experience. Mr Jewitt is a member of the Audit Committee of NHS Shared Business Services Limited, the largest provider of back office services to the NHS in the UK, providing him with further audit committee and financial experience. In addition, the CFO attends all meetings of the Board and the Audit Committee providing financial input to both.

The Audit Committee intends to meet formally at least four times a year and otherwise as requested by any member of the Committee.

The Audit Committee assists the Board in:

- discharging its responsibilities with regard to financial reporting, external and internal audits and controls;
- reviewing the Company's Annual Report and audited financial statements;
- monitoring the independence and extent of the non-audit work undertaken by the external auditors;
- making recommendations to the Board on the appointment of external auditors and the level of their remuneration; and
- reviewing the effectiveness of the Company's internal audit activities, legal and regulatory compliance, internal policies and controls and risk management systems.

The Audit Committee is required to report regularly to the Board of Directors in relation to its findings on the above. The ultimate responsibility for reviewing and approving the Company's Annual Report and audited financial statements and the half yearly reports remains with the Board.

During the period under review, the Audit Committee met three times and has focussed significantly on areas of corporate governance and management of risk. The listing of the Company on the London Stock Exchange has required significant change management in the Group, in particular in the way that formal reporting is undertaken to the Board and the formal documented policies and procedures within the businesses. Significant actions undertaken by the Audit Committee during the period included:

- the appointment of internal auditors
- the constituting of an audit sub-committee to monitor the progress of the implementation of financial reporting procedures recommendations
- reviewing the fees and effectiveness of the external auditors
- reviewing the key risks, and the mitigation of those risks, faced by the Group

During the 2013 financial year, the Audit Committee is intending to continue to monitor the progress that is made by management to further implement the more formal written policies and procedures within the businesses that the Board expects.

The Company is intending more formal investor interaction and the appointment of an IR executive in 2013.

Remuneration Committee

The Remuneration Committee consists entirely of independent non-executive directors and for the period since the Remuneration Committee was established immediately prior to the Company's listing on the London Stock Exchange, has comprised of Lord Clanwilliam (Chairman), Mr Tompkins, Mr Jewitt and Mrs Lawrence. Further details of the Remuneration Committee and its role and responsibilities is set out in the Remuneration Report on pages 86 to 91.

Nominations Committee

The Nominations Committee consists entirely of independent non-executive directors and for the period since the Nominations Committee was established immediately prior to the Company's listing on the London Stock Exchange, has comprised of Mr Tompkins (Chairman), Mr Jewitt, Lord Clanwilliam and Mrs Lawrence.

The Nominations Committee assists the Board in:

- reviewing and making recommendations to the Board in relation to its structure, size and composition;
- reviewing succession planning in place for senior management;
- determining the appropriate skills and characteristics required of directors; identifying individuals qualified to become Board members and recommending such individuals to the Board;
- recommending individuals to be considered for election as Directors at the next Annual General Meeting of the Company or to fill vacancies; and
- preparing a description of the role and capabilities required for a particular appointment.

The Committee will also undertake annual reviews of the composition of the Board and assess various attributes of each Board member, including reviewing annually the time required from a non-executive director and assesses whether he or she contributes effectively and demonstrates commitment to the role.

The Nominations Committee has not met during the period under review. The Committee is intending to meet in 2013 to consider senior management succession planning to ensure that a rigorous succession plan is implemented.

Generally it is expected that the Nominations Committee will meet at least once in each financial year, or otherwise as requested by any member of the Committee. The Committee will meet to consider appropriate candidates to fill any vacancy created on the Board should such a vacancy arise or be considered appropriate given other skills and experience on the Board. The duties and activities of the Committee during the year will be disclosed in the Company's Annual Report and audited financial statements each year.

Communications with Shareholders

The Company is committed to communicating with shareholders and stakeholders and to be available to meet with shareholders who require additional explanation of any matter which is of concern to them.

The Chairman and Senior Independent Non-Executive Director are also available, either through contacting the Company Secretary or at the Company's Annual General Meeting, to discuss any matters within their areas of responsibility or where individuals do not feel it is possible to discuss these matters with management.

Following the Company's IPO in 2012, a formal full program of institutional shareholder meetings has not been undertaken. However, ongoing communication with shareholders remains a high priority. The management team have undertaken a significant number of meetings with shareholders on a one-to-one basis either in person in the UAE or, where more convenient, by conference call or video conference. Meetings were also held with shareholders in London in December 2012 and at the Deutsche CEEMEA conference held in London in January 2013.

The Company is intending to have a more formal program of investor interaction in 2013 including one-to-one meetings with institutional investors, investor days and attendance at investor conferences. The Company is also proposing to appoint a full-time investor relations executive during the first half of 2013.

In relation to the year ended 31 December 2012, the Company issued its half year unaudited results, two interim management statements and a pre-close trading update prior to entering the close period at the end of each of the half year and full year periods.

Aside from direct shareholder meetings, the principal ongoing communication with shareholders will be through the publication of the Company's Annual report and audited financial statements, Interim Results and Interim Management Statements, together with the opportunity to question the Board and Committees at the AGM. Financial Results presentations are made available on the Company's Investor Relations website. Shareholders are encouraged to attend the AGM and if unable to do so are encouraged to vote by proxy. The Chairman, Senior Independent Non-Executive Director and the Company Secretary meet regularly with the Company's brokers and other healthcare sector specialists to remain up to date with shareholder views and sector developments.

The Company has an investor relations section on its corporate website, www.nmc.ae, which has recently been re-launched. This has been, and will continue to be, updated regularly with information that the Company considers relevant to its investors. Additionally, the Company continues to communicate with the market in respect of the Group's performance and prospects through the release of appropriate press announcements and other updates.

Horwath Mak, appointed internal auditors in July 2012.

Internal Control Environment

Financial and operational reporting

The Group has for 38 years grown into a substantial business and a leader in the provision of private healthcare, as well as operating a substantial distribution business, in the United Arab Emirates. The Group as a regulated business operating many clinical and quality controls processes.
Not unusually for a private business, whilst the financial and operational performance was monitored closely by the senior management team, prior to IPO the rigour of its formal written policies and governance procedures was not what might have been expected of a Company listed on the premium segment of the London Stock Exchange.

Therefore, prior to IPO and Board Governance structure was put in place and steps taken to improve the Group's formal internal control processes. Following the Company's IPO, the management team with the support of the Audit Committee, has been progressively incorporating additional key internal controls into its financial and operational processes.

As part of the IPO process, the Reporting Accountants produced a report detailing areas of risk and recommendations. The Board has used this report to consider the implementation of additional formal control measures that they feel are appropriate for a UK listed company to ensure that formal, as opposed to some informal, governance and control procedures are in place. The Board is pleased to note that good progress has been made during the period since IPO in the implementation of the financial reporting procedures recommendations.

The key elements of the Groups' internal controls are as follows:

- An annual budget and updated long-term forecasts for the Group that identifies risks and opportunities which are reviewed and approved by the Board.
- A monthly executive meeting at which the senior management team review Group financial and operational performance, progress on capital projects and other principal functional areas of the business.
- A system of internal monthly operational and financial reporting which includes monthly comparison of results and against budget and forecast, a review of KPIs, each discussed with additional management commentary and the reporting of key matters arising within the business during the month under review. The Group has a very flat organisational hierarchy resulting in an easy flow of information throughout the organisation structure. Communication of exceptional items happens naturally.
- A new defined process for controlling capital expenditure, including appropriate authorisation levels, which are monitored and approved by the Board as appropriate.
- Medical Directors' meetings to monitor clinical governance procedures.
- The establishment of an internal audit program which independently assists management in identifying key risks to the Group and monitors those risks through a program agreed with both management and the Audit Committee.

- An appropriate approach to decentralisation within the Group. Each healthcare facility has a Medical Director and Head of Administration who are accountable for the operation of the facility. Both Healthcare and Distribution divisions are managed through fundamental activities of planning, executing and checking. Strategic direction of all operations is governed by the corporate office. All banking, treasury and payment processing is centralised in the Group finance function but accounting for payments is decentralised. The management team believes that these divisions of responsibility provide a natural check and balance across all internal control areas.
- The delegation of authority provides that very few individuals within the organisation have payment approval authority. Access to cash is also restricted to very few individuals. All material payments are restricted to the senior management team.

The Board acknowledges that a number of the key elements of the Group's internal control environment were not fully effective until the final quarter of the 2012 financial year.

Approach to risk mitigation

As a regulated business, the Group operates within a framework of managing all elements of risk which arise within the Group. The significant risks faced by the Group were reviewed prior to the Company's IPO. Following a review by the Audit Committee of the process for identifying, evaluating and managing risk, as well as considering areas where governance within the Group could be improved, the management team, under the guidance of the Audit Committee, undertook a competitive tender process to outsource the function of internal audit. Following this tender process, the Company appointed Horwath Mak, part of the Crowe Horwath group, as its internal auditors in July 2012.

The appointment of Horwath Mak, alongside the planned improvements in the formal documenting of policies and procedures and the implementation of new IT systems, are the main focus of the Audit Committee as it seeks to improve the internal control environment already in place within the Group.

As a result, during the second half of 2012, the internal auditors focussed on a number of areas including reviewing the Group's key risks, a review of the Group's IT implementation strategy and a review of accounting for other receivables. The key strategic and business risks faced by the Group, the potential effect and the mitigation of those risks, are set out in the Business and Financial Review on pages 34 to 53.

The internal auditors report directly to the Chairman of the Audit Committee but work in conjunction with the CFO. Their initial reports to the Audit Committee were received at the Audit Committee meeting held in December 2012 and they will be expected to report on a regular basis to the Audit Committee in future.

The consideration by the management team of the key risks faced by the Group is crucial to the work which will be undertaken by the Internal Auditors during 2013. The internal auditors have discussed with management, and have obtained agreement of the Audit Committee, their planned areas of focus during the coming financial year.

Following the completion of each review, the internal auditors identify areas for remedial action and the required action plans are discussed and agreed with management. The internal auditors present the reviews and the agreed management plans for any remedies to the Audit Committee and then monitor the implementation of any required changes on behalf of the Audit Committee. The Audit Committee reports to the Board on internal audit matters.

By Q4, 2012 internal controls in financial & operational reporting were in place to monitor Group risk.

Effectiveness of Internal Controls

The Board has overall responsibility for the Group's systems of internal control, and on behalf of the Board, the Audit Committee has been engaged in the process of ensuring that management have established and commenced continuous processes for identifying, evaluating and managing the risks the Group faces. These processes include the reporting from the finance department on Group performance, the work of the internal auditors and issues identified by the external auditors to the extent covered by their audit work. The Board is responsible for monitoring the ongoing effectiveness of these systems and for conducting a formal annual review of the effectiveness of the Group's internal controls.

A system of internal controls is designed to manage, rather than eliminate, the risk of failure to meet business objectives and is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

In reviewing the effectiveness of the internal controls in place during the period from the Company's IPO, the Audit Committee considered, amongst other matters, manual controls in place, the independence of the separate operating units, the delegation of authority, the balance of centralised and decentralised systems, the reporting process in relation to exceptional items and the good progress made in relation to the implementation of financial reporting procedures recommendations of the IPO Reporting Accountants at the time of the Company's IPO.

Whilst certain areas of internal control, particularly in relation to integrated Group IT systems and formally documented financial policies and procedures, were not in place in 2012, formal policies and procedures in relation to accounting policies and controls, procurement and treasury were implemented by the business in early 2013.

The Audit Committee has noted that the Group does not operate under a fully integrated high end IT environment and therefore an element of manual intervention is prevalent with the Group. The Group is in the process of implementing both a new Hospital Management System and an ERP financial system. The Board expects that these new integrated systems will become fully functional during the 2013 financial year.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's systems of internal controls, for the period from IPO to the end of the 2012 financial year, in light of the key elements of the Group's internal controls outlined above. At the time of the Company's IPO, the key areas of Corporate Governance and Board structure were in place. Other key elements of the internal control environment were not in place at IPO, but by Q4, 2012 additional internal controls had been incorporated into the Group's financial and operational reporting process such that sufficient internal controls were in place to monitor the Group's key risks. The Board believes that the process undertaken by the Board and the Audit Committee to monitor the internal control environment, accords with the guidance provided in the Turnbull Report: Internal Control: Guidance for Directors on the Combined Code (1999) (as amended).

The Board believes that the internal controls will be improved further during the 2013 financial year leading to a more formal internal control environment.

External audit and auditor independence

Auditor appointment and fees

During the year, the Company agreed a basis for audit fees for a three year period and agreed, subject to their annual re-appointment by shareholders, that Ernst & Young LLP would remain as Auditors to the Group for the 2012, 2013 and 2014 financial years. The level of audit fees paid in relation to the 2012 financial year is set out in note 11 to the Consolidated Financial Statements.

The Company is intending to undertake a competitive audit tender during the 2014 financial year.

Non-Audit fees

During FY2012, the level of non-audit fees, excluding the fees for the half-year review, amounted to a total of US$ 4.95m. Included within this amount was US$4.91m paid to Ernst & Young LLP or its associate firm in the UAE in relation to fees for their role as Reporting Accountants in relation to the Company's IPO. The remainder of the non-audit fees totalling US$0.04m were paid to Ernst & Young LLP's associate firm in the UAE in relation to a number of one-off projects whereby they assisted the NMC finance team with a number of business process related matters. Given that all these assignments were one-off in nature and undertaken by a separate team from the audit engagement team, the Audit Committee believe that they were acceptable during the period immediately following the Company's IPO.

For the financial year to 31 December 2013 and beyond, the Audit Committee will have a policy whereby it will only permit such fees in circumstances where they feel that use of the Auditor firm is appropriate, such as a half-year review.

Independence

The Audit Committee formally reviewed the independence of the Company's auditor, Ernst & Young LLP, during the period under review. The review took account of the relationship between management and the audit team, considered the length of time that Ernst & Young LLP or its associate in the UAE had been auditors of the Group, the processes that Ernst & Young have in place internally to ensure objectivity and independence and also the level of non-audit fees incurred during the year.

As part of this review the Committee reviewed the potential threats to auditor independence as a result of:

- auditor self-interests, being those areas where the auditor may have a financial or other interest in the Company;
- auditor self-review, being areas where the results of non-audit services are reflected in the amounts included or disclosed in the financial statements; and
- management threats, which may occur if partners or employees of the auditor take decision on behalf of management.

The Audit Committee was satisfied that in all areas sufficient safeguards were adopted by the auditor and that the independence of Ernst & Young LLP and of the audit engagement partner had not been compromised.

There is no limitation of liability in the terms of appointment of the Auditor.

Whistleblowing Policy

A confidential whistleblowing procedure was implemented and communicated to all employees following the Company's IPO. The procedures now in operation allow employees to raise concerns of possible improprieties in relation to either operational or financial conduct.

Employees have been provided with a copy of this policy and are aware of the significance of it. New employees receive training on all company policies and procedures as part of their induction program. A copy of the policy is included on the Company's employee intranet.

Bribery Act 2010

The Group has established an Anti-Bribery and Anti-Corruption Policy which applies to all directors and employees of all Group Companies. The Policy, which was communicated to all employees following the Company's IPO, includes clear statements setting out the Group's Anti-Bribery measures and Anti-Corruption culture. Practical guidance has been issued to all employees in relation to specific circumstances considered to be most relevant to Group employees. These include guidance notes for clinical staff attending pharmaceutical and training and development conferences in relation to entertainment and other possible inducements as well as guidance notes in relation to the receipt of free products and equipment and how such products and incentives may affect clinical judgement. Specific guidance has also been provided in relation to the provision of sales incentives to senior sales and marketing staff within our Distribution division.

Employees have been provided with a copy of this policy and are aware of the significance of it. New employees receive training on all company policies and procedures as part of their induction program. A copy of the policy is included on the Company's employee intranet.

Remuneration Report

As a newly listed public company this is the first Remuneration Report produced by the Company to its shareholders.

Lord Clanwilliam
Chairman of Remuneration Committee

Post-IPO the committee is undertaking a review of senior management base salaries & benefits.

As a newly listed public company, this is the first Remuneration Report produced by the Company to its shareholders. This Remuneration Report is split into a number of areas:

- The statement of the membership of the Remuneration Committee and of its role and responsibilities within the Board's governance structure;
- the Committee's review and determination on the future remuneration policy and structure for the Company's senior management; and
- the structure and detail of senior management remuneration for the financial year to 31 December 2012.

In future years the Committee will report on the application of the Company's new remuneration structure within the Remuneration Report for that year.

The commitment of the Remuneration Committee is to ensure that Senior Management are competitively remunerated and in particular to ensure that from the 2013 financial year, Senior Management are incentivised through a remuneration structure that aligns with delivering shareholder value, sustains operational performance and Group effectiveness within our key business sectors and promotes a strategy for growth for the Group as a whole.

Membership and Meetings

The Remuneration Committee consists of four Independent Non-Executive Directors, with an Independent Non-Executive Director holding the chairmanship of the Committee. For the period since the Committee was established immediately prior to the Company's listing on the London Stock Exchange, it has comprised of Lord Clanwilliam (Chairman), Mr Tompkins, Mr Jewitt and Mrs Lawrence.

All members of the Committee have previous operational experience within healthcare businesses or have been Non-Executive Directors on boards in multi-national organisations and hence have experience of remuneration structures within a number of different organisations. The Committee understand the need to incentivise top management appropriately, whilst ensuring that higher rewards are achieved through exceptional performance.

The Remuneration Committee did not meet during the period under review but has met in the new financial year prior to the production of this report. The discussions and conclusions of the Committee from that meeting, together with the duties and activities of the Committee are detailed in this report. The Remuneration Committee intends to meet formally at least twice a year and otherwise as requested by any member of the Committee.

Role and Responsibility

The Remuneration Committee assists the Board in

- making recommendations to the Board on the Company's framework of executive remuneration, including the use of incentive arrangements within that framework;
- determining on the Board's behalf the entire individual remuneration packages for each executive director, the Chairman and the Company Secretary; and
- monitoring and making recommendations on the level and structure of remuneration for members of senior management.

All other recommendations must be referred to the Board for approval. The Committee is also responsible for considering human resources policies and remuneration structures existing for employees who are below senior management level to ensure that there is some alignment of remuneration structure throughout the Group.

No committee member is permitted to participate in any discussion or decision regarding his/her own remuneration and the Chief Executive Officer is not to be present when the Remuneration Committee discusses issues relating to his remuneration. The remuneration of non-executive directors is a matter for consideration by the Chairman and the Executive Directors.

The Remuneration Committee terms of reference clearly set out its authority and duties and were approved by the Board prior to IPO. The terms of reference are available on the Investor Relations section of the Group's website at www.nmc.ae, or by contacting ir@nmc.ae.

Support and Advice

Whilst the Committee did not formally meet during the financial year, the Remuneration Committee with the Board's approval, has appointed Deloitte LLP to assist the Remuneration Committee in its review of the level and structure of future remuneration for the Company's senior management team. As this work is being concluded in 2013, the fees paid to Deloitte LLP will be disclosed in the 2013 Remuneration Report.

As part of this review, the Committee has also been discussing future remuneration policies internally with the Chief Executive Officer and the Executive Vice Chairman during formulation of the policy. The Committee has also received support and guidance in its review from the Group Company Secretary.

Future remuneration policy and structure

In early 2013, the Remuneration Committee embarked on a process to review how senior management in the Group are remunerated. The Committee believes that a number of fundamental principles should be used in the determination of remuneration for senior management. These are that the remuneration structure should:

- provide a structure and level of remuneration which is sufficient to attract high-calibre employees but not to overpay them;
- align the remuneration structure and long term interests of senior management with that of the Group's shareholders;
- be clear and transparent and easy to understand for senior management, shareholders and other stakeholders;
- encourage long-term sustainable financial stability and growth.

Given that the previous remuneration structure for senior management pre-IPO was basic salary based, the committee is undertaking a review of base salaries and benefits as well as considering an appropriate incentive based structure for FY2013 onwards.

This review, which will be effective from the 2013 financial year, will be completed soon and the Committee will report on its implementation in future Remuneration Reports.

Structure and detail of Senior Management remuneration for the financial year under review

The structure of senior management remuneration for the financial year ended 31 December 2012 did not change from the structure in place prior to the Company's IPO in April 2012 and was not reviewed or amended by the Remuneration Committee during the financial year. The senior management remuneration structure, including one of our Executive Directors, Dr B. R. Shetty, comprised of the following basic elements for most of the senior management team:

- Salary
- Provision of family accommodation
- Private Medical Insurance
- Life Insurance cover
- Company provided transport facility
- Annual family return flight to home country
- 30 days' holiday
- End of service benefit

Neither of the Executive Directors have entitlement to End of Service benefit under the terms of their Service Agreement with the Company. Mr Khalifa Bin Butti received a salary but not the other elements of senior management remuneration.

The Company did not undertake a salary benchmarking exercise in relation to salary paid to senior management during the 2012 financial year.

The Company does not operate a pension scheme and accordingly no element of senior management remuneration is pensionable. The Company has not previously operated a contractual bonus or share incentive scheme in its remuneration structure for senior management and no such provision or payment was made in relation to these benefits during the 2012 financial year.

Executive Director remuneration

The table below sets out the level of salary and benefits paid to or received by the Executive Directors of the Company during the financial year ended 31 December 2012.

	Dr B R Shetty			Mr Khalifa Bin Butti		
US$'000	2012	2011	% increase	2012	2011	% increase
Salary	408.39	313.10	30.43	245.00	102.00	140.20
Provision of family accommodation	138.85	138.85	0	0	0	0
Private Medical Insurance	0.91	0.91	0	0	0	0
Life Insurance cover	0.03	0.04	0	0	0	0
Annual family return flight to home country	2.45	2.45	0	0	0	0
End of service benefit	0	0	0	0	0	0
Total compensation	550.63	455.34	20.92	245.00	102.00	140.20

No other remuneration or benefits were provided to the Executive Directors during the year.

Non-Executive Fees

The fee due to each Non-Executive Director during the year ended 31 December 2012 is set out in the following table:

Director	Position	FY2012 (£'000)	FY2011 (£'000)	Annualised Full year fees (£'000)
Mr H J Mark Tompkins	Non-Executive Chairman	138.9	0	170.0
H.E. Saeed Bin Butti	Non-Executive Director	37.5	0	50.0
Mr Justin Jewitt	Senior Independent Non-Executive Director	49.0	0	60.0
Lord Clanwilliam	Non-Executive Director	40.9	0	50.0
Mrs Heather Lawrence	Non-Executive Director	39.2	0	50.0

None of the Non-Executive Directors were appointed to the Board for the full financial year. Therefore the table above also shows the annualised full year fee to which each director is entitled.

None of the Non-Executive Directors received any fees during the previous financial year. However the Company's subsidiary company, NMC Healthcare LLC, paid consultancy fees of £30,000 and £10,000 to companies owned and controlled by Mr H J Mark Tompkins and Mr Justin Jewitt respectively. These fees were in relation to services provided by those companies to NMC Healthcare LLC between 1 August 2011 and 6 March 2012.

No fees or benefits are paid to any Non-Executive Director, or to Infinite Investment LLC for the period for which it was a Director of the Company, in relation to their membership of the Board or of any Board committee.

Share ownership and interests

Due to the significant shareholding of the Executive Directors at the time of IPO, the Company does not have a formal directors' shareholding requirement for the Executive Directors. However the Committee fully supports the alignment of management to shareholder interests which such a policy creates and is intending to implement a formal shareholding requirement for senior management as part of the introduction of the new senior management remuneration policy due to be implemented in 2013. Any new shareholding requirement policy would also apply to any additional Executive Directors should the composition of the Board change.

The table below details the Directors' holdings of Ordinary shares in the company from 2 April 2012, the date of the Company's IPO, and 31 December 2012.

	Ordinary shares of 10p each	
Director	2 April 2012	31 December 2012
Mr H J Mark Tompkins	0	17,083
H.E. Saeed Bin Butti	55,900,000	53,466,559
Mr Khalifa Bin Butti	19,500,000	19,059,842
Dr B R Shetty	39,000,000	37,742,409
Mr Justin Jewitt	0	17,083
Lord Clanwilliam	0	8,597
Mrs Heather Lawrence	0	0

Note: In addition to the above holdings, H.E. Saeed Bin Butti and Mr Khalifa Bin Butti also have an interest over 14,072,024 Ordinary shares of the Company (15,600,000 as at 2 April 2012) held by Infinite Investment LLC, a company which is owned jointly by H.E. Saeed Bin Butti and Mr Khalifa Bin Butti.

Remuneration Report
Continued

The Board acknowledges the Executive Directors also have director and shareholder interests outside the Company which do not conflict with their NMC Group role.

None of the Directors of the Company held any form of option over the shares of the Company during the year ended 31 December 2012.

None of the Directors received any loans, advances or other form of credit granted by the Company, nor were any guarantees of any kind provided by the Company on behalf of any Directors during the year ended 31 December 2012.

There have been no changes in the above shareholdings between 31 December 2012 and the date of this Remuneration Report.

Service agreements

Dr B R Shetty is employed by NMC Healthcare LLC pursuant to a service agreement dated 19 March 2012. The service agreement provides for an indefinite term of employment unless terminated earlier in accordance with the terms of the service agreement, and provides for a monthly salary of AED 125,000 (c. US$34,000). He is also entitled to reimbursements of reasonable personal accommodation and travel costs. The service agreement may be terminated on twelve months' prior written notice given by either Dr B R Shetty or NMC Healthcare LLC. Other than any payment made in lieu of notice, no other payment will be due as a result of termination of the Agreement.

Mr Khalifa Bin Butti is employed by NMC Healthcare LLC pursuant to a service agreement dated19 March 2012. The service agreement provides for an indefinite term of employment unless terminated earlier in accordance with the terms of the service agreement, and provides for a monthly salary of AED75,000 (c. US$20,500). He is also entitled to reimbursements of reasonable personal accommodation and travel costs. The service agreement may be terminated on twelve months' prior written notice given by either Mr Khalifa Bin Butti or NMC Healthcare LLC. Other than any payment made in lieu of notice, no other payment will be due as a result of termination of the Agreement.

Copies of the above Service Agreements are available for inspection during normal business hours at the Company's Registered Office, and available for inspection at the Company's annual general meeting.

Letters of appointment

The Non-Executive Directors do not have service agreements with the Company, but instead all have letters of appointment. The appointment of each of the Non-Executive Directors is stated for an initial term to last until the first annual general meeting of the Company and each of the Non-Executive Directors have a minimum time commitment that they need to give to the Company.

The letters of appointment for each Non-Executive Director are summarised below:

Director	Position	Date of appointment	Company and Director notice period
Mr H J Mark Tompkins	Non-Executive Chairman	7 March 2012	3 months
H.E. Saeed Bin Butti	Non-Executive Director	20 July 2011	3 months
Mr Justin Jewitt	Senior Independent Non-Executive Director	7 March 2012	3 months
Lord Clanwilliam	Non-Executive Director	7 March 2012	3 months
Mrs Heather Lawrence	Non-Executive Director	19 March 2012	3 months

There is no compensation payable upon the early termination of a Non-Executive Directors' appointment.

Copies of the above Letters of Appointment are available for inspection during normal business hours at the Company's Registered Office, and available for inspection at the Company's annual general meeting.

External commitments

The Chairman holds a Non-Executive role on the Board. Whilst he has other business interests, these are not significant enough to interfere or conflict with his duties to the NMC Group.

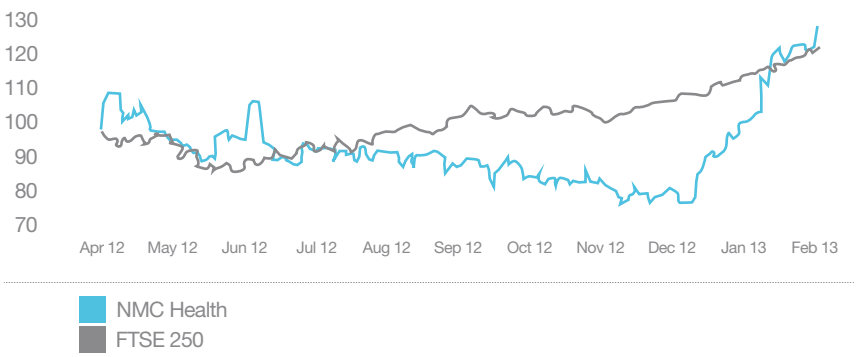
The Board acknowledges that each of the Executive Directors also have interests as directors and/or shareholders of other businesses outside of the NMC Group. The Board believes that such interests do not interfere, or conflict, with the role which either Executive Director has with the NMC Group.

The other Directors are required to spend a specific amount of time performing their duties as Non-Executive Directors and none have significant other external commitments which interfere, or conflict, with their duties to the NMC Group.

Performance Graph

The following graph shows the Total Shareholder Return performance of NMC Health plc shares against the FTSE Total Return Index.

Performance Graph



Group revenues

+10%
US$490.1m

Proposed first annual dividend
Amounting to 20% of the Profit after Tax for FY2012

4.1pence
per share

Healthcare revenues
(principally driven by occupancy levels up 750bps to 60.5% compared with FY2011)

+15%
US$251.6m

Total capital expenditure
(of which US$82.3m related to the four capital development projects announced at IPO)

US$94.9m

Distribution revenues
(principally driven by continued expansion of product lines)

+7.0%
US$271.1m

Syndicated debt facility
(led by J.P. Morgan Chase Bank fully drawn down)

US$150m

EBITDA
(growth of 30bps due to higher occupancy and improved efficiency in healthcare division)

+12.9%
US$79.6m

Total cash
(and net debt position of US$46.1m)

US$257.5m

Income
(received in 2012 in relation to the Sheikh Khalifa General Hospital management services contract)

US$0.9m

Reported profit
changes made to methodology and useful economic life rates of depreciation during the 2012 financial year resulting in an increase in reported profit of

US$5.3m

"NMC is good at innovation, not only in treatments for patients but also in business models. The B R Medical Suites is the latest example of NMC innovating to provide a premium product targeting the top of the socio-economic demographic in the UAE and surrounding regions. We have great aspirations at the B R Medical Suites and expect it to be the market leader in its niche in the coming years and a model for similar products in other regions"

Dr Marc Mueller,
Medical Director and Ear Nose and Throat
and Facial Plastic Surgeon, B R Medical Suites

Independent Auditor's Report to the Members of NMC Health plc

We have audited the consolidated financial statements of NMC Health plc for the year ended 31 December 2012, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, set out on pages 70 and 71, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion;
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the Directors' statement, set out on pages 69 and 70, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of NMC Health plc Group for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Cameron Cartmell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 February 2013

Notes:

1. The maintenance and integrity of the NMC Health plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	2012 US$ '000	2011 US$ '000 (restated)
Revenue	6	**490,053**	443,747
Direct costs	7	**(329,800)**	(306,388)
GROSS PROFIT		**160,253**	137,359
General and administrative expenses	7	**(105,055)**	(78,845)
Other income	8	**24,421**	11,936
PROFIT FROM OPERATIONS BEFORE DEPRECIATION		**79,619**	70,450
Depreciation	16	**(7,038)**	(12,041)
Rental income from investment properties	18	**–**	1,193
Finance costs	10	**(13,738)**	(16,943)
Finance income	9	**4,325**	1,113
Flotation costs	13	**(3,402)**	–
PROFIT FOR THE YEAR BEFORE TAX	10	**59,766**	43,772
Tax	14	**–**	–
PROFIT FOR THE YEAR		**59,766**	43,772
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**59,766**	43,772
Total profit and comprehensive income attributable to:			
Equity holders of the Parent		**58,891**	42,988
Non-controlling interests		**875**	784
Total profit and comprehensive income for the year		**59,766**	43,772
Earnings per share for profit attributable to the equity holders of the Parent:			
Basic and diluted (US$)	15	**0.343**	0.331

These results relate to continuing operations of the Group. There are no discontinued operations in the current and prior year.

The attached notes 1 to 34 form part of the consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	2012 US$ '000	2011 US$ '000 (restated)
ASSETS			
Non-current assets			
Property and equipment	16	**201,653**	94,856
Intangible assets	17	**1,016**	–
		202,669	94,856
Current assets			
Inventories	19	**72,458**	54,178
Accounts receivable and prepayments	20	**181,402**	153,453
Amounts due from related parties	28	**1,601**	–
Bank deposits	21	**233,703**	11,072
Bank balances and cash	21	**23,747**	43,001
		512,911	261,704
TOTAL ASSETS		**715,580**	356,560
EQUITY AND LIABILITIES			
Equity			
Share capital	22	**29,566**	27,226
Share premium	22	**179,152**	–
Group restructuring reserve	23	**(10,001)**	–
Retained earnings	24	**130,952**	72,061
Equity attributable to equity holders of the Parent		**329,669**	99,287
Non-controlling interests		**1,934**	1,059
Total equity		**331,603**	100,346
Non-current liabilities			
Term loans	25	**118,428**	35,454
Employees' end of service benefits	26	**10,380**	8,864
Other payable		**1,225**	–
		130,033	44,318
Current liabilities			
Accounts payable and accruals	27	**68,613**	63,942
Amounts due to related parties	28	**123**	1,245
Bank overdrafts and other short term borrowings	21	**80,668**	101,275
Term loans	25	**104,540**	45,434
		253,944	211,896
Total liabilities		**383,977**	256,214
TOTAL EQUITY AND LIABILITIES		**715,580**	356,560

The consolidated financial statements were authorised for issue by the board of directors on 25 February 2013 and were signed on its behalf by

Dr B. R. Shetty
Chief Executive Officer

Mr Khalifa Bin Butti
Executive Vice Chairman

The attached notes 1 to 34 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	Attributable to the equity holders of the Parent							
	Share capital US$ '000	Share-holders' accounts US$ '000	Share premium US$ '000	Group restruc-turing reserve US$ '000	Retained earnings US$ '000	Total US$ '000	Non-controlling interests US$ '000	Total US$ '000
Balance as at 1 January 2011	27,226	43,761	–	–	30,376	101,363	1,617	102,980
Total (other) comprehensive income for the year	–	–	–	–	42,988	42,988	784	43,772
Purchase of advances for property and equipment (note 16)	–	(35,844)	–	–	–	(35,844)	–	(35,844)
Settlement of related party debtor balances (note 28)	–	(10,562)	–	–	–	(10,562)	–	(10,562)
Acquisition of non controlling interest	–	2,645	–	–	(1,303)	1,342	(1,342)	–
Balance as at 31 December 2011	27,226	–	–	–	72,061	99,287	1,059	100,346
Total (other) comprehensive income for the year	**–**	**–**	**–**	**–**	**58,891**	**58,891**	**875**	**59,766**
Group restructuring (note 4)	**(27,226)**	**–**	**–**	**(10,001)**	**–**	**(37,227)**	**–**	**(37,227)**
Issue of share capital (note 22)	**20,696**	**–**	**16,531**	**–**	**–**	**37,227**	**–**	**37,227**
Issue of share capital – IPO (note 22)	**8,870**	**–**	**177,394**	**–**	**–**	**186,264**	**–**	**186,264**
Share issue costs (note 13)	**–**	**–**	**(14,773)**	**–**	**–**	**(14,773)**	**–**	**(14,773)**
Balance as at 31 December 2012	**29,566**	**–**	**179,152**	**(10,001)**	**130,952**	**329,669**	**1,934**	**331,603**

The attached notes 1 to 34 form part of the consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 US$ '000	2011 US$ '000
OPERATING ACTIVITIES			
Profit for the year		**59,766**	43,772
Adjustments for:			
Depreciation	16	**7,038**	12,041
Provision for employees' end of service benefits, net of write backs	26	**2,142**	1,821
Finance income	9	**(4,325)**	(1,113)
Finance costs	10	**13,738**	16,943
Flotation costs	13	**3,402**	–
Loss/(gain) on disposal of property and equipment		**310**	(11)
		82,071	73,453
Working capital changes:			
Inventories		**(18,186)**	(5,380)
Accounts receivable and prepayments		**(25,221)**	(40,036)
Amounts due from related parties		**(1,601)**	60,577
Accounts payable and accruals		**3,354**	(11,857)
Amounts due to related parties		**(1,122)**	(4,780)
Net cash from operations		**39,295**	71,977
Employees' end of service benefits paid	26	**(626)**	(531)
Net cash from operating activities		**38,669**	71,446
INVESTING ACTIVITIES			
Purchase of property and equipment		**(105,277)**	(20,393)
Proceeds from disposal of property and equipment		**255**	403
Proceeds from disposal of investment properties	18	**–**	36,815
Proceeds from sale of investments carried at fair value through profit or loss		**–**	4,894
Acquisition of BR Medical Suites FZ LLC	5	**(8,822)**	–
Bank deposits maturing in over 3 months	21	**(136,129)**	–
Restricted cash	21	**(10,327)**	–
Finance income received		**2,253**	366
Net cash (used in)/from investing activities		**(258,047)**	22,085
FINANCING ACTIVITIES			
Proceeds from share issue – IPO	22	**186,264**	–
Flotation costs paid	13	**(17,530)**	–
New term loans and draw-downs		**314,510**	130,012
Repayment of term loans		**(172,430)**	(166,562)
Finance costs paid		**(13,908)**	(17,458)
Receipts of short term borrowings		**255,485**	257,873
Repayment of short term borrowings		**(275,508)**	(264,167)
Long term advances received from related parties		**–**	(435)
Repayment of long term advances to related parties		**–**	3,369
Net cash from/(used in) financing activities		**276,883**	(57,368)
INCREASE IN CASH AND CASH EQUIVALENTS		**57,505**	36,163
Cash and cash equivalents at 1 January		**24,425**	(11,738)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	**81,930**	24,425

The attached notes 1 to 34 form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements
At 31 December 2012

1 CORPORATE INFORMATION

NMC Health plc (the "Company" or "Parent") is a Company which was incorporated in England and Wales on 20 July 2011. The Company is a public limited liability company operating solely in the United Arab Emirates ("UAE"). The address of the registered office of the Company is Suite 3.15, 3rd floor, 7 Hanover Square, London, W1S 1HQ. The registered number of the Company is 7712220. There is no ultimate controlling party.

The Company completed its Premium Listing on the London Stock Exchange on 5 April 2012.

The Parent and its subsidiaries (collectively the "Group") are engaged in providing professional medical services, wholesale of pharmaceutical goods, medical equipment, cosmetics, food and IT products and services in the United Arab Emirates.

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorised for issue by the board of directors on 25 February 2013 and the consolidated statement of financial position was signed on the Board's behalf by Dr B.R. Shetty and Mr Khalifa Bin Butti.

NMC Healthcare LLC (the previous parent company to the group), a company incorporated in the United Arab Emirates, issued statutory financial statements for the year ended 31 December 2011 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2012 and applied in accordance with the Companies Act 2006.

The consolidated financial statements are prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

Comparative information

Group restructuring

During 2012, NMC Healthcare LLC group was restructured so as to create a new holding company for the group, NMC Health plc which was incorporated on 20 July 2011. On 28 March 2012, NMC Health plc issued shares to the existing shareholders of NMC Healthcare LLC in exchange for shares already held in NMC Healthcare LLC. This transaction was accounted for under the pooling of interests method, where the consolidated financial statements of NMC Health plc are presented as a continuation of the existing group. Consequently, the comparative information for the year ended and as at 31 December 2011 presented in these consolidated financial statements are the results and financial position of NMC Healthcare LLC as the group restructuring was only effected in April 2012. Refer to note 4 for further details.

Restatement

The Group has restated capital work in progress within property and equipment and other payables as at 31 December 2011 to correctly account for an operating lease rental payable on a straight line basis. The lease is in respect of Brightpoint Hospital and the terms include a rent free period as well as specified rent increases during the lease term. The impact of this restatement is an increase of US$ 6,422,000 to both capital work in progress and other payables.

There is no impact on the opening balances as of 1 January 2011 as this operating lease commenced on 1 January 2011. Accordingly the statement of financial position as of 1 January 2011 is not presented. This restatement has no impact on previously reported equity or profit of the group.

Reclassifications

The Group has made following reclassifications in respect of the comparatives to conform to the current period presentation. These reclassifications are made to correct the presentation of the consolidated financial statements.

- An amount of US$ 10,684,000 for reimbursement of advertisement and promotional expenses incurred on behalf of suppliers has been reclassified from general and administrative expenses to other income in the consolidated statement of comprehensive income for the year ended 31 December 2011 (note 8);
- An amount of US$ 5,097,000 for rebates receivable from suppliers as at 31 December 2011 has been reclassified from other receivables (note 20) to accounts payable. There is no impact on the opening balances as of 1 January 2011 as rebates receivable as at that date was nil. Accordingly the statement of financial position as of 1 January 2011 is not presented.

These reclassifications have no impact on previously reported equity or profit of the Group.

Functional and reporting currency

The functional currency of the Company and its subsidiaries is UAE Dirham. The reporting currency of the Group is United States of America Dollar (US$) as this is a more globally recognised currency. The UAE Dirham is pegged against the US Dollar at a rate of 3.673 per US Dollar.

All values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 34 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 46 to 49.

The Group has two diverse operating divisions, Healthcare and Distribution, both of which operate in a growing market. The directors have undertaken an assessment of the future prospects of the Group and the wider risks that the Group is exposed to. In its assessment of whether the Group should adopt the going concern basis in preparing its financial statements, the directors have considered the adequacy of financial resources in order to manage its business risks successfully, together with other areas of potential risk such as regulatory, insurance and legal risks.

2.1 BASIS OF PREPARATION continued

The funds raised as a result of the share issue undertaken at IPO and from the US$ 150m five year syndicated term debt facility are committed to fully finance the Group's five capital projects announced at IPO. The Group has banking arrangements through a spread of local and international banking groups and utilises short and medium term working capital facilities to optimise business funding. Debt covenants are reviewed by the board each month. The Board believes that the level of cash in the Group, the spread of bankers and debt facilities mitigates the financing risks that the Group faces from both its capital expenditure program and in relation to working capital requirements.

Both the Healthcare and Distribution divisions have continued their positive growth trends and all major financial and non-financial KPIs showed good improvement during 2012. The directors have reviewed the business plan for 2013 and the five year cashflow, together with growth forecasts for the healthcare sector in UAE. The directors consider the Group's future forecasts to be reasonable.

The directors have not identified any other matters that may impact the viability of the Group in the medium term and therefore they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its principal subsidiaries listed below:

	Percentage of holdings	
	31 December 2012	31 December 2011
Direct subsidiaries:		
NMC Holding Co LLC	**100%**	–
NMC Health Holdco Limited	**100%**	–
Indirect subsidiaries:		
NMC Healthcare LLC	**100%**	100%
New Pharmacy Company Limited	**99%**	99%
New Medical Centre Hospital LLC – Dubai	**99%**	99%
NMC Specialty Hospital LLC – Abu Dhabi	**99%**	99%
NMC Specialty Hospital LLC – Dubai	**99%**	99%
New Medical Centre Trading LLC	**99%**	99%
Bait Al Shifaa Pharmacy LLC – Dubai	**99%**	99%
New Medical Centre LLC – Sharjah	**99%**	99%
New Medical Centre Specialty Hospital LLC – Al Ain	**99%**	99%
Reliance Information Technology LLC	**99%**	99%
BR Medical Suites FZ LLC	**100%**	–
Brightpoint Hospital LLC	**99%**	–
NMC Day Surgery Centre LLC	**99%**	–
NMC Dubai Investment Park LLC	**99%**	–

All of the above subsidiaries are incorporated in the UAE, except for NMC Health Holdco Limited, which is incorporated in England and Wales.

Brightpoint Hospital LLC, NMC Day Surgery Centre LLC and NMC Dubai Investment Park LLC were all incorporated during the year. BR Medical Suites FZ LLC was acquired on 1 July 2012 (note 5).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity.

2.2 BASIS OF CONSOLIDATION continued

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The key assumptions concerning the future, key sources of estimation uncertainty and critical judgements at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Significant estimates

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the Group's policy for inventory provisioning. The gross carrying amount of inventories at 31 December 2012 was US$ 72,574,000 (2011: US$ 54,294,000) and the provision for old and obsolete items at 31 December 2012 was US$ 116,000 (2011: US$ 116,000).

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

A majority of the receivables that are past due but not impaired are from insurance companies and government-linked entities in the United Arab Emirates which are inherently slow payers due to their long invoice verification and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

Gross trade accounts receivable at 31 December 2012 were US$ 164,907,000 (2011: US$ 138,502,000) and the provision for doubtful debts at 31 December 2012 was US$ 6,444,000 (2011: US$ 5,153,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Useful economic lives of property and equipment and depreciation method

Depreciation is calculated on all property and equipment other than land and capital work in progress, at the following rates calculated to write off the cost of each asset on a straight line basis over its expected useful life. Management has re-assessed the depreciation method from reducing balance to straight line and the useful economic lives of all asset categories with effect from 1 January 2012, following a review of the useful economic lives of the Group's assets and market research conducted on depreciation rates and methods in the industry:

	Rate applied up to 31 December 2011	Rate applied from 1 January 2012
Hospital building	**12%**	6%
Buildings	**15%**	6%
Leasehold improvements	**40%**	20%
Motor vehicles	**40%**	20%
Furniture, fixtures and fittings	**25% – 40%**	12.50% – 20%
Medical equipment	**25%**	10% – 25%

The impact of the re-assessment of useful economic lives and depreciation method is an increase in reported profit of US$ 5,328,000 in the current year.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Acquisition of subsidiary

On 1 July 2012, the Group acquired 100% of the share capital of BR Medical Suites FZ LLC, a company registered in Dubai, UAE, from its owner, Dr BR Shetty, a shareholder and director of the Company. The consideration for the acquisition was US$ 9,000,000. An assessment of the fair value of the assets and liabilities at the date of acquisition has been carried out and, as a result, Goodwill of US$ 1,016,000 has arisen. The significant fair value estimation is in respect of property and equipment of US$ 7,284,000. The fair value assessment of property and equipment has been carried out by two independent third parties using the depreciated replacement cost method (note 5).

Significant judgements

Listing transaction costs

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 allocations of internal costs that would have been incurred had the shares not been issued. Transaction costs are accounted for as a deduction from equity and indirect costs are expensed through the statement of comprehensive income. Costs associated with previously issued shares are expensed through the consolidated statement of comprehensive income.

Judgement 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 proportionally based on the relevant number of shares.

Functional currency

The UAE Dirham is determined to be the functional currency of the Company.

Judgement has been used to determine the functional currency of the Company that most appropriately represents the economic effects of the Company's transactions, events and conditions.

The primary economic environment influencing the Company's income (dividends) is the UAE and the effect of the local environment is limited to expenses incurred within the UK. The ability of the Company to meet its obligations and pay dividends to its shareholders is dependent on the economy of, and the operation of its subsidiaries in, the UAE.

Assets held in the name of the previous shareholder

In accordance with local laws, land and buildings are primarily held in the name of a UAE national shareholder for the beneficial interest of the Group and therefore it is considered appropriate to record the assets within land and buildings in the consolidated financial statements. Certain land and buildings with a carrying amount of US$ 9,974,000 are held in the name of a previous shareholder for the beneficial interest of the Group. Legalities for transferring title of these land and buildings to a current UAE National shareholder are on-going. The directors of the Company believe that legalities for transfer of title will be completed satisfactorily. Taking this into consideration together with other factors that could indicate impairment, such as performance of operations against budget and current market values of land, the directors believe that these assets are not impaired. Should the transfer not take place and the former shareholder object to the Group continuing to use the assets, the operations taking place within these buildings are readily transferable to other existing facilities within the Group. Therefore any potential loss to the Group would be limited to the carrying amount of the assets of US$ 9,974,000.

Leases for buildings and land

Generally hospital and distribution operations are carried out on land and buildings which are leased from Government authorities or certain private parties. The majority of the lease periods range from five to twenty years apart from New Medical Centre Hospital LLC – Dubai and the warehouse facilities which have leases which are renewable on an annual basis. Moreover, the lessors under such leases may terminate the leases in the event of a breach of certain terms of the lease agreements. If any such leases are terminated or expire and are not renewed, the Group could lose the investment, including the hospital buildings and the warehouses on the leased sites. This could have a material adverse effect on our business, financial condition and results of operations. It is the view of the directors that the likelihood of the leases not being renewed is remote.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. The amendments to IFRS, which are effective as of 1 January 2012 and are described in more detail below, have no impact on the Group.

New and amended standards and interpretations

The following amendments to IFRS are effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)*
- IFRS 7 *Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012.

2.4 CHANGES IN ACCOUNTING POLICIES continued

The Group does not have investment properties at fair value and assets under IAS 16 valued under the revaluation model and therefore the amendment has no impact on the financial statements of the Group.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, less discounts and rebates and taking into account contractually defined terms of payment and excluding taxes or duty.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group determines it is acting as principal when it has exposure to the significant risks and rewards associated with the transaction and measures revenue as the gross amount received or receivable. When the Group does not retain the significant risks and rewards, it deems that it is acting as an agent and measures revenue as the amount received or receivable in return for its performance under the contract and excludes any amounts collected on behalf of a third party. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Significant risk for retail goods is passed to the buyer at the point of sale and for wholesale goods at the time of delivery.

Clinic revenues
Clinic revenues represent medical services provided and goods supplied during the year. Clinic revenues are recognised when, and to the extent that, performance of a medical service occurs, and is measured at the fair value of the consideration received or receivable. In respect of goods supplied, the accounting policy remains the same as the policy for 'sale of goods' detailed above. The Group primarily receives clinic revenues from patients' private medical insurance schemes. The Group recognises income at agreed tariffs with the insurers for the treatments provided.

For agency relationships, the revenue earned is measured as the Group's share of the revenue, as specified in the contract. Any amounts collected on behalf of the third party are excluded from revenue and are recorded as a payable.

Management fees
Management fees represent fees earned for managing a hospital. Management fees are recognised when the services under the contract are performed, and the service level criteria have been met, and are measured at the fair value of the consideration received or receivable, in line with the terms of the management contract.

Other income

Other income comprises revenue from suppliers for the reimbursement of advertising and promotion costs incurred by the Group. Revenue is recognised following formal acceptance of the Group's reimbursement claims by suppliers and is measured at the confirmed amount receivable.

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Rental income

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

Business combinations and goodwill

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations involving entities under common control

Business combinations involving entities under common control do not fall under the scope of IFRS 3 Revised 'Business Combinations'. The transfer of companies under common control is therefore accounted for using the pooling of interests method. Under this method there is no requirement to fair value the assets and liabilities of the transferred entities and hence no goodwill is created upon transfer of ownership as the balances remain at book value. The consolidated income statement, consolidated balance sheet and the consolidated statement of cash flows comparative figures are also presented as if the Company had been the parent undertaking of the Group throughout the current and previous year. The consolidated financial statements are therefore presented as though the Group had always existed in its current form.

Restructuring reserve

The group restructuring reserve arises on consolidation under the pooling of interests method used for the group restructuring which took place on 1 April 2012. This represents the difference between the share capital of NMC Healthcare LLC, the previous parent company of the Group, and the carrying amount of the investment in that company at the date of the restructure. This reserve is non-distributable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on all property and equipment other than land and capital work in progress, at the following rates calculated to write off the cost of each asset on a straight line basis over its expected useful life:

Hospital building	6%
Buildings	6%
Leasehold improvements	20%
Motor vehicles	20%
Furniture, fixtures and fittings	12.5% – 20%
Medical equipment	10% – 25%

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

Capital work in progress is stated at cost and is not depreciated. Lease costs in respect of capital work in progress are capitalised within capital work in progress during the period up until it is commissioned. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies. The carrying amounts of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to assets are expensed in the period in which they are incurred.

Pre-operating expenses

Pre-operating expenses are the expenses incurred prior to start of operations of a new business unit. These are recognised in the consolidated statement of comprehensive income in the year in which they occur.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Equity
The Group has issued ordinary shares that are classified as equity. The difference between the issue price and the par value of ordinary share capital is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium, net of any related income tax benefit, to the extent they are incremental costs directly attributable to the share issue that would otherwise have been avoided.

Listing transaction costs
Transaction costs of the IPO are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs arising on the issue of equity instruments, however, do not include indirect costs, such as the costs of management time and administrative overheads, or allocations of internal costs that would have been incurred had the shares not been issued. Marketing costs for the IPO do not meet the definition of directly attributable expenses and are therefore expensed through the statement of comprehensive income, together with the indirect costs related to the IPO.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods and services received whether billed by the supplier or not. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised in the consolidated income statement within 'Finance costs'.

Term loans
Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, term loans are subsequently measured at amortised cost using the effective interest method. Interest on term loans is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Other long-term employment benefits
The Group provides other long-term benefits (end of service benefits) in accordance with the labour laws of the UAE. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The rate used to discount the end of service benefit obligation is determined by reference to market yields at the balance sheet date on high quality corporate bonds. The provision relating to employees' end of service benefits is separately disclosed as a non-current liability.

With respect to its UAE national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

Foreign currencies
Transactions in foreign currencies are recorded in UAE Dirhams at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of comprehensive income.

Translation of foreign operations
On consolidation the assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. Since the UAE Dirham is pegged against the US Dollar a single rate of 3.673 per US Dollar is used to translate assets and liabilities and balances in the income statement.

Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps and caps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The fair value of interest rate swaps are determined by reference to market values for similar instruments. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to profit or loss. Whilst the policy of the group is not to apply hedge accounting, the derivatives are economic hedges of liabilities in issue and it is therefore considered appropriate to show the changes in fair value of derivatives in finance costs in the statement of comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments

Financial instruments comprise cash and bank balances, receivables, payables, bank overdrafts, term loans and certain other assets and liabilities. The fair value of these financial instruments are based on estimated fair values calculated using methods such as the quoted market prices and net present value of future cash flows. The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices.

Impairment of financial assets

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Operating leases are recognised as an operating expense in the statement of comprehensive income on a straight line basis.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 *Employee Benefits (Revised)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group.

IAS 28 *Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the Group.

IAS 32 *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 *Government Loans – Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE continued

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 *Consolidated Financial Statements, IAS 27 Separate Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual periods beginning on or after 1 January 2014, and is to be applied retrospectively for joint arrangements held at the date of initial application. These amendments will not impact the Group's financial position or performance.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but this standard has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. No material impact on the financial position and performance of the Group is expected on adoption of this standard. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Annual Improvements May 2012
These improvements will not have an impact on the Group, but include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 *Presentation of Financial Statements*
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 *Property Plant and Equipment*
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 *Financial Instruments, Presentation*
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

4 BUSINESS COMBINATION UNDER COMMON CONTROL

On 28 March 2012 the Company became the holding company of NMC Healthcare LLC through its wholly owned subsidiaries, NMC Holding LLC and NMC Health Holdco Limited. This transaction falls outside the scope of IFRS 3 – Business Combinations, so the pooling of interests method is applied and the consolidated financial statements of the Group are presented as a continuation of the existing group. The following accounting treatment was applied:

a) the assets and liabilities of the previous parent company, NMC Healthcare LLC, were recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;

b) the retained earnings and other equity balances of NMC Healthcare LLC immediately before the business combination, and the results of the period from 1 January 2012 to the date of the business combination are those of NMC Healthcare LLC as the Company did not trade prior to the transaction; and

c) comparative numbers presented in the consolidated financial statements are those of the NMC Healthcare LLC for the year ended 31 December 2011 and as at 31 December 2011.

The Company had no significant assets or liabilities immediately prior to the time of the acquisition. As part of the acquisition, 130,000,000 new 10 pence shares were issued to the shareholders of NMC Healthcare LLC. A group restructuring reserve of US$ 10,001,000 (debit) has arisen on consolidation being the difference between the share capital of NMC Healthcare LLC and the carrying amount of the investment in the books of the Company. This has been classified as part of the equity within the consolidated statement of financial position (note 23).

5 ACQUISITION OF SUBSIDIARY

On 1 July 2012, the Group acquired 100% of the share capital of BR Medical Suites FZ LLC, a company registered in Dubai, UAE, from its owner, Dr BR Shetty, a shareholder and director of the Company. The consideration for the acquisition was US$ 9,000,000. BR Medical Suites FZ LLC is a day patient centre with four operating theatres and state of the art medical equipment. The Group acquired BR Medical Suites FZ – LLC because it increases the range of services in its healthcare segment and will work as a synergy to their existing facilities in the areas of patient profiling as well as connectivity with international healthcare professionals.

The following table summarises the consideration paid for BR Medical Suites FZ LLC and the fair value of assets and liabilities acquired.

	Fair value US$ '000
Property and equipment	7,284
Inventories	94
Accounts receivable and prepayments	656
Bank balances and cash	178
Total assets	8,212
Accounts payable	(228)
Total liabilities	(228)
Net assets acquired	7,984
100% share acquired by the Group	7,984
Goodwill	1,016
	9,000

Cash outflow on acquisitions is as follows:

	US$ '000
Consideration paid	9,000
Cash acquired with BR Medical Suites FZ LLC	(178)
Net cash outflow	8,822

At the date of acquisition, the carrying value of accounts receivable were US$ 140,000, which also equates to the fair value. None of the accounts receivable were impaired and it is expected that the full contractual amount will be collected.

At the date of acquisition the carrying value of property and equipment was US$ 8,625,000. The fair value assessment of property and equipment has been carried out by two independent third parties: EC Harris LLP, in respect of medical equipment, and Universal Surveyors and Loss Adjusters LLC, in respect of the other items or property and equipment. The fair values of property and equipment have been assessed using the depreciated replacement cost method and, as a result, an adjustment has been made to decrease the carrying value by US$ 1,341,000 to arrive at the fair value.

The acquisition of BR Medical Suites FZ LLC has resulted in goodwill of US$ 1,016,000 (note 17). The goodwill is attributable to the synergies expected to arise as a result of the acquisition and forms part of the healthcare segment.

From the date of acquisition, BR Medical Suites FZ LLC has contributed US$ 1,211,000 of revenue and US$ 702,000 of loss to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue of the Group would have been US$ 1,179,000 higher and the profit of the Group would have been US$ 603,000 lower. The results of the acquired company for the period before acquisition do not include any possible synergies from the acquisition and have not been adjusted to reflect the Group's accounting policies nor to reflect the fair value adjustments made on acquisition. The information is for illustrative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it indicative of the future results of the combined companies.

6 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- The healthcare segment is engaged in providing professional medical services, comprising diagnostic services, in and outpatient clinics and retailing of pharmaceutical goods. It also includes the provision of management services in respect of a hospital.
- The distribution & services segment is engaged in wholesale trading of pharmaceutical goods, medical equipment, cosmetics and food.

No operating segments have been aggregated to form the above reportable operating segments.

6 SEGMENT INFORMATION continued

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss, excluding finance income and finance costs, in the consolidated financial statements.

Group financing and investments (including finance costs and finance income) are managed on a group basis and are not allocated to operating segments. This also includes the flotation costs incurred in 2012.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2012 and 2011.

	Distribution and services US$ '000	Healthcare US$ '000	Total segments US$ '000	Adjustments and elimination US$ '000	Consolidated US$ '000
Year ended 31 December 2012					
Revenue					
External customers	**242,584**	**247,469**	**490,053**	**–**	**490,053**
Inter segment	**28,490**	**4,179**	**32,669**	**(32,669)**	**–**
Total	**271,074**	**251,648**	**522,722**	**(32,669)**	**490,053**
Results					
Depreciation	**(829)**	**(5,871)**	**(6,700)**	**(338)**	**(7,038)**
Finance costs	**–**	**–**	**–**	**(13,738)**	**(13,738)**
Segment profit	**25,379**	**62,318**	**87,697**	**(27,931)**	**59,766**
Segment assets	**169,112**	**270,574**	**439,686**	**275,894**	**715,580**
Segment liabilities	**32,326**	**40,575**	**72,901**	**311,076**	**383,977**
Other disclosures					
Capital expenditure	**10,014**	**115,129**	**125,143**	**1,008**	**126,151**
Year ended 31 December 2011 (restated)					
Revenue					
External customers	229,111	214,636	443,747	–	443,747
Inter segment	24,314	4,054	28,368	(28,368)	–
Total	253,425	218,690	472,115	(28,368)	443,747
Results					
Depreciation	(1,373)	(10,151)	(11,524)	(517)	(12,041)
Finance costs	–	–	–	(16,943)	(16,943)
Segment profit	23,556	46,787	70,343	(26,571)	43,772
Segment assets	119,474	139,364	258,838	97,722	356,560
Segment liabilities	22,911	35,932	58,843	197,371	256,214
Other disclosures					
Capital expenditure	4,426	21,525	25,951	864	26,815

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

6 SEGMENT INFORMATION continued

Adjustments and eliminations

Finance income and costs, group overheads, fair value gains and losses on derivative financial instruments and rental income from investment properties are not allocated to individual segments as the underlying instruments are managed on a group basis.

Term loans, bank overdraft and other short term borrowings and certain other assets and liabilities are substantially not allocated to segments as they are also managed on a group basis.

Capital expenditure consists of additions to property and equipment and advances for property and equipment.

Reconciliation of Group profit

	2012 US$ '000	2011 US$ '000
Segment profit	**87,697**	70,343
Finance income	**4,325**	1,113
Unallocated finance costs	**(13,738)**	(16,943)
Unallocated group administrative expenses	**(15,036)**	(11,875)
Unallocated depreciation	**(338)**	(517)
Rental income from investment properties	**–**	1,193
Unallocated other income	**258**	458
Unallocated flotation costs	**(3,402)**	–
Group profit	**59,766**	43,772

Reconciliation of Group assets

	2012 US$ '000	2011 US$ '000 (restated)
Segment assets	**439,686**	258,838
Unallocated property and equipment	**12,229**	35,772
Unallocated inventory	**33**	31
Unallocated accounts receivable and prepayments	**6,497**	8,145
Unallocated due from related parties	**58**	–
Unallocated bank balances and cash	**23,374**	42,702
Unallocated bank deposits	**233,703**	11,072
Group assets	**715,580**	356,560

Reconciliation of Group liabilities

	2012 US$ '000	2011 US$ '000 (restated)
Segment liabilities	**72,901**	58,843
Unallocated term loans	**222,968**	80,207
Unallocated employees' end of service benefits	**218**	597
Unallocated accounts payable and accruals	**7,276**	16,607
Unallocated bank overdraft and other short term borrowings	**80,491**	98,715
Unallocated amounts due to related parties	**123**	1,245
Group liabilities	**383,977**	256,214

6 SEGMENT INFORMATION continued

Other information

The following table provides information relating to Group's major customers who contribute more than 10% towards the Group's revenues:

	Health care US$ '000	Distribution and services US$ '000	Total US$ '000
Year ended 31 December 2012			
Customer 1	**66,354**	**–**	**66,354**
Customer 2	**27,426**	**–**	**27,426**
	93,780	**–**	**93,780**
Year ended 31 December 2011			
Customer 1	45,068	–	45,068
Customer 2	28,697	–	28,697
	73,765	–	73,765

Geographical information

The Group has only one geographical segment – United Arab Emirates. All revenues from external customers are generated in the United Arab Emirates and all non-current assets are located in the United Arab Emirates.

Analysis of revenue by category:

	2012 US$ '000	2011 US$ '000
Revenue from services:		
Healthcare – clinic	**177,609**	151,825
Healthcare – management fees	**907**	–
	178,516	151,825
Sale of goods:		
Distribution	**242,584**	229,111
Healthcare	**68,953**	62,811
	311,537	291,922
Total	**490,053**	443,747

7 EXPENSES BY NATURE

	2012 US$ '000	2011 US$ '000 (restated)
Cost of inventories recognised as an expense	**246,749**	232,658
Salary expenses	**97,436**	83,112
Rent expenses	**21,029**	18,796
Sales promotion expenses	**29,999**	16,624
Repair & maintenance expenses	**6,356**	5,802
Others	**33,286**	28,241
	434,855	385,233
Allocated to:		
Direct Costs	**329,800**	306,388
General and administrative expenses	**105,055**	78,845
	434,855	385,233

8 OTHER INCOME

Other income includes US$ 23,919,000 (2011: US$ 10,684,000 as restated – see note 2.1) relating to reimbursement of advertisement and promotional expenses incurred by the Group on behalf of suppliers. Revenue is recognised following the formal acceptance of the Group's reimbursement claims by suppliers and is measured at the confirmed amount receivable.

9 FINANCE INCOME

	2012 US$ '000	2011 US$ '000
Interest charged to related parties (notes 21 & 28)	–	747
Bank and other interest income	4,325	366
	4,325	1,113

10 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2012 US$ '000	2011 US$ '000
Cost of inventories recognised as an expense	246,749	232,658
Cost of inventories written off (note 19)	1,753	1,708
Minimum lease payments recognised as operating lease expense	21,029	18,796
Depreciation (note 16)	7,038	12,041
Impairment of accounts receivable (note 20)	2,242	2,923
Employees' end of service benefits, net (note 26)	2,142	1,821
Net foreign exchange loss	3,034	1,884

Finance costs comprise the following:

	2012 US$ '000	2011 US$ '000
Bank interest	11,968	15,120
Bank charges	2,099	1,888
Change in fair value of derivative financial instrument	(329)	(65)
	13,738	16,943

11 AUDITOR'S REMUNERATION

The Group paid the following amounts to its auditor and its associates in respect of the audit of the financial statements and for other services provided to the Group.

	2012 US$ '000	2011 US$ '000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	500	582
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the company's subsidiaries pursuant to legislation	161	118
– audit related assurance services	173	–
– other assurance services	2,283	–
– corporate finance services	2,622	–
– non audit services	41	–
	5,780	700
Offset against share premium (note 22)	(4,285)	–
Total included in the consolidated statement of comprehensive income	1,495	700

Other assurance services represent work performed on the Group's historical financial information and corporate finance services represent work performed on the Group's long form and working capital report, both of which were required for the Company's premium listing on the London Stock Exchange.

The fees paid to the auditor includes US$ 249,500 (2011: US$ 3,000) in respect of out of pocket expenses of which US$ 205,000 relates to out of pocket expenses in respect of the corporate finance services work referred to above. There were no benefits in kind provided to the auditor or its associates in either 2012 or 2011.

Of the total fees payable to the auditor in 2012, US$ 297,500 was payable to the auditor Ernst & Young LLP, in the United Kingdom, and the remainder was payable to an associate of the auditor based in the UAE.

11 AUDITOR'S REMUNERATION continued

All the 2011 fees were paid to an associate of the auditor, based in the UAE. The 2011 fees for the audit of the Company's annual accounts are the fees paid in respect of the audit of NMC Healthcare LLC, as it was the parent company of the Group in 2011.

12 STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) Staff costs

	2012 US$ '000	2011 US$ '000
Wages and salaries	97,436	83,112
End of service benefits net (note 26)	2,142	1,821
Others	6,639	4,938
	106,217	89,871

Staff costs include amounts paid to directors, disclosed in part (b) below. The average number of monthly employees during the year was made up as follows:

	2012	2011
Healthcare	2,715	2,544
Trading and distribution	1,538	1,477
Administration	162	141
	4,415	4,162

(b) Directors' remuneration

	2012 US$ '000	2011 US$ '000
Directors' remuneration	1,352	557

There are no other employee benefits such as long-term benefits, post employment benefits or share options paid or payable to the directors. Further information in respect of this compensation paid to directors is disclosed in the Directors' Remuneration Report.

13 FLOTATION COSTS

During the year ended 31 December 2012 costs of US$ 18,175,000 were incurred in relation to completion of the Company's Premium Listing on the London Stock Exchange. Of these costs, US$ 14,773,000 has been deducted from the share premium account (note 22) and US$ 3,402,000 has been charged to the consolidated statement of comprehensive income in accordance with the requirements of IAS 32 – Financial Instruments: Presentation (note 2.3). Out of the total costs of US$ 18,175,000 an amount of US$ 645,000 remains payable as at 31 December 2012 and is included in accounts payable and accruals.

14 TAX

The Group operates solely in the United Arab Emirates and as there is no corporation tax in the United Arab Emirates, no taxes are recognised or payable on the operations in the UAE. It is the opinion of management that there are sufficient losses in the Company to offset any potential taxable income arising in the UK and accordingly any tax liability that could arise would be immaterial.

15 EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	2011
Profit attributable to equity holders of the Parent (US$ '000)	58,891	42,988
Weighted average number of ordinary shares in issue ('000)	171,824	130,000
Basic and diluted earnings per share (US$)	0.343	0.331

The weighted average number of shares for the year ended 31 December 2012 has been adjusted for the effect of the increase in share capital as a result of the Company's premium listing on the London Stock Exchange (note 22). The weighted average number of shares for the year ended 31 December 2011 is based on the shares in issue for NMC Health plc, as adjusted for the share split and the share issue which took place on 28 March 2012 (note 22).

16 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2012 US$ '000	2011 US$ '000 (restated)
Property and equipment	**201,653**	83,105
Advances for purchase of property and equipment	**–**	11,751
	201,653	94,856

	Freehold land US$ '000	Hospital building US$ '000	Buildings US$ '000	Leasehold improve-ments US$ '000	Motor vehicles US$ '000	Furniture, fixtures and fittings and medical equipment US$ '000	Capital work in progress US$ '000	Total US$ '000
31 December 2012								
Cost:								
At 1 January 2012	19,206	12,343	6,529	10,498	5,233	91,349	22,796	167,954
Additions	–	–	–	312	331	11,605	106,619	118,867
Additions from a business combination (note 5)	–	–	–	1,336	–	5,948	–	7,284
Disposals	–	–	–	(203)	(20)	(3,137)	–	(3,360)
Transfer from capital work in progress	–	–	19,740	779	–	4,829	(25,348)	–
At 31 December 2012	**19,206**	**12,343**	**26,269**	**12,722**	**5,544**	**110,594**	**104,067**	**290,745**
Depreciation:								
At 1 January 2012	–	7,184	2,649	8,448	4,561	62,007	–	84,849
Charge for the year	–	310	434	663	160	5,471	–	7,038
Relating to disposals	–	–	–	(179)	(20)	(2,596)	–	(2,795)
At 31 December 2012	**–**	**7,494**	**3,083**	**8,932**	**4,701**	**64,882**	**–**	**89,092**
Net carrying amount:								
At 31 December 2012	**19,206**	**4,849**	**23,186**	**3,790**	**843**	**45,712**	**104,067**	**201,653**
31 December 2011 (restated)								
Cost:								
At 1 January 2011	19,206	12,343	6,900	10,289	5,136	86,898	8,862	149,634
Additions	–	–	–	266	185	4,964	13,934	19,349
Disposals	–	–	(371)	(57)	(88)	(513)	–	(1,029)
At 31 December 2011	19,206	12,343	6,529	10,498	5,233	91,349	22,796	167,954
Depreciation:								
At 1 January 2011	–	6,480	2,142	7,345	4,270	53,208	–	73,445
Charge for the year	–	704	685	1,157	378	9,117	–	12,041
Relating to disposals	–	–	(178)	(54)	(87)	(318)	–	(637)
At 31 December 2011	–	7,184	2,649	8,448	4,561	62,007	–	84,849
Net carrying amount:								
At 31 December 2011	19,206	5,159	3,880	2,050	672	29,342	22,796	83,105

As part of the Group's capital expenditure programme, borrowing costs of US$ 4,110,000 net of finance income of US$ 1,217,000 have been capitalised during the year ended 31 December 2012 (2011: US$ nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.81% which is the effective rate of the borrowings used to finance the capital expenditure.

16 PROPERTY AND EQUIPMENT continued

Generally hospital and distribution operations are carried out on land and buildings which are leased from Government authorities or certain private parties. The majority of the lease periods range from five to twenty years apart from New Medical Centre Hospital LLC-Dubai and the warehouse facilities which have leases which are renewable on an annual basis.

In accordance with local laws, land and buildings are primarily held in the name of a UAE national shareholder for the beneficial interest of the Group and therefore it is considered appropriate to record the assets within land and buildings in the consolidated financial statements. Certain land and buildings with a carrying amount of US$ 9,974,000 are held in the name of a previous shareholder for the beneficial interest of the Group. Legalities for transferring title of these land and buildings to a current UAE National shareholder are on-going. The directors of the Company believe that legalities for transfer of title will be completed satisfactorily. Taking this into consideration together with other factors that could indicate impairment, such as performance of operations against budget and current market values of land, the directors believe that these assets are not impaired. Should the transfer not take place and the former shareholder object to the Group continuing to use the assets, the operations taking place within these buildings are readily transferable to other existing facilities within the Group. Therefore any potential loss to the Group would be limited to the carrying amount of the assets of US$ 9,974,000.

Property and equipment with a net carrying amount of US$ 4,849,000 at 31 December 2012 (2011: US$ 8,300,000 are pledged as security against term loans.

During the year ended 31 December 2011, the shareholders acquired advances for purchase of property and equipment from the Group with a carrying amount of US$ 35,844,000 (note 28).

17 INTANGIBLE ASSETS

	2012 US$ '000	2011 US$ '000
Goodwill		
Balance at 1 January	–	–
Addition from business combination (note 5)	1,016	–
Balance at 31 December	1,016	–

Goodwill has arisen on the acquisition of BR Medical Suites FZ LLC on 1 July 2012 (note 5). Goodwill is allocated to the healthcare segment and is monitored at the business unit (i.e. individual hospital) level, which equates to the cash generating unit (CGU) level for impairment testing.

The recoverable amount of the applicable CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projection based on financial budgets approved by management covering a five year period. Management has assessed the key assumptions within these calculations using their past experience from operating within the healthcare industry. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the healthcare business in which the CGU operates.

In the opinion of management, the recoverable amount is not sensitive to reasonable possible changes in any of the assumptions underlying the cash flow projections used for the impairment test.

18 INVESTMENT PROPERTIES

	2012 US$ '000	2011 US$ '000
Land and buildings		
Balance at 1 January	–	45,685
Disposal	–	(45,685)
Balance at 31 December	–	–

In May 2011, the investment properties were sold to the shareholders for an amount of US$ 45,685,000, which approximates to fair value at that date. Settlement was made partially in cash of US$ 36,815,000 and transfer of related term loans of US$ 8,870,000 (note 25 and 28).

Rental income from investment properties for the year ended 31 December 2011 amounted to US$ 1,193,000.

19 INVENTORIES

	2012 US$ '000	2011 US$ '000
Pharmaceuticals and cosmetics	**32,906**	21,191
Scientific equipment	**9,111**	4,809
Consumer products	**22,701**	18,945
Food	**4,791**	3,766
Telecommunication equipment	**140**	112
Consumables	**436**	1,504
Opticals	**357**	346
Goods in transit	**1,589**	3,412
Other	**543**	209
	72,574	54,294
Less: provisions for slow moving and obsolete inventories	**(116)**	(116)
	72,458	54,178

The amount of write down of inventories recognised as an expense for the year ended 31 December 2012 is US$ 1,753,000 (2011: US$ 1,708,000). This is recognised in direct costs.

Trust receipts issued by banks amounting to US$ 9,493,000 (2011: US$ 8,253,000) are secured against the inventories.

20 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 US$ '000	2011 US$ '000 (restated)
Accounts receivable	**158,463**	133,349
Receivable from suppliers for promotional expenses (note 2.1)	**11,684**	9,224
Other receivables	**6,219**	3,499
Prepayments	**5,036**	7,381
	181,402	153,453

Receivables from suppliers relate to advertising and promotional expenses incurred by the Group on their behalf. Accounts receivable are stated net of provision for doubtful debts of US$ 6,444,000 (2011: US$ 5,153,000). Movements in the provision for doubtful debts are as follows:

	2012 US$ '000	2011 US$ '000
At 1 January	**5,153**	2,318
Written off	**–**	(88)
Written back	**(951)**	–
Charge for the year (note 10)	**2,242**	2,923
At 31 December	**6,444**	5,153

The ageing of unimpaired accounts receivable is as follows:

			Past due but not impaired			
	Total US$ '000	Neither past due nor impaired US$ '000	< 90 days US$ '000	91-180 days US$ '000	181-365 days US$ '000	>365 days US$ '000
31 December 2012						
Accounts receivable	**158,463**	**92,086**	**41,051**	**15,950**	**9,007**	**369**
31 December 2011						
Accounts receivable	133,349	87,799	32,355	7,063	5,065	1,067

20 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of Group to obtain collateral over receivables and they are therefore unsecured. As at 31 December 2012 trade receivables of US$ 6,444,000 (2011: US$ 5,153,000) were impaired and fully provided for.

Credit risk is managed through the Group's established policy, procedures and controls relating to credit risk management (note 29). A majority of the receivables that are past due but not impaired are from insurance companies and government-linked entities in the United Arab Emirates which are inherently slow payers due to their long invoice verification and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

Of the net trade receivables balance of US$ 158,463,000, an amount of US$ 63,966,000 is against five customers (2011: US$ 49,153,000 is against four customers).

The Group's terms require receivables to be repaid within 90-120 days depending on the type of customer, which is in line with local practice in the UAE. Due to the long credit period offered to customers, a significant amount of trade accounts receivable are neither past due nor impaired.

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	2012 US$ '000	2011 US$ '000
Bank deposits	**233,703**	11,072
Bank balances and cash	**23,747**	43,001
Bank overdrafts and other short term borrowings	**(80,668)**	(101,275)
	176,782	(47,202)
Adjustments for:		
Short term borrowings	**51,604**	71,627
Bank deposits maturing in over 3 months	**(136,129)**	–
Restricted cash	**(10,327)**	–
Cash and cash equivalents	**81,930**	24,425

Bank deposits of US$ 233,703,000 (2011: US$ 11,072,000) are with commercial banks in the United Arab Emirates. These are mainly denominated in the UAE Dirhams and earn interest at the respective deposit rates. These deposits have original maturity between 3 to 12 months (2011: 1 to 3 months).

Short term borrowings include trust receipts and invoice discounting facilities which mature between 90 and 180 days. Trust receipts are short term borrowings to finance imports. The bank overdrafts and short term borrowings are secured by assets of the Group up to the amount of the respective borrowings and personal guarantees of the shareholders (HE Saeed Mohamed Butti Mohamed Al Qebaisi, Dr BR Shetty and Khalifa Butti Omair Yousif Ahmad Al Muhairi) and carry interest at EIBOR plus margin rates ranging from 3% to 4%.

At 31 December 2012, the Group had US$ 11,444,000 (2011: US$ 1,341,000) of undrawn bank overdraft facilities, which are renewable annually.

Restricted cash represents funds held by a bank in respect of upcoming loan repayment instalments.

21 CASH AND CASH EQUIVALENTS continued

Non-cash transactions which have been excluded from the consolidated statement of cash flows are as follows:

	2012 US$ '000	2011 US$ '000 (restated)
Interest charged to related parties (note 9)	–	747
Transfer of employees' end of service benefits from related parties (note 26)	–	42
Settlement of related party debtor balances by shareholders (note 28)	–	10,562
Transfer of related party receivable balances to trade accounts receivable (note 28)	–	(3,264)
Sale of advance against properties and equipment to shareholders (note 16)	–	35,844
Term loans transferred to shareholders (note 25)	–	(8,870)
Lease rental payable	**1,839**	6,422

22 SHARE CAPITAL

NMC Health plc as at 31 December 2012

	Number of shares (thousands)	Ordinary shares US$ '000	Total US$ '000
Issued and fully paid			
(nominal value 10 pence sterling each)	**185,714**	**29,566**	**29,566**

NMC Healthcare LLC as at 31 December 2011

	Number of shares (thousands)	Ordinary shares US$ '000	Total US$ '000
Issued and fully paid			
(nominal value 1,000 UAE dirham each)	100	27,226	27,226

On incorporation the share capital of the Company was £100 divided into 100 Ordinary shares of £1 each. On 28 March 2012, as authorised by resolutions of the Company:

- each of the Ordinary shares were sub-divided into 10 Ordinary shares of 10p each; and
- the share capital of the Company was increased to £13,000,000 by the issue of 129,999,000 Ordinary shares of 10p each.

Issued share capital and share premium movement

	Notes	Number of shares (thousands)	Ordinary shares US$ '000	Share premium US$ '000	Total US$ '000
At 1 January 2012		100	27,226	–	27,226
Group restructuring		(100)	(27,226)	–	(27,226)
Issue of new shares	4	130,000	20,696	16,531	37,227
Issue of new shares – IPO		55,714	8,870	177,394	186,264
Share issue costs	13	–	–	(14,773)	(14,773)
At 31 December 2012		**185,714**	**29,566**	**179,152**	**208,718**

On 5 April 2012, NMC Health plc completed its Premium Listing on the London Stock Exchange and raised US$ 186,264,000 from the issue of 55,714,286 new ordinary shares, thereby diluting existing shareholders equity interest to 66.95%.

Share issue costs include US$ 4,285,000 of fees paid to the auditor (note 11).

23 GROUP RESTRUCTURING RESERVE

The group restructuring reserve arises on consolidation under the pooling of interests method used for group restructuring. Under this method, the group is treated as a continuation of the NMC Healthcare LLC group. The difference between the share capital of NMC Healthcare LLC (US$ 27,226,000) and the carrying amount of the investment in that company (US$ 37,227,000), which equates to the net assets of NMC Healthcare LLC at the date of reorganisation (28 March 2012), amounting to US$ 10,001,000, is recorded on consolidation as a group restructuring reserve (note 4). This reserve is non-distributable.

24 RETAINED EARNINGS

As at 31 December 2012, retained earnings of US$ 12,627,000 (2011: US$ 10,260,000) are not distributable. This relates to a UAE Companies Law requirement to set aside 10% of annual profit of all UAE subsidiaries until their respective reserves equal 50% of their paid up share capital. The subsidiaries discontinue such annual transfers once this requirement has been met.

25 TERM LOANS

	2012 US$ '000	2011 US$ '000
Current portion	**104,540**	45,434
Non-current portion	**118,428**	35,454
	222,968	80,888
Amounts are repayable as follows:		
Within 1 year	**104,540**	45,434
Between 1 – 2 years	**45,195**	18,351
Between 2 – 5 years	**73,233**	17,103
	222,968	80,888

The term loans primarily carry interest at EIBOR/LIBOR plus margin.

The term loans are secured by the personal/corporate guarantees of shareholders (note 28), issuance of security cheques and assignment of income in favour of banks.

During the year ended 31 December 2012, the Group agreed a new syndicated loan facility, led by JP Morgan Chase Bank, of US$ 150,000,000, repayable over 5 years with interest charged at the rate of 1 month LIBOR plus 3.5% per annum. The Group has drawn down US$ 150,000,000 against the loan. Repayments in the period amounted to US$ 18,889,000. Finance fees of US$ 636,000 have been capitalised against the loan and are amortised over the period of the loan.

This new syndicated loan is guaranteed by corporate guarantees provided by all operating subsidiaries of the Group and personal guarantees provided by H E Saeed Mohamed Butti Mohamed Al Qebaisi, Khalifa Butti Omair Yousif Ahmad Al Muhairi, and Dr BR Shetty. The new syndicated loan is secured against a collateral package consisting of: (i) an assignment of Daman and Abu Dhabi National Insurance health insurance receivables and their proceeds by the Borrower; (ii) a pledge over the accounts of the Borrower; (iii) an account cash sweep (Borrower accounts only); and (iv) mortgage security over the real estate of the Dubai Specialty Hospital.

During the year ended 31 December 2011, term loans amounting to US$ 8,870,000 were transferred to shareholders as part consideration for the sale of investment properties (note 18).

26 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2012 US$ '000	2011 US$ '000
Balance at 1 January	**8,864**	7,532
Charge for the year	**2,386**	2,172
Net transferred from related parties (note 21 & 28)	**–**	42
Provision written back	**(244)**	(351)
Employees' end of service benefits paid	**(626)**	(531)
Balance at 31 December	**10,380**	8,864

26 EMPLOYEES' END OF SERVICE BENEFITS continued

In accordance with the provisions of IAS 19 – 'Employee Benefits', management has carried out an exercise to assess the present value of its obligation at 31 December 2012 and 2011, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Management has assumed average length of service of 5 years (2011: 5 years) and increment/promotion costs of 3.0% (2011: 3.0%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.5% (2011: 4.5%). Actuarial gains and losses are recognised in the charge for the year.

27 ACCOUNTS PAYABLE AND ACCRUALS

	2012 US$ '000	2011 US$ '000 (restated)
Trade accounts payable (note 2.1)	53,334	48,234
Other payables (note 2.1)	10,657	12,699
Accrued interest	893	734
Accrued expenses	3,729	2,275
	68,613	63,942

Trade and other payables are non-interest bearing and are normally settled on 90-120 day terms.

28 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, including major shareholders and senior management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties, or where such parties are members of the key management personnel of the entities. Pricing policies and terms of all transactions are approved by the management of the Group.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2012 US$ '000	2011 US$ '000
Entities significantly influenced by a shareholder:		
Sales	4,135	–
Purchases	13,206	6,405
Interest charged to related parties (note 9)	–	747
Rent charged	425	–
Shareholder is key management personnel of the entity:		
Management fees	907	–

Transactions with related parties included in the consolidated statement of financial position are as follows:

	2012 US$ '000	2011 US$ '000
Shareholders:		
Sale of investments at fair value through profit or loss	–	4,894
Sale of advance for property and equipment (note 16)	–	35,844
Sale of investment properties (note 18)	–	45,685
Term loan transferred (note 25)	–	(8,870)
Settlement of related party debtor balances	–	10,562
Acquisition of BR Medical Suites FZ LLC	9,000	–
Entities significantly influenced by a shareholder:		
Transfer of employees' end of service benefits (note 26)	–	42

As noted above, a number of transactions with the shareholders took effect in the year to 31 December 2011. Some assets were sold to the shareholders for cash consideration, whilst others were settled by utilisation of shareholders' accounts within equity.

28 RELATED PARTY TRANSACTIONS continued

During the year, the Group has acquired 100% of the share capital of BR Medical Suites FZ LLC, a company registered in Dubai, UAE, from its owner, Dr BR Shetty, a shareholder and director of the Company. The consideration for the acquisition was US$ 9,000,000, and the transaction was completed on 1 July 2012 (note 5).

Amounts due from and due to related parties disclosed in the consolidated statement of financial position are as follows:

	2012 US$ '000	2011 US$ '000
Entities significantly influenced by a shareholder:		
Amounts due to related parties	–	1,245
Amounts due from related parties	58	–
Shareholder is key management personnel of the entity:		
Amounts due from related parties	1,543	–
Shareholder:		
Amounts due to related parties	123	–

Outstanding balances with related parties at 31 December 2012 and 31 December 2011 were unsecured, payable on demand and carried interest at 0% (31 December 2011: 8%) per annum. Settlement occurs in cash.

During the year ended 31 December 2011, related party receivable balances with a carrying amount of US$ 3,264,000 were reclassified to trade accounts receivable as a result of changes in the share ownership of these parties (note 21).

All credit facilities provided by the bankers to the Group are secured by joint and several personal/corporate guarantees of the Shareholders (HE Saeed Mohamed Butti Mohamed Al Qebaisi, Dr BR Shetty and Khalifa Butti Omair Yousif Ahmad Al Muhairi).

Pharmacy licenses, under which the Group sells its products, are granted to the shareholders or directors of the Company, who are UAE nationals. No payments are made in respect of these licenses to shareholders or directors.

Compensation of key management personnel

	2012 US$ '000	2011 US$ '000
Short term benefits	2,174	1,551
Employees' end of service benefits	32	266
	2,206	1,817

The spouse and the non-dependent son of one of the shareholders are employed by the Group. The total compensation for employment received by the spouse and the non-dependent son in the year ended 31 December 2012 amount to US$ 476,000 (2011: US$ 609,000).

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has accounts and other receivables, and cash and short-term deposits that arise directly from its operations.

The Group is exposed to interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and other short term borrowings and term loans). Management has sought to limit the exposure of the Group to any adverse future movements in interest rates by entering into interest rate swap arrangements. Management is therefore of the opinion that the Group's exposure to interest rate risk is limited.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for the year, taking into account interest rate swap arrangements, based on the floating rate financial assets and financial liabilities as of the respective year end.

Increase/ decrease in basis points	**Effect on profit at 31 December 2012 US$ '000**	Effect on profit at 31 December 2011 US$ '000
100	**(454)**	(1,466)
(100)	**454**	1,466

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group limits its credit risk with respect to customers due to the nature of the customers that it has dealings with. Within the Healthcare business the majority of the Group's customers are Insurance Companies. The largest insurance company is fully backed by Sovereign wealth funding from Abu Dhabi. All other insurance companies are required to be listed on a stock exchange and therefore are governed by the regulations of their respective markets. Within the distribution business the Group deals primarily with large reputable multinational retail companies. The Group further seeks to limit its credit risk by setting credit limits for individual customers and monitoring outstanding receivables.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. The external credit ratings for the banks at which the bank deposits and cash at bank are held are as follows:

	2012 US$ '000	2011 US$ '000
AA+	**381**	–
A	**303**	124
Aa	**40,839**	–
A1	**14,521**	1,461
A2	**4,149**	6,877
A3	**9,492**	362
A-	**40**	–
AA-	**35**	–
AA2	**1,788**	21
Aa3	**199**	506
Baa2/P-2	**111,070**	19,958
Baa1/P-2	**2,014**	66
Baa1	**152**	128
Without external credit rating	**72,237**	24,240
Total bank deposit and cash at bank	**257,220**	53,743

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group limits its liquidity risk by raising funds from its operations and ensuring bank facilities are available. Trade payables are normally settled within 90–120 days of the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities, based on contractual payment dates and current market interest rates.

	On demand US$ '000	Less than 3 months US$ '000	3 to 12 months US$ '000	1 to 5 years US$ '000	Total US$ '000
At 31 December 2012					
Trade accounts payable	**–**	**53,334**	**–**	**–**	**53,334**
Amounts due to related parties	**–**	**123**	**–**	**–**	**123**
Other payables	**–**	**10,657**	**–**	**1,225**	**11,882**
Terms loans	**–**	**57,252**	**62,380**	**130,143**	**249,775**
Bank overdrafts and other short term borrowings	**28,849**	**52,900**	**–**	**–**	**81,749**
Financial guarantees	**–**	**447**	**1,631**	**5,204**	**7,282**
Total	**28,849**	**174,713**	**64,011**	**136,572**	**404,145**
At 31 December 2011					
Trade accounts payable	–	48,234	–	–	48,234
Amounts due to related parties	–	1,245	–	–	1,245
Other payables	–	–	12,699	–	12,699
Term loans	–	5,145	42,463	37,670	85,278
Bank overdrafts and other short term borrowings	29,648	72,728	–	–	102,376
Financial guarantees	–	536	1,106	6,375	8,017
Total	29,648	127,888	56,268	44,045	257,849

The group also has future capital commitments for the completion of ongoing capital projects of US$ 103,106,000 (2011: US$ 32,383,000) (note 31). These are to be financed from the fixed deposits held by the Group.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk comprises of transaction and statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against the UAE Dirham. Statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams, as a result of currency movements.

The Group is exposed to currency risk on its trade accounts payable denominated in foreign currencies, mainly in Euros, Swiss Francs and Pound Sterling.

Foreign currency payable balances included in the consolidated statement of financial position are as follows:

	2012 US$ '000	2011 US$ '000
EUR	**4,198**	4,785
CHF	**730**	1,299
GBP	**305**	656
KWD	**22**	124
AUD	**–**	4

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary liabilities. As the US Dollar is pegged to the UAE Dirham, balances in US Dollars are not considered to represent significant currency risk. The analysis calculates the effect of a reasonable possible movement of the US$ currency rate against the foreign currencies, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary liabilities).

	Euros	Swiss Francs	British Pound	Kuwait Dinar	Australian Dollar	Effect on profit and equity US$ '000
Assumed change from year end exchange rates	+5%	+5%	+5%	+5%	+5%	
31 December 2012 (US$ '000)	**(210)**	**(37)**	**(15)**	**(1)**	**–**	**(263)**
31 December 2011 (US$ '000)	(239)	(65)	(33)	(6)	–	(343)
Assumed change from year end exchange rates	–5%	–5%	–5%	–5%	–5%	
31 December 2012 (US$ '000)	**210**	**37**	**15**	**1**	**–**	**263**
31 December 2011 (US$ '000)	239	65	33	6	–	343

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Capital comprises share capital, share premium, group restructuring reserve and retained earnings and is measured at US$ 329,669,000 as at 31 December 2012 (2011: US$ 99,287,000). In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Certain banking facilities may also impose covenant requirements on the Group with respect to capital management.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, accounts payable and accruals and other payables less bank deposits and bank balances and cash.

	2012 US$ '000	2011 US$ '000
Interest bearing loans and borrowings	**303,636**	182,163
Accounts payable and accruals	**69,838**	63,942
Less: bank deposits, bank balances and cash	**(257,450)**	(54,073)
Net debt	**116,024**	192,032
Capital	**329,669**	99,287
Capital and net debt	**445,693**	291,319
Gearing ratio	**26%**	66%

30 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise at 31 December 2012 of US$ 7,282,000 (2011: US$ 8,017,000).

31 COMMITMENTS

Capital commitments

The Group had future capital commitments of US$ 103,106,000 at 31 December 2012 (2011: US$ 32,383,000) principally relating to the completion of ongoing capital projects.

Other commitments

	2012 US$ '000	2011 US$ '000 (restated)
Future minimum rentals payable under non-cancellable operating leases		
Within one year	**10,233**	8,058
After one year but not more than five years	**43,258**	38,564
More than five years	**113,999**	124,683
	167,490	171,305

32 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into the following interest rate swaps to manage its interest rate exposure:

	Negative fair value US$ '000	Notional amount US$ '000	Maturity profile
At 31 December 2012			
Interest rate swap US$	**(881)**	**24,503**	**Feb-14**
At 31 December 2011			
Interest rate swap US$	(1,210)	24,503	Feb-14

The interest rate swaps were contracted to hedge the interest cash flows on term loans. As these swaps do not qualify for hedge accounting in accordance with IAS 39, the movement in fair value gain of US$ 329,000 for the year ended 31 December 2012 (2011: gain of US$ 65,000) has been charged to the consolidated statement of comprehensive income.

The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

The negative fair value of interest rate swaps is included within accounts payable and accruals as "other payables".

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Group's financial instruments are not materially different from their carrying values at the statement of financial position date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Liabilities measured at fair value:

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total fair value US$ '000
31 December 2012				
Interest rate swaps	**–**	**(881)**	**–**	**(881)**
31 December 2011				
Interest rate swaps	–	(1,210)	–	(1,210)

34 DIVIDENDS

No interim dividend was declared during the year. Subject to shareholders' approval, a final dividend of 4.1 pence per share, GBP 7,614,286 (US$ 12,368,875), is proposed to be paid on 4 July 2013 to shareholders on the Company's share register on 31 May 2013 (2011: Nil).

Independent Auditor's Report to the Members of NMC Health plc

We have audited the parent company financial statements of NMC Health plc for the period ended 31 December 2012 which comprise the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, set out on pages 70 and 71, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of NMC Health plc for the year ended 31 December 2012.

Cameron Cartmell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 February 2013

Notes:

1. The maintenance and integrity of the NMC Health plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Position
As at 31 December 2012

	Notes	2012 US$ '000
ASSETS		
Non-current assets		
Investment in subsidiary	4	**37,227**
Current assets		
Amounts due from a related party	5	**166,923**
Bank balances and cash		**381**
		167,304
TOTAL ASSETS		**204,531**
EQUITY AND LIABILITIES		
Equity		
Share capital	6	**29,566**
Share premium	6	**179,152**
Accumulated losses	8	**(5,938)**
Total equity		**202,780**
Current liabilities		
Other payables and accruals	7	**1,751**
Total liabilities		**1,751**
TOTAL EQUITY AND LIABILITIES		**204,531**

The financial statements were authorised for issue by the board of directors on 25 February 2013 and were signed on its behalf by

Dr B. R. Shetty
Chief Executive Officer

Mr Khalifa Bin Butti
Executive Vice Chairman

The attached notes 1 to 12 form part of the financial statements.

Statement of Changes in Equity
For the period ended 31 December 2012

	Share capital US$ '000	Share premium US$ '000	Retained earnings US$ '000	Total US$ '000
Balance at incorporation	–	–	–	–
Total (other) comprehensive loss for the period (note 8)	–	–	(5,938)	(5,938)
Issue of share capital (note 6)	20,696	16,531		37,227
Issue of share capital – IPO (note 6)	8,870	177,394	–	186,264
Share issue costs (note 6)	–	(14,773)	–	(14,773)
Balance as at 31 December 2012	**29,566**	**179,152**	**(5,938)**	**202,780**

The attached notes 1 to 12 form part of the financial statements.

Statement of Cash Flows
For the period ended 31 December 2012

	Notes	2012 US$ '000
OPERATING ACTIVITIES		
Loss for the period		(5,938)
Adjustments for:		
Finance costs		10
Flotation costs	6	3,402
		(2,526)
Working capital changes:		
Amounts due from a related party		(166,923)
Other payables and accruals		1,106
Net cash used in operating activities		(168,343)
INVESTING ACTIVITIES		
Investment in subsidiaries		–
Net cash from investing activities		–
FINANCING ACTIVITIES		
Proceeds from share issue – IPO	6	186,264
Flotation costs paid	6	(17,530)
Finance costs paid		(10)
Net cash from financing activities		168,724
INCREASE IN CASH AND CASH EQUIVALENTS		381
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		381

The attached notes 1 to 12 form part of the financial statements.

Notes to the Company Financial Statements
At 31 December 2012

1 CORPORATE INFORMATION
NMC Health plc (the "Company" or "Parent") is a Company which was incorporated in England and Wales on 20 July 2011. The Company is a public limited liability company. The address of the registered office of the Company is Suite 3.15, 3rd floor, 7 Hanover Square, London, W1S 1HQ. The registered number of the Company is 7712220. There is no ultimate controlling party.

The Company completed its Premium Listing on the London Stock Exchange on 5 April 2012.

The Parent and its subsidiaries (collectively the "Group") are engaged in providing professional medical services, wholesale of pharmaceutical goods, medical equipment, cosmetics, food and IT products and services in the United Arab Emirates.

The financial statements of the Company for the period ended 31 December 2012 were authorised for issue by the board of directors on 25 February 2013 and the statement of financial position was signed on the Board's behalf by Dr B.R. Shetty and Mr Khalifa Bin Butti.

2.1 BASIS OF PREPARATION
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the period ended 31 December 2012 and applied in accordance with the Companies Act 2006.

The financial statements are prepared under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Functional currency
The UAE Dirham is determined to be the functional currency of the Company. The reporting currency of the Company is United States of America Dollar (US$) as this is a more globally recognised currency. The UAE Dirham is pegged against the US Dollar at a rate of 3.673 per US Dollar.

All values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

Going concern
These financial statements have been prepared on a going concern basis. The Company has made a loss of US$ 5,938,000 and has equity of US$ 202,780,000.

The Company is the parent of NMC Health plc group and is solely a holding company with no business activities of its own. No dividend income was received during the period and accordingly the company made a loss. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 34 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 46 to 49.

The Group has considerable financial resources including bank facilities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
The key assumptions concerning the future, key sources of estimation uncertainty and critical judgements at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Significant judgements
Listing transaction costs
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 allocations of internal costs that would have been incurred had the shares not been issued. Transaction costs are accounted for as a deduction from equity and indirect costs are expensed through the statement of comprehensive income. Costs associated with previously issued shares are expensed through the statement of comprehensive income.

Judgement 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 proportionally based on the relevant number of shares.

Functional currency
The UAE Dirham is determined to be the functional currency of the Company.

Judgement has been used to determine the functional currency of the Company that most appropriately represents the economic effects of the Company's transactions, events and conditions. As part of this assessment, the following information has been taken into account:

The primary economic environment influencing the Company's income (dividends) is the UAE and the effect of the local environment is limited to expenses incurred within the UK. The ability of the Company to meet its obligations and pay dividends to its shareholders is dependent on the economy of, and the operation of its subsidiaries in, the UAE.

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS
The following amendments to IFRS are effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* IFRS 7 *Financial Instruments: Disclosures (Amendments)*
- IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements*

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS continued

The adoption of the standards or interpretations is described below:

IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012.

The Company does not have investment properties at fair value and assets under IAS 16 valued under the revaluation model and therefore the amendment has no impact on the financial statements of the Company.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in subsidiary
Subsidiaries are entities over which the Company controls the operating and financial policies, generally by owning more than 50% of voting rights. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment.

When the Company incurs increases in or return of share capital, to/from its subsidiaries, such movements are recognised within the cost of investment in subsidiaries.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the investment in an arm's length transaction between knowledgeable and willing parties. When this information is not available the fair value is determined based on the net present value of the future cash flows related to its subsidiaries, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period as to whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to the income statement to the extent that the increased carrying value of the investment in subsidiary does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years.

Acquisition of subsidiary under common control
When the Company acquires a subsidiary under common control, the cost of the investment is deemed to be the Company's share of the net assets of the subsidiary at the date of acquisition.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consists of cash in hand and bank balances.

Equity
The Company has issued ordinary shares that are classified as equity. The difference between the issue price and the par value of ordinary share capital is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium, net of any related income tax benefit, to the extent they are incremental costs directly attributable to the share issue that would otherwise have been avoided.

Listing transaction costs
Transaction costs of the IPO are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs arising on the issue of equity instruments, however, do not include indirect costs, such as the costs of management time and administrative overheads, or allocations of internal costs that would have been incurred had the shares not been issued. Marketing costs for the IPO do not meet the definition of directly attributable expenses and are therefore expensed through the statement of comprehensive income, together with the indirect costs related to the IPO.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods and services received whether billed by the supplier or not. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised in the consolidated income statement.

Foreign currencies

Transactions in foreign currencies are recorded in UAE Dirhams at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Financial instruments

Financial instruments comprise amounts due from a related party, cash and bank balances and other payables. The fair value of these financial instruments are based on estimated fair values calculated using methods such as the quoted market prices and net present value of future cash flows. The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices.

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IAS 1 *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 *Employee Benefits* (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2014.

IAS 32 *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 *Government Loans – Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Company.

IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE continued

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 *Consolidated Financial Statements,* IAS 27 *Separate Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company.

This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual periods beginning on or after 1 January 2014, and is to be applied retrospectively for joint arrangements held at the date of initial application. These amendments will not impact the Company's financial position or performance.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but this standard has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. No material impact on the financial position and performance of the Company is expected on adoption of this standard. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

Annual Improvements May 2012
These improvements will not have an impact on the Company, but include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 *Presentation of Financial Statements*
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 *Property Plant and Equipment*
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 *Financial Instruments, Presentation*
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

4 INVESTMENT IN SUBSIDIARY

	2012 US$ '000
Additions and cost of investment at 31 December	37,227

This represents the cost of investment in NMC Healthcare LLC (previous parent company), a wholly owned subsidiary held through the holding company subsidiaries NMC Health Holdco Limited and NMC Holding Co LLC. As part of the restructuring of NMC Healthcare LLC group, on 28 March 2012, NMC Health plc issued shares to the existing shareholders of NMC Healthcare LLC in exchange for shares already held in NMC Healthcare LLC. The cost of investment represents the Company's share of the net assets of NMC Healthcare LLC at the date of the group restructuring.

The subsidiaries held by NMC Heath plc are as follows:

	Percentage of holdings 31 December 2012
Direct subsidiaries:	
NMC Health Holdco Limited	100%
NMC Holding Co LLC	100%
Indirect subsidiaries:	
NMC Healthcare LLC	100%
New Pharmacy Company Limited	99%
New Medical Centre Hospital LLC – Dubai	99%
NMC Specialty Hospital LLC – Abu Dhabi	99%
NMC Specialty Hospital LLC – Dubai	99%
New Medical Centre Trading LLC	99%
Bait Al Shifaa Pharmacy LLC – Dubai	99%
New Medical Centre LLC – Sharjah	99%
New Medical Centre Specialty Hospital LLC-Al Ain	99%
Reliance Information Technology LLC	99%
BR Medical Suites FZ LLC	100%
Brightpoint Hospital LLC	99%
NMC Day Surgery Centre LLC	99%
NMC Dubai Investment Park LLC	99%

All the above subsidiaries are incorporated in the UAE except for NMC Health Holdco Limited, which is incorporated in England and Wales.

5 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders and senior management of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of all transactions are approved by the management of the Company.

Amount due from a related party as disclosed in the statement of financial position represents funds raised from the Company's premium listing on the London Stock Exchange and provided to NMC Healthcare LLC. This amount is interest free and has no fixed repayment terms and hence is payable on demand.

Compensation of key management personnel

	2012 US$ '000
Short term benefits	638

Notes to the Company Financial Statements
Continued

6 SHARE CAPITAL AND SHARE PREMIUM

Share capital

	Number of shares (thousands)	Ordinary shares US$ '000	Total US$ '000
Issued and fully paid (nominal value of 10 pence sterling each)	**185,714**	**29,566**	**29,566**

On incorporation the share capital of the Company was £100 divided into 100 Ordinary shares of £1 each. On 28 March 2012, as authorised by resolutions of the Company:

- each of the Ordinary shares were sub-divided into 10 Ordinary shares of 10 pence each; and
- the share capital of the Company was increased to £13,000,000 by the issue of 129,999,000 Ordinary shares of 10 pence each.

Issued share capital and share premium movement

	Number of shares	Ordinary shares US$	Share premium US$	Total US$
At the date of Incorporation	100	155	–	155
Share split	900	–	–	–
Issue of new shares	129,999,000	20,696,000	16,531,000	37,227,000
Issue of new shares – IPO	55,714,286	8,870,000	177,394,000	186,264,000
Share issue costs	–	–	(14,773,000)	(14,773,000)
At 31 December 2012	**185,714,286**	**29,566,155**	**179,152,000**	**208,718,155**

On 5 April 2012, NMC Health plc completed its Premium Listing on the London Stock Exchange and raised US$ 186,264,000 from the issue of 55,714,286 new ordinary shares, thereby diluting existing shareholders equity interest to 66.95%.

During the year ended 31 December 2012 costs of US$ 18,175,000 were incurred in relation to completion of the Company's Premium Listing on the London Stock Exchange. Of these costs, US$ 14,773,000 has been deducted from the share premium account and US$ 3,402,000 has been charged to the statement of comprehensive income in accordance with the requirements of IAS 32 – Financial Instruments: Presentation (note 2.2). Out of the total costs of US$ 18,175,000 an amount of US$ 645,000 remains payable as at 31 December 2012 and is included in other payables.

7 OTHER PAYABLES AND ACCRUALS

	2012 US$ '000
Other payables	**737**
Accrued expenses	**1,014**
	1,751

8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss for the period from 20 July 2011 to 31 December 2012 in the financial statements of the Company is US$ 5,938,000.

9 AUDITOR'S REMUNERATION

The Company paid US$ 500,000 to its auditor in respect of the audit of the Company's annual accounts for the period ended 31 December 2012, which includes a portion in respect of the audit of the financial statements of the Company.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of NMC Health plc because group financial statements are prepared which are required to disclose such fees on a consolidated basis.

10 DIRECTORS' REMUNERATION

	2012 US$ '000
Directors' remuneration	**557**

There are no other employee benefits such as long-term benefits, post employment benefits or share options paid or payable to the directors. Further information in respect of this compensation paid to directors is disclosed in the Directors' Remuneration Report.

11 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities are other payables, arising in the normal course of business. The Company's financial assets include an amount due from a related party and bank balances. The company's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its bank balances only, as the balance due from a related party is interest free, and therefore the Company's exposure to interest rate risk is limited.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company's credit risk arises from amounts due from a related party and bank balances.

The directors assess the credit quality of the related party by taking into account their financial position, past experience and other factors. Management does not expect any losses from non-performance by this counterparty, which is a subsidiary of the Company.

The Company limits its credit risk with regard to bank balances by only dealing with reputable banks. The credit rating of the bank at which the cash at bank is held is AA+.

Liquidity risk

The Company's objective is to maintain sufficient funding to meet its obligations as they fall due.

The table below analyses the Company's undiscounted financial liabilities into relevant maturity groupings based on the contractual payment dates.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	On demand US$ '000	Less than 3 months US$ '000	3 to 12 months US$ '000	1 to 5 years US$ '000	Total US$ '000
Other payables	–	737	–	–	737

Foreign currency risk

Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company is exposed to currency risk on its other payables denominated in Pound Sterling. Foreign currency payable balances included in the statement of financial position denominated in Pound Sterling are US$ 1,251,000.

A +/- 5% movement of the US Dollar currency rate against Pound Sterling, with all other variables held constant, results in an decrease/increase on the loss for the year of US$ 63,000.

Fair value estimation

The fair values of the Company's financial instruments are not materially different from their carrying values at the statement of financial position date.

12 DIVIDENDS

No interim dividend was declared during the period. Following the declaration of a dividend from a subsidiary to the Company to be paid in 2013 and subject to shareholders' approval, a final dividend of 4.1 pence per share, GBP 7,614,286 (US$ 12,368,875), is proposed, to be paid on 4 July 2013 to shareholders on the Company's share register on 31 May 2013.

Notes

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