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NMC Health Plc

FINANCIAL REPORT: Full year ended 31 December 2013

London, 25 February 2014: NMC Health Plc (LSE:NMC) ('NMC'), the leading integrated private sector healthcare operator in the United Arab Emirates, announces its results for the full year ended 31 December 2013.

Financial Summary

US$m (unless stated)	FY2013	FY2012	Growth
Group			
Revenue	550.9	490.1	12.4%
Gross profit	185.5	160.3	15.7%
Gross profit margin	33.7	32.7	+98bps
EBITDA	92.9	79.6	16.7%
EBITDA margin	16.9%	16.2%	+62bps
Net profit	69.1	59.8	15.7%
Net profit margin	12.6	12.2	+36bps
Earnings per share (US$)	0.367	0.343	7.0%
Dividend per share (GBP pence)	4.4	4.1	7.3%
Normalised operating cashflow	85.1	35.3	141.2%
Total Capital Expenditure additions in the year	82.7	118.9	-30.5%
Capital Expenditure relating to four capital projects announced at IPO	72.2	82.3	-12.3%
Total cash	268.7	257.5	4.4%
Total debt	332.4	303.6	9.5%
Net debt	63.7	46.1	38.0%
Divisional performances			
Healthcare revenue	289.3	251.6	15.0%
Healthcare EBITDA	81.7	68.2	19.8%
Healthcare EBITDA margin	28.2	27.1	+113bps
Healthcare occupancy	64.7%	60.5%	+420bps
Distribution revenue	300.2	271.1	10.7%
Distribution EBITDA	29.9	26.2	14.1%
Distribution EBITDA margin	10.0	9.7	+30bps

Notes:

- Normalised operating cash flow is a non-IFRS line item and is equivalent to Net cash from operating activities.
- 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.

FY2013 Financial Highlights – A year on year comparison

- Group Revenues increased by 12.4% to US$550.9m
- Healthcare division revenue increased by 15.0% to US$289.3m[1]
- Distribution division revenue grew by 10.7% to US$300.2m[2]
- EBITDA increased by 16.7% to US$92.9m
- EBITDA margin improved by 62bps to 16.9%
- Net profit increased by 15.7% to US$69.1m
- Net profit margins appreciated by 36bps to 12.6%
- Earnings per share (EPS) amounted to US$0.367
- Proposed dividend pay-out ratio is maintained at 20% of profit after tax, amounting to GBP[3] 4.4 pence per share
- Total capital expenditure reached US$82.7m, 30.5% lower[4]
- Net debt reached US$63.7m as the Group continued to advance its on-going healthcare projects
- Replacement of Term Loan Facility during the period will result in an average estimated annual saving of US$2m during the five year term of the new facility, net of a one-off charge of US$3.4m in relation to the previous JP Morgan syndicated loan, fully provided for in 2013.

FY2013 Business Highlights - A year on year comparison

- Healthcare division's patients increased by 9.5% to 2.1m
- Revenue per patient from healthcare services increased by 5.6% to reach US$ 111.6
- Hospital bed occupancy rates reached 64.7%, an improvement of 420bps, despite a 13.5% increase in operational beds to 261
- Doctors employed reached 503, an increase of 19.8%
- Distribution division increased its product portfolio by 8.7% to 71,215 stock keeping units (SKU)
- Sales and marketing personnel at the Distribution division grew 14.4% to 605
- NMC Day Surgery in Mohamad bin Zayed City commenced operations in July 2013
- Dubai authorities adopted mandatory healthcare insurance in November 2013 with implementation starting in 2014.

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[1] Before inter-company elimination
[2] Before inter-company elimination
[3] British Pound
[4] Includes US$72.2m on capital projects

Dr B.R. Shetty, Chief Executive Officer, commented:

"A positive UAE macro environment, clear strategy and dedicated management efforts meant strong progress across both our business divisions during 2013. In the Healthcare division we achieved increased patient numbers, occupancy levels, and revenue per patient. Our Distribution division continued to deliver excellent results, with positive growth across its increased range of products.

Our expansion strategy in the Healthcare division, through the addition of a total of three new hospitals and a medical centre in 2014 and 2015, has been reinforced by the strong population and economic growth seen in the UAE over the past year and the recent adoption of mandatory healthcare insurance in Dubai. Consequently, I look forward to a rewarding 2014 for NMC and its shareholders"

Outlook

The UAE macro-economic outlook for 2014 remains positive with the expected GDP and population growth anticipated to continue supporting the growth of our business divisions across the country.

The Emirate of Dubai's decision in late 2013 to begin rolling-out mandatory healthcare insurance for all its residents is very positive for both our business divisions, as the Dubai Health Authority (DHA) estimates around 66% of the Emirate's residents are without healthcare insurance. NMC Health already has two hospitals and a day surgery in Dubai. In addition, NMC is a leading distributor of pharmaceuticals. Our market position in Dubai will be strengthened with the DIP General Hospital which we plan to open later this year.

Two additional hospitals and a medical centre will join our portfolio of operational healthcare assets in 2014.

New products are expected to be added to our Distribution division portfolio.

Analyst and investor conference call

A conference call and webcast for analysts and investors will take place today, Tuesday 25 February 2014 at 14:00 GMT/ 17:00 UAE / 09:00 EST. Please contact Roy Cherry for further details.

A copy of this report will be available on the Company's Investor Relations website which can be accessed from www.nmc.ae.

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Cautionary statement

These Preliminary Results have been prepared solely to provide additional information to shareholders to assess the Group's performance in relation to its operations and growth potential. These Preliminary Results should not be relied upon by any other party or for any other reason. Any forward looking statements made in this document are done so by the directors in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The listing rules of the UK Listing Authority (LR 9.7A.1) require that preliminary statements of annual results must be agreed with the listed company's auditor prior to publication. In addition the Listing Rules require such statements to give details of the nature of any likely modifications that may be contained in the auditor's report to be included with the Annual Report and whether any audit report has been issued on the statutory accounts. NMC Health plc confirms that it has agreed this preliminary announcement of annual results with Ernst & Young LLP. The financial information presented in this preliminary announcement was authorised for issue by the Board of Directors on 25 February 2014. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The audited financial statements will be delivered to the Registrar of Companies and a copy will also be available on the Company's website (www.nmc.ae) in due course. The financial information contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

This constitutes regulated information for the purposes of the Disclosure and Transparency Rules.

About NMC

NMC Health plc group is the leading integrated private sector healthcare operator in the United Arab Emirates, with a nation-wide network of hospitals and operations in the country since 1975. The Healthcare division currently operates or manages five hospitals, two day-care patient centres, one medical centre and eight pharmacies. The company received 2.1m patients in 2013. The group also operates a significant UAE wide Distribution business supplying product lines across several key market segments, including: Pharmaceutical, FMCG, Food and Scientific and Medical Equipment. NMC Health plc group reported revenues of US$ 550.9m in 2013.

In April 2012 NMC Health plc was listed on the Premium Segment of the London Stock Exchange. At the time of its IPO, the group raised funds to enable it to pursue a further growth plan with a number of capital projects for new healthcare facilities in Abu Dhabi and Dubai. NMC Health plc is a constituent of the FTSE 250 Index.

Business and Financial Review

In 2013 NMC Health continued to build on the success of 2012, experiencing growth across the entire business as our strategy delivers. This is reflected in the strong performance which continued across the two main business lines with a 15.0% revenue growth in the Healthcare division (for the second year in a row) and 10.7% revenue growth in the Distribution division. We are well placed to capitalise on the decision by Dubai authorities to initiate the roll out of mandatory healthcare insurance, starting 2014.

Business review

Healthcare division

NMC Health's healthcare services operations span Abu Dhabi, Al Ain, Dubai, Sharjah and Umm Al Quwain. Together these Emirates and cities account for nearly 85% of UAE residents. We operate four hospitals, two day surgeries, a medical centre and eight in-hospital pharmacies. In addition, the Group operates a fifth hospital on behalf of the UAE Ministry of Presidential Affairs, the 205 bed Sheikh Khalifa General Hospital in Umm Al Quwain, under an operations and management contract initiated in Q4 2012.

Healthcare division operations in 2013

Detail	NMC Abu Dhabi	NMC Sp. Dubai	NMC Al Ain	NMC Dubai	NMC Sharjah	BR Med.	MBZC	Total
Established	1975	2004	2008	1999	1996	2011	2013	N/A
Emirate	Abu Dhabi	Dubai	Abu Dhabi	Dubai	Sharjah	Dubai	Abu Dhabi	N/A
City	Abu Dhabi	Dubai	Al Ain	Dubai	Sharjah	Dubai	Abu Dhabi	N/A
Location	City centre	Al Nahda	City centre	Deira	City centre	DHCC	MBZC	N/A
Owned/Leased	Leased	Owned	Leased	Leased	Leased	Leased	Leased	
Category	Specialty Hospitality	Specialty Hospitality	Specialty Hospitality	General Hospital	Medical Centre	Day Surgery	Day Surgery	N/A
Accreditation	JCI	JCI	JCI	-	-	-	-	
Revenue (USD '000)	100,837	55,947	48,097	12,225	10,290	2,577	906	**230,879**
Growth, YoY	12%	16%	21%	5%	16%	113%	N/A	**15.6%**
Revenue / patient	108	164	117	62	67	269	48	**112**
Growth, YoY	7%	4%	8%	6%	-8%	-17%	N/A	**5.6%**
Capacity								
Licensed beds	100	100	100	10	-	-	N/A	**310**
Operational beds	100	91	60	10	-	-	N/A	**261**
Growth, YoY	0%	21%	33%	0%	N/A	N/A	N/A	**13.5%**
Spare capacity (beds %)	0%	9%	40%	0%	N/A	N/A	N/A	**15.8%**
Staff	1,345	709	603	262	173	35	95	**3,222**
Patients								
Inpatients	20,564	8,648	8,312	1,295	-	N/A	N/A	**38,819**
Outpatients	916,124	332,538	403,486	196,448	152,487	9,582	19,041	**2,029,706**
Total	**936,688**	**341,186**	**411,798**	**197,743**	**152,487**	**9,582**	**19,041**	**2,068,525**
Growth, YoY	5%	12%	12%	-2%	26%	480%	N/A	9.5%
Bed Occupancy	79%	54%	60%	44%	N/A	N/A	N/A	**64.7%**
Change, YoY	1060bps	-160bps	430bps	580bps	N/A	N/A	N/A	420bps

The UAE's strong GDP growth, coupled with the increased population due to the continued influx of expatriates to the growing economy, had a positive effect on the performance of the healthcare division.

In addition we have sought to increase referrals from community clinics towards our specialty hospitals. Our marketing team launched several initiatives to engage with the residential community/corporates, including holding health awareness sessions and lectures. We have also worked to increase our engagement with the medical community to showcase our capabilities.

Keeping in mind that a large proportion of outpatients in the UAE visit stand-alone private sector clinics lacking inpatient capacity, we have sought to encourage these third-party operators to refer patients to our hospitals. Meanwhile, we have continued to invest in new equipment and technologies to complement our service offering and medical staff efforts.

In July 2013 we also supplemented our healthcare assets with the opening of the NMC Day Surgery Centre in Mohammed Bin Zayed City, one of the fastest growing suburbs of Abu Dhabi City. This facility began receiving its first patients in July 2013 and will act as a referral centre to our growing Abu Dhabi network, thus extending the operational reach and addressable market of Abu Dhabi Specialty Hospital initially, and eventually also Brightpoint Women's Hospital and Khalifa City Hospital.

Operational gearing, our continued drive to enhance our service offering with new higher value added sub-specialties, supported by our growing volumes, and the entry into third party hospital operation and management, are additional contributing factors to the strong performance of the Healthcare division in 2013.

The Healthcare division reported US$289.3m of revenues in 2013 (+15.0% year on year). Division EBITDA amounted to US$81.7m (+19.8% year on year), with an EBITDA margin of 28.2% (+113bps year on year). Average revenue per patient reached US$112 (+6% year on year), supported by a combination of price increases and improved service mix effect, as we continue to enhance our offering of higher value added sub-specialties.

Excluding the government hospital managed by NMC, the division had a total of 261 operational beds (+13.5%, year on year) out of an unchanged 310 licensed beds, as we continued to phase-in beds mainly in our Dubai Specialty and Al Ain Specialty Hospitals.

We have a 15.8% spare system capacity, measured in beds, which we expect to gradually phase into our operations in 2014 and 2015. Out of 49 beds yet to become operational, 40 are in our most recent hospital, Al Ain Specialty Hospital, and nine are in Dubai Specialty Hospital. We expect the continued growth in Al Ain, as demonstrated by the hospital's performance to date, to absorb the remainder of our spare bed capacity in the next couple of years. Mandatory healthcare insurance adoption in Dubai this year, coupled with growing network referrals from our existing and new healthcare facilities in Dubai, should allow Dubai Specialty Hospital to increase its operational beds.

As our revenue continued to grow at rapid pace, we enhanced our service ability and revenue generating capacity through the increase in total Healthcare division staff by 18.3% in FY 2013 to 3,400. We increased the number of doctors to 503 by year end 2013 (+19.8% year on year).

Division-wide bed occupancy reached 64.7% (+420bps year on year), despite the rise in operational beds during the year by 13.5%. The main reasons behind the improvement in occupancy rates at our hospitals include:

- patient count increase to almost 2.1m (+9.5% year on year);
- expansion in the proportion of our total patients who are Inpatients to 3.1% (+8bps, year on year); and
- higher average length of stay (ALOS).

A like for like comparison based on last year's deployed operational bed capacity and FY2013 utilisation, would have yielded an occupancy rate well above the 70% level compared to the 60.5% in FY2012.

We continue to regard full bed occupancy for medical facilities in the UAE to be around 75%, as opposed to 90-95% often experienced in other countries. The population leveraged reality in the UAE, with around 85% of residents being expatriates, does create higher resident seasonal volatility. This is typically manifested through extended departures/holidays to home country for working expatriates (up to one month) and even longer for non-working family members particularly during the summer season. In addition, we highlight that our occupancy figures exclude day surgery patients, as the occupancy calculation we adopt only includes patients staying overnight. Consequently, we are rapidly approaching full occupancy, even before the effects from further roll-out of universal medical insurance beyond the emirate of Abu Dhabi, hence our investment in new capacity.

Abu Dhabi Specialty Hospital

Abu Dhabi Specialty Hospital, the Group's first ever hospital, has evolved from being a very small building in the 1970's to a tower on the same land plot with adjacent buildings. It is located in the densely populated centre of Abu Dhabi City. This remains the largest patient recipient within the NMC network. The facility continues to provide a wide range of specialties and had its Joint Commission International (JCI) accreditation renewed in 2013. With nearly 40 years of service in the very same area of the city, this hospital has built a noteworthy reputation for quality amongst the Abu Dhabi population.

Reported revenues increased by 12% to US$101m in 2013 compared to the preceding year. The total number of patients reached 937k (+5%, year on year) with an average revenue per patient amounting to US$108 (+7%, year on year). Occupancy increased by 1,060bps year on year to reach 79% - the highest amongst all NMC healthcare assets.

Al Ain Specialty Hospital

NMC Health inaugurated the Al Ain Specialty Hospital in the second largest city within the emirate of Abu Dhabi in 2009. This expansion was encouraged by the adoption of mandatory healthcare insurance in Abu Dhabi in the immediately preceding years. Al Ain Specialty Hospital had the JCI accreditation of its quality and service levels renewed for a further three year period in 2012.

Being our most recent hospital addition, we have been gradually introducing this facility's capacity – starting with 12 operational beds, moving up to 45 in 2012 and with 60 beds as of year-end 2013. As part of our organic expansion and capital projects programme, we are also in the process of developing a medical centre in Al Ain's Sanaiya area, which holds a high concentration of industrial establishments. We believe this will further expand the operational reach and market of the hospital by bringing NMC closer to high population areas and increasing referrals to the specialty hospital.

Al Ain Specialty Hospital's performance has been continuously improving with revenues reaching US$48m in 2013 (+21% year on year), revenue per patient increased to US$117 (+8% year on year) and occupancy rose to 60% (+430bps year on year) despite the 33% increase during the year in operational beds.

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, not only from both the Dubai General Hospital and Sharjah Medical Centre, but also from certain targeted sections of the population of the northern emirates. This location has helped the hospital grow significantly since opening. The facility continues to provide a wide range of specialties. Dubai Specialty Hospital had its JCI accreditation for its quality and service levels renewed for a further three year period in 2012.

The recent decision by Dubai authorities to initiate the roll out of mandatory healthcare insurance, starting early 2014, is expected to further support the growth of this facility in the coming years. Dubai Health Authority (DHA) has reported that nearly two thirds of Dubai residents are uninsured, suggesting a potential phased growth of up to 200% in insured residents over the coming years. Dubai Specialty Hospital will soon see further support from the NMC DIP General Hospital located on the other side of Dubai.

Dubai Specialty Hospital's performance has been continuously improving with revenues reaching US$56m in 2013 (+16% year on year), revenue per patient increased to US$164 (+4% year on year) and occupancy declined to 54% (-160bps year on year) slightly effected by the increase in operational beds at the facility from 75 to 91 beds (+21% year on year).

Dubai General Hospital

Dubai General Hospital was established in 1999, this 10 bed facility is located in the highly populated area of Deira. The hospital acts as a referral centre to the NMC Dubai Specialty Hospital which is a short distance away.

Dubai General Hospital's revenues reached US$12.2m in 2013 (+5% year on year), revenue per patient increased to US$62 (+6% year on year) and occupancy reached 44% (+580bps year on year).

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. The Group also benefits from referrals made from this facility to the Dubai Specialty Hospital.

This medical centre saw a 26% year on year increase in patients, with revenues reaching US$ 10.3m (+16% year on year). Meanwhile revenue per patient declined to US$67.0 (-8% year on year) as we expanded our services by offering lower fee procedures.

BR Medical Suites

BR Medical Suites is a high-end specialty day surgery, 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 within its modern international standard facility. The Group acquired BR Medical Suites for a consideration of US$9m paid in cash on 1 July 2012.

During FY 2013 the facility generated revenues of US$ 2.6m and received 9,582 patients (+480% year on year). Revenue per patient was around US$ 269. While the facility's total revenues increased, revenue per patient declined by 17%, mainly due to the introduction of new services. Historically, this day surgery has been focused on high-complexity and high value procedures. As we widened the service offering, the revenue per patient has declined.

Unlike our other healthcare assets, this day surgery is overwhelmingly focused on utilisation by external doctors. Consequently, its revenues were accounted for net of the external doctor's share.

NMC Day Surgery Centre in Mohammed Bin Zayed City

This facility in the rapidly growing Abu Dhabi suburb known as Mohammed Bin Zayed City (MBZC) began receiving its first outpatients in July 2013. NMC Day Surgery Centre in Mohammed Bin Zayed City will act as a referral centre to our growing Abu Dhabi hospital network, thus extending the operational reach and addressable market of Abu Dhabi Specialty Hospital initially and eventually also Brightpoint Women's Hospital and Khalifa City Hospital

The facility has seen strong monthly growth in patient numbers since opening and, we expect this trend to continue as we open new sections of the day surgery centre. In addition, we expect to open a pharmacy in the same building in 2014 which should support revenue growth.

Revenue amounted to just under US$1m with over 19,000 patients and US$48 in revenue per patient.

Third party hospital operations & management

NMC Health provides operation and management services to third party healthcare asset owners and developers. Our management service contract to date is for the 205 bed Sheikh Khalifa General Hospital in Umm Al Quwain, which we are managing on behalf of the UAE Ministry of Presidential Affairs since Q4 2012. This is a five year contract in return for an annual management fee based on qualitative as opposed to financial metrics. We believe this is the first such contract to manage a large Government healthcare facility awarded by a Government Department to a local UAE business. This demonstrates the confidence in NMC's significant healthcare experience and capabilities.

Capital projects

NMC Health's expansion plans, as announced during the IPO in 2012, included five new healthcare assets. Three of the assets, which included the lease, redesign and equipping of existing buildings are:

- Brightpoint Women's Hospital (100 bed) in Abu Dhabi;
- NMC Day Surgery Centre in the Mohammed Bin Zayed City Suburb of Abu Dhabi (opened in July 2013); and
- Dubai Investment Park (DIP) General Hospital (60 bed).

In addition, a fourth medical facility is being developed the 250 bed Hospital in the Khalifa City suburb of Abu Dhabi. However, in this case the building is an entirely new development, owned and contracted by NMC Health. Finally, the plans also included the acquisition of BR Medical Suites (completed in 2012), a specialist day surgery centre in Dubai Health Care City (DHCC).

The Group faced significant challenges in 2013 to progress the construction of certain of its new facilities, particularly those requiring the re-design and fit-out of existing buildings.

The Brightpoint Women's Hospital, which was originally planned to open in August 2012, has been particularly complex refit and construction slower than expected. Following a number of delays we are now expecting the facility to open in H1, 2014. Similarly the DIP General Hospital, construction has been delayed on several occasions and we have also had licensing delays. We are now expecting the facility to open in H1, 2014.

As a result of the delays experienced, we have introduced new processes for future projects including:

- appointment of an external project manager for our larger future projects; and
- enhanced our tendering process, to ensure that appropriately experienced contractors are appointed in the future.

We are also reviewing our internal project management structure and will be making changes to further enhance quality in this area.

The construction of Khalifa City Hospital is progressing well, with the concrete structure of the building now complete. We continue to target receiving the first patients at this facility starting H1 2015. The Sanaiya Day Surgery Centre in Al Ain is on track to open in H2, 2014, in-line with our previous guidance on this project. The building is being adapted internally and equipped for healthcare services with good progress so far.

As a result of the delays in the opening of certain facilities, additional costs in respect of loan interest and leases have been capitalised. Had these facilities opened in line with original plan these costs would have been expensed. Other than these items the delays have not resulted in an increase in budgeted capital costs.

Distribution division

Top-line growth in the Distribution division accelerated to 10.7% year on year in 2013, compared to 7% year on year growth between 2011 and 2012, demonstrating the positive impact by the:

- expansion of the UAE economy;
- growing population;
- rise in tourism;
- substantial increase in retail space;
- addition of new products to our offering; and
- positive efforts of the Distribution division team in growing product sales.

The division generated revenues of US$ 300.2m (+10.7% year on year) in FY2013 with 71,215 SKU's[5] (+8.7% year on year). EBITDA margins continued to expand on operational gearing, increased efficiencies and economies of scale. EBITDA reached US$ 29.9m in 2013 (+14.1% year on year) with EBITDA margins exceeding last year by 30bps to reach 10.0% as of year-end 2013.

FMCG remained the largest segment with 39% of the distribution division's 2013 revenues, a two percentage point reduction in proportional contribution compared to 2012. Food & Catering delivered the strongest segmental growth and increased its proportional contribution to 11.8% of the division's revenues, almost three percentage points higher than in 2012.

[5] Stock keeping unit

Financial review

NMC Health delivered a strong performance in 2013 at both the Group and divisional level. Consolidated Group Revenues increased from US$490.1m in FY2012 to US$550.9m in FY2013, a growth of 12.4%. After elimination of US$38.6m of intra-group trading revenue, Consolidated Group EBITDA improved from US$79.6m in FY2012 to US$92.9m in FY2013, a growth of 16.7%.

Group Net profit reached US$69.1m in FY2013, yielding Earnings per share (EPS) of US$ 0.367 compared to US$0.343 for the same period in 2012. Excluding the effects of one-off items; IPO costs of US$3.4m in 2012 and writeoff of unamortised finance fees of US$3.4m in 2013, the increase in EPS would have been US$ 0.390 in 2013, representing an adjusted increase of 13.7%.

Healthcare division
Revenue in the Healthcare division increased from US$ 251.6m in FY2012 to US$289.3m in FY2013, a growth of 15.0%. EBITDA increased from US$ 68.2m in FY2012 to US$81.7m in FY2013, a growth of 19.8%. EBITDA margin improved from 27.1% in FY2012 to 28.2% in FY2013.

Distribution division
Within the Distribution division, revenues increased from US$271.1m in FY2012 to US$ 300.2m in FY2013, a growth of 10.7%. EBITDA increased from US$26.2m in FY2012 to US$29.9m in FY2013, a growth of 14.1%. EBITDA margin improved from 9.7% in FY2012 to 10.0% in FY2013.

Capital expenditure
Capital expenditure incurred for the year was US$82.7m (FY2012: US$118.9m). This encompassed US$72.2m on the Group's capital projects. The Group also incurred US$7.3m 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. We expect this to 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 2013, we expect a small level of pre-operating costs which will be expensed in the 2014 financial year as a result of the opening of new facilities.

As a result of the delays in the opening of certain facilities discussed in "Business overview", additional costs in respect of loan interest and leases have been capitalised. Had these facilities opened in line with original plan these costs would have been expensed. Other than these items the delays have not resulted in an increase in budgeted capital costs.

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)	Budget	Actuals			
Project	**Budgeted Capital Costs**	**Capital Costs**	**Capitalised Expenses**	**Accounting adjustment for lease rentals**	**Total Capital Costs**
Brightpoint Womens' Hospital	70	69.8	5.3	19.3	94.4
Khalifa City Specialty Hospital	200	46.5	3.2	0	49.7
NMC Day Surgery Centre LLC	15	9.2	1.0	2.4	12.6
NMC Dubai Investment Park LLC	30	10.4	1.2	4.0	15.6
Total	**315**	**135.9**	**10.7**	**25.7**	**172.3**

Notes

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.

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 policies, the rental cost of the lease has been adjusted to appropriately account for these items over the length of the lease. Accounting policies stipulate that the total lease value for the full lease period is divided evenly over the years.

3. Apart from the projects mentioned above, the Group had spent US$9m on the acquisition of BR Medical Suites during the last financial year as part of the projects announced during the IPO.

4. The Group has not spent any amount towards the development of the Al Ain Medical Centre as at 31 December-2013.

The company has reviewed all significant capital expenditure projects including the delayed projects for impairments and have concluded that the projects have sufficient headroom and concluded that none of the assets are impaired.

Cash
Net cash inflow from operating activities for the 2013 financial year was US$85.1m, compared with US$35.3m for the comparative period in 2012. This was mainly due to:

- improved performance of the Group; and
- effective management of working capital

Including funds held on deposit, cash as at 31 December 2013 was at US$268.7m compared to US$ 257.5m at the end of FY 2012. The company had allocated the funds raised through the IPO as well as through the JP Morgan syndicated loan against the capital cost of the five expansion projects announced during the IPO. As a result, together with positive operating cashflow, the Company is well financed to complete its capital expenditure program.

As expected, the Group had a net debt position of US$63.7m at 31 December 2013 compared with US$46.1m at 31 December 2012. 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 during FY 2014.

Movement in net debt
The movement in cash and the level of capital expenditure have had a significant effect on the movement in net debt during the 2013 financial year. A summary of the principal drivers is shown as follows:

Movement of Net Debt					
Total Debt as at 1 January 2013	303.6	Total Cash as at 1 January 2013	257.5	Net Debt as at 1 January 2013	46.1
Add:		**Add:**			
JP Morgan Loan	225.0	Operational cash inflow	85.1		
		Finance Incomes	5.3		
		JPM Loan	225.0		
			315.4		
Less:		**Less:**			
JP Morgan Loan Repayments	21.4	Other Bank facilities & refinancing (Net Movement)	174.8		
Other Bank facilities & refinancing (Net Movement)	174.8	Finance Fee	3.4		
		JPM Loan Repayments	21.4		
		Additions & Disposals to Property	78.6		
		Finance Costs	14.5		
		Dividends Paid	11.5		
			304.2		
Total Debt as at 31 December 2013	332.4	Total Cash as at 31 December 2013	268.7	Net Debt as at 31 December 2013	63.7

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 2014 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 the timing of payment of 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 five year debt facility of up to US$ 300m was made available to the Group during the year by a syndicate of lenders led by J.P. Morgan Chase Bank, to refinance high interest bearing credit lines. A total of US$ 225m has been drawn down from this facility to date. The cost of funds for this facility is 3.0% over one month LIBOR. This rate is substantially lower than the credit lines replaced. We expect this change to yield a total saving of around US$ 10m over the five year tenure of the loan compared to the previous arrangement, net of the one off of US$3.4m written off in the current year of unamortised finance costs,

The total debt of the Group, excluding accounts payable and accruals, was US$332.4m as at 31 December 2013 compared to US$303.6m on 31 December 2012.

Finance costs and income

Total finance costs for 2013 were US$14.3m compared to US$ 13.7m in 2012. This was mainly on account of the increased utilization of working capital lines commensurate with the increase in the activity levels in both the Group's operating segments. The Group's replacement of high interest bearing credit lines during the year limited, to some extent, the increase in finance costs.

Dividend

The Board is proposing to continue with its policy of annual dividend payments of between 20% and 30% of Profit After Tax, outlined in the Company's IPO prospectus in 2012. The Board is therefore recommending that a final dividend of 4.4 pence per share be paid in cash in respect of the year ended 31 December 2013 (FY2012: 4.1 pence per share).

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.

Statement of Directors responsibilities

I confirm on behalf of the Board that to the best of my knowledge;

a) the financial information presented in this preliminary announcement, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and

b) the Management Report includes a fair review of the development and performance of the business, and the principal risks and uncertainties that they face.

For and on behalf of the Board

Dr B. R. Shetty
Chief Executive Officer

NMC Health plc

Consolidated financial statements

Year ended 31 December 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	***2013*** ***US$ '000***	*2012* *US$ '000*
Revenue	5	**550,878**	490,053
Direct costs	6	**(365,336)**	(329,800)
GROSS PROFIT		**185,542**	160,253
General and administrative expenses	6	**(119,562)**	(105,055)
Other income	7	**26,960**	24,421
PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND IMPAIRMENT		**92,940**	79,619
Depreciation	16	**(9,663)**	(7,038)
Impairment of property and equipment	16	**(210)**	-
Finance costs	8	**(14,344)**	(13,738)
Finance income	9	**3,814**	4,325
Flotation costs	13	**-**	(3,402)
Unamortised finance fees written off	25	**(3,394)**	-
PROFIT FOR THE YEAR BEFORE TAX	10	**69,143**	59,766
Tax	14	**-**	-
PROFIT FOR THE YEAR		**69,143**	59,766
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**69,143**	59,766
Total profit and comprehensive income attributable to:			
Equity holders of the Parent		**68,165**	58,891
Non-controlling interests		**978**	875
Total profit and comprehensive income for the year		**69,143**	59,766
Earnings per share for profit attributable to the equity holders of the Parent:			
Basic and diluted (US$)	15	**0.367**	0.343

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 2013

	Notes	**2013 US$ '000**	2012 US$ '000 (restated)	1 January 2012 US$ '000 (restated)
ASSETS				
Non-current assets				
Property and equipment	16	**273,792**	201,653	94,856
Intangible assets	17	**1,016**	1,016	-
		274,808	202,669	94,856
Current assets				
Inventories	18	**94,123**	72,458	54,178
Accounts receivable and prepayments	19	**168,382**	181,402	153,453
Amounts due from related parties	28	**9,254**	1,601	-
Bank deposits	20	**193,366**	233,703	11,072
Bank balances and cash	20	**75,329**	23,747	43,001
		540,454	512,911	261,704
TOTAL ASSETS		**815,262**	715,580	356,560
EQUITY AND LIABILITIES				
Equity				
Share capital	21	**29,566**	29,566	27,226
Share premium	21	**179,152**	179,152	-
Group restructuring reserve	22	**(10,001)**	(10,001)	-
Retained earnings	23	**187,519**	130,952	72,061
Equity attributable to equity holders of the Parent		**386,236**	329,669	99,287
Non-controlling interests		**2,915**	1,934	1,059
Total equity		**389,151**	331,603	100,346
Non-current liabilities				
Term loans	25	**161,845**	118,428	35,454
Employees' end of service benefits	26	**10,036**	8,634	7,703
Other payable		**408**	1,225	-
		172,289	128,287	43,157
Current liabilities				
Accounts payable and accruals	27	**76,087**	68,613	63,942
Amounts due to related parties	28	**5,079**	123	1,245
Bank overdrafts and other short term borrowings	20	**82,238**	80,668	101,275
Term loans	25	**88,355**	104,540	45,434
Employees' end of service benefits	26	**2,063**	1,746	1,161
		253,822	255,690	213,057
Total liabilities		**426,111**	383,977	256,214
TOTAL EQUITY AND LIABILITIES		**815,262**	715,580	356,560

The consolidated financial statements were authorised for issue by the board of directors on 24 February 2014 and were signed on its behalf by

Mr H J Mark Tompkins
Chairman

Mr. Prasanth Manghat
Chief Financial Officer

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

NMC Health plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Attributable to the equity holders of the Parent						
	Share capital US$ '000	*Share premium US$ '000*	*Group restructuring reserve US$ '000*	*Retained earnings US$ '000*	*Total US$ '000*	*Non-controlling interests US$ '000*	*Total US$ '000*
Balance as at 1 January 2012	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 22)	(27,226)	-	(10,001)	-	(37,227)	-	(37,227)
Issue of share capital (note 21)	20,696	16,531	-	-	37,227	-	37,227
Issue of share capital – IPO (note 21)	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
Total (other) comprehensive income for the year	**-**	**-**	**-**	**68,165**	**68,165**	**978**	**69,143**
Dividend (note 24)	**-**	**-**	**-**	**(11,598)**	**(11,598)**	**-**	**(11,598)**
Contribution by non-controlling interest	**-**	**-**	**-**	**-**	**-**	**3**	**3**
Balance as at 31 December 2013	**29,566**	**179,152**	**(10,001)**	**187,519**	**386,236**	**2,915**	**389,151**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	**2013**	2012
		US$ '000	US$ '000
			(restated)
OPERATING ACTIVITIES			
Profit for the year before tax		**69,143**	59,766
Adjustments for:			
Depreciation	16	**9,663**	7,038
Impairment of property and equipment	16	**210**	-
Employees' end of service benefits	26	**2,362**	2,142
Finance income	9	**(3,814)**	(4,325)
Finance costs	8	**14,344**	13,738
Flotation costs	13	**-**	3,402
Loss on disposal of property and equipment		**383**	310
Unamortised finance fees written off	25	**3,394**	-
		95,685	82,071
Working capital changes:			
Inventories		**(21,665)**	(18,186)
Accounts receivable and prepayments		**11,582**	(25,221)
Amounts due from related parties		**(7,653)**	(1,601)
Accounts payable and accruals		**2,809**	3,354
Amounts due to related parties		**4,956**	(1,122)
Net cash from operations		**85,714**	39,295
Employees' end of service benefits paid	26	**(643)**	(626)
Flotation costs paid	13	**-**	(3,402)
Net cash from operating activities		**85,071**	35,267
INVESTING ACTIVITIES			
Purchase of property and equipment		**(78,616)**	(105,277)
Proceeds from disposal of property and equipment		**257**	255
Acquisition of BR Medical Suites FZ LLC		**-**	(8,822)
Bank deposits maturing in over 3 months		**(12,251)**	(136,129)
Restricted cash		**(22,732)**	(10,327)
Finance income received		**5,255**	2,253
Net cash (used in) investing activities		**(108,087)**	(258,047)
FINANCING ACTIVITIES			
Proceeds from share issue - IPO	21	**-**	186,264
Flotation costs paid	13	**-**	(14,128)
New term loans and draw-downs		**524,465**	314,510
Repayment of term loans		**(500,627)**	(172,430)
Receipts of short term borrowings		**275,347**	255,485
Repayment of short term borrowings		**(252,768)**	(275,508)
Finance costs paid		**(14,532)**	(13,908)
Dividend paid to shareholders	24	**(11,598)**	-
Net cash from financing activities		**20,287**	280,285
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(2,729)**	57,505
Cash and cash equivalents at 1 January		**81,930**	24,425
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**79,201**	81,930

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

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 company operating solely in the United Arab Emirates (“UAE”). The address of the registered office of the Company is Suite 23 Hanover Square London, W1S 1JB. 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 2013 were authorised for issue by the board of directors on 24 February 2014 and the consolidated 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 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 2013 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.

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 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

Going concern continued

The Group has banking arrangements through a spread of local and international banking groups and utilizes 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 2013. The directors have reviewed the business plan for 2014 and the five year cash flow, 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.

Comparative information

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.

- Amounts of US$ 1,746,000 as of 31 December 2012 and US$ 1,161,000 as of 31 December 2011 in respect of employees' end of service benefits have been reclassified from non-current liabilities to current liabilities (note 26).
- An amount of U$ 3,402,000 in respect of flotation costs has been reclassified from financing activities to operating activities in the consolidated statement of cash flows.

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

2.2 BASIS OF CONSOLIDATION

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.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2.2 BASIS OF CONSOLIDATION continued

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

	Percentage of	***holdings***
	31 December 2013	*31 December 2012*
Direct subsidiaries:		
NMC Holding Co LLC	**100%**	100%
NMC Health Holdco Limited	**100%**	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%**	100%
Brightpoint Hospital LLC	**99%**	99%
NMC Day Surgery Centre LLC	**99%**	99%
NMC Dubai Investment Park LLC	**99%**	99%

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

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 2013 was US$ 94,839,000 (2012: US$ 72,574,000) and the provision for old and obsolete items at 31 December 2013 was US$ 716,000 (2012: 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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Impairment of accounts receivable *continued*

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 2013 were US$ 154,234,000 (2012: US$ 164,907,000) and the provision for doubtful debts at 31 December 2013 was US$ 8,241,000 (2012: US$ 6,444,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Significant judgements

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.

Refinancing of JP Morgan loan
Judgement has been used to determine that the terms and conditions of the new JP Morgan syndicated loan are substantially different from the previous loan and accordingly the previous JP Morgan syndicated loan has been derecognised (note 25). Management used the following basis for determining that the terms and conditions are substantially different:

- The principal amount of the loan changed from US$ 150 million to US$ 225 million
- The interest risk profile on the loan changed as the interest rate decreased from 3.5% plus margin to 3% plus margin.
- The securities and guarantees of the loan changed as the personal guarantees of shareholders have been removed in the new loan.
- The loan covenants changed; and
- The repayment terms changed as the new loan had an initial repayment grace period of six months.

Assets held in the name of the previous shareholder
In accordance with local laws, except in some specific locations in the UAE the registered title of land and buildings must be held in the name of a UAE national. As a result, land and buildings of the Group are legally registered in the name of shareholders or previous shareholders of the Group. As at 31 December 2013 certain land and buildings with a carrying amount of US$ 9,648,000 (2012: US$ 9,974,000) are held in the name of a previous shareholder for the beneficial interest of the Group. As the beneficial interest of such land and buildings resides with the Group, these assets are recorded within land and buildings in the Group consolidated financial statements. The directors take into account this local legal registration requirement, the Group's entitlement to the beneficial interest arising from these assets, as well as other general business factors, when considering whether such assets are impaired.

Leases for buildings and land
Generally our hospitals, day patient medical centres and hospital projects under development are located on land and in buildings which are leased. As at 31 December 2013, the majority of the lease periods range from five to twenty years apart from the leases for New Medical Centre Hospital LLC-Dubai ('Dubai General Hospital) the land on which the Khalifa City Specialty Hospital is being constructed and the warehouse facilities, which had leases which are renewable on an annual basis with a total value of US$

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Leases for buildings and land *continued*

50,244,600 included within Property, Plant and Equipment as at 31 December 2103. Of this US$ 49,696,000 pertains to Khalifa City Specialty Hospital. 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 which could have a material adverse effect on our business, financial condition and results of operations. The directors have considered the following facts in determining the likelihood that these leases will be renewed:

- Whilst some leases can be for long term durations, it is not unusual and can often be common practice throughout all of the emirates in the United Arab Emirates for landlords to lease land and buildings to companies on annually renewable leases of one year terms and for these leases to be renewed automatically. Throughout the Group's 40 year history it has never had a lease cancelled or not renewed, and the Group enjoys a high degree of respect in the region and believes that it maintains strong relationships with the landlords.

- Both the Dubai General Hospital and the warehouse facilities have been occupied by the Group on annually renewable leases, for a period of more than 13 years and each year these leases have been automatically renewed.

- The warehouse facilities have been built by the company on land leased from government bodies in the Emirates of Dubai and Abu Dhabi on the back of the policies of these governments to attract investment in warehousing in the United Arab Emirates.

- At 31 December 2013 the land on which the Khalifa City Specialty Hospital is being constructed is being leased to NMC from the Municipality of Abu Dhabi and was on a one year annually renewable basis. Subsequent to year end, the lease has been renewed and extended so that it is now a 27 year lease expiring in the year 2040. The total carrying amounts included within Property Plant and Equipment in respect of Khalifa City Specialty Hospital as at 31 December 2013 is US$ 49,696,000.

2.4 CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies:
The accounting policies adopted are consistent with those of the previous financial year except for employees' end of service benefits as discussed below:

Employees' end of service benefits:
The Group has reassessed its accounting policy with respect to employees' end of service benefits. In previous years the Group was treating these as other long term benefits and has now assessed these to be treated as post-employment benefits. This change in accounting treatment did not materially impact the previously reported profit or equity of the group as the actuarial gain/loss as a result of the actuarial valuation is not material to the Group.

New and amended standards and interpretations:
The Group applies IFRS (as adopted in the European Union), the European Union endorsement states that IFRS 10, IFRS 11 and IFRS 12 must be applied at the latest with an effective date of 1 January 2014 although earlier adoption is permitted. Accordingly, the Group has early adopted IFRS 10, IFRS 11 and IFRS 12 with effect from 1 January 2013.

The amendments to IFRS, which are effective as of 1 January 2013 and are described in more detail below, have no impact on the Group.

2.4 CHANGES IN ACCOUNTING POLICIES continued

New and amended standards and interpretations continued**:**
The following amendments to IFRS are effective as of 1 January 2013:

IFRS 10 ***Consolidated Financial Statements and IAS 27 Separate Financial Statements***
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 had no impact on the consolidation of investments held by the Group

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Ventures.* 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 under IFRS 11 must be accounted for using the equity method.

IFRS 11 had no impact on the financial position or performance of the Group as it does not have any JCEs.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, when a subsidiary is controlled with less than the majority of voting rights. None of these disclosure requirements are applicable for consolidated financial statements. Accordingly, the Group has not made such disclosures.

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. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IAS 1 Financial Statements Presentation - Presentation of items of Other Comprehensive Income-Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g. Net loss or gain on available for sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)
The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)
IAS 19 (revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefits obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and in the fair value of the plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the

2.4 CHANGES IN ACCOUNTING POLICIES continued

IAS 19 Employee Benefits continued

previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gain and losses are recognized immediately through other comprehensive income in order for the net provision asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and the expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS19 (as revised in 2011),which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have no material impact on the amounts recognised in the prior years.

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 talking into account contractually defined terms of payment and excluding taxes or duties.

Revenue streams include clinic service revenues, sale of goods - Pharmacy, sale of goods –Distribution, Healthcare management fees and revenue from BR Medical Suites.

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.

Clinic service revenues:

Clinic service revenues represent the revenue which NMC generates from the provision of either inpatient or outpatient medical services. The group primarily receives clinic service revenues from patients' private / medical insurance schemes. 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. NMC has determined that it is acting as Principal in these arrangements as it has the responsibility for providing the medical services to the patient, it sets the prices for the clinic services which are provided, it bears the credit risk and it bears the risk of providing the medical service.

Sale of Goods - Pharmacy:

The sales of goods from pharmacy relates to the sale of pharmaceutical and other products from hospitals and pharmacies. Whilst the Group does not establish the prices for the pharmaceutical products sold as both the purchase and selling prices for all pharmaceutical products are fixed by the Ministry of Health, NMC has determined that it is acting as Principal in respect of these sales as it provides the goods for sale, it bears the inventory risk, and it bears the credit risk from customers. Revenue from the sale of goods – Pharmacy is therefore 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.

Sale of Goods - Distribution:

Where the Group bears the inventory risk and the customer credit risk and has the ability to set the prices for the products sold then the Group has determined that it is acting as Principal. Revenue from the sale of goods is therefore 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 for wholesale goods at the time of delivery.

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. There are currently no material agency relationships.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Healthcare 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.

Revenue from BR Medical Suites:
BR Medical Suites enters into contracts with doctors whereby these doctors are employed to perform certain procedures or run outpatient services using the facilities at BR Medical Suites. In return the doctors obtain a share of the revenues that are generated from these facilities. Each contractual arrangement with individual doctors is assessed against specific criteria to determine whether the Group is acting as principal or agent in the arrangement with these doctors.

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.

Rebate from Suppliers
The Distribution business receives rebates in the ordinary course of business from a number of its suppliers of pharmaceutical products, in accordance with contractual arrangements in place with specific suppliers. Rebates are accounted for once approval has been received from the supplier following the negotiations which have taken place with them. Rebates receivable are accounted for as a deduction from the cost of purchasing pharmaceutical goods, once the rebate has been approved by the supplier on the basis under IAS 18 that the probability of inflow is not sufficiently certain and the amounts cannot be reliably measured until that point. When rebates have been agreed in advance, for example when it has been agreed that a certain rebate will be applied to the purchase of specific goods for a set period of time rather than just to a specific one off purchase, then the rebate is recognised as a reduction in the purchase price as soon as the goods are purchased. When rebates are offered based upon the volume purchased and it is probable that the rebate will be earned and the amount can be estimated reliably, then the discount is recognised as a reduction in the purchase price when the goods are purchased and the assessment is reviewed on an ongoing basis. Rebates receivable are accounted for on a net basis, being set off against the trade payables to which they relate, as they are a reduction in the amount we owe to our suppliers in respect of pharmaceutical products purchased.

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

Business combinations and goodwill 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%

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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”.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Employees’ end of service benefits
The Group operates an un-funded post-employment benefit plan (employees’ end of service benefits) for its expatriate employees in UAE, in accordance with the labour laws of the UAE. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. Payment for employees’ end of service benefits is made when an employee leaves, resigns or completes his service.
The cost of providing benefits under the post-employment benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest is calculated by applying the discount rate to the defined benefit liability. 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 current and non-current portions of the provision relating to employees’ end of service benefits are separately disclosed in the consolidated statement of financial position.

The Group recognises the following changes in the employees’ end of service benefits under ‘direct costs’ and ‘general and administrative expenses’ in the consolidated statement of comprehensive income:
- Service costs comprising current service costs
- Interest expense

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employees' end of service benefits continued

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 consolidated statement of comprehensive income.

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.

IFRS 9 *Financial Instruments*
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 is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will not have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10.The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

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' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC *Interpretation 21 Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have any material financial impact in future financial statements.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting-Amendments to IAS 39*
These amendments provide relief from discounting hedge accounting when novation of a derivative designated as a hedge instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Group.

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; and

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.

4 BUSINESS COMBINATION UNDER COMMON CONTROL continued

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) arose 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 22).

5 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.

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, group administrative expenses, unallocated depreciation and unallocated other income, 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 2013 and 2012.

5 SEGMENT INFORMATION continued

	Healthcare US$ '000	*Distribution and services US$ '000*	*Total segments US$ '000*	*Adjustments and eliminations US$ '000*	*Consolidated US$ '000*
Year ended 31 December 2013					
Revenue					
External customers	**285,043**	**265,835**	**550,878**	**-**	**550,878**
Inter segment	**4,252**	**34,341**	**38,593**	**(38,593)**	**-**
Total	**289,295**	**300,176**	**589,471**	**(38,593)**	**550,878**
Results					
Depreciation	**(7,120)**	**(2,092)**	**(9,212)**	**(451)**	**(9,663)**
Finance costs	**-**	**-**	**-**	**(14,344)**	**(14,344)**
Segment profit	**74,339**	**27,815**	**102,154**	**(33,011)**	**69,143**
Segment assets	**338,341**	**190,407**	**528,748**	**286,514**	**815,262**
Segment liabilities	**33,818**	**47,028**	**80,846**	**345,265**	**426,111**
Other disclosures					
Capital expenditure	**80,845**	**1,220**	**82,065**	**587**	**82,652**
Year ended 31 December 2012					
Revenue					
External customers	247,469	242,584	490,053	-	490,053
Inter segment	4,179	28,490	32,669	(32,669)	-
Total	251,648	271,074	522,722	(32,669)	490,053
Results					
Depreciation	(5,871)	(829)	(6,700)	(338)	(7,038)
Finance costs	-	-	-	(13,738)	(13,738)
Segment profit	62,318	25,379	87,697	(27,931)	59,766
Segment assets	270,574	169,112	439,686	275,894	715,580
Segment liabilities	40,575	32,326	72,901	311,076	383,977
Other disclosures					
Capital expenditure	115,129	10,014	125,143	1,008	126,151

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.

5 SEGMENT INFORMATION continued

Adjustments and eliminations
Finance income and costs, group overheads and fair value gains and losses on derivative financial instruments 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.

Reconciliation of Group profit

	2013	*2012*
	US$ '000	*US$ '000*
Segment profit	**102,154**	87,697
Unallocated finance income	**3,814**	4,325
Unallocated finance costs	**(14,344)**	(13,738)
Unallocated group administrative expenses	**(18,654)**	(15,036)
Unallocated unamortised finance fees written off	**(3,394)**	-
Unallocated depreciation	**(451)**	(338)
Unallocated other income	**18**	258
Unallocated flotation costs	**-**	(3,402)
Group profit	**69,143**	59,766

Reconciliation of Group assets

	2013	*2012*
	US$ '000	*US$ '000*
Segment assets	**528,748**	439,686
Unallocated property and equipment	**12,365**	12,229
Unallocated inventory	**36**	33
Unallocated accounts receivable and prepayments	**5,526**	6,497
Unallocated amounts due from related parties	**267**	58
Unallocated bank balances and cash	**74,954**	23,374
Unallocated bank deposits	**193,366**	233,703
Group assets	**815,262**	715,580

Reconciliation of Group liabilities

	2013	*2012*
	US$ '000	*US$ '000*
Segment liabilities	**80,846**	72,901
Unallocated term loans	**250,200**	222,968
Unallocated employees' end of service benefits	**219**	218
Unallocated accounts payable and accruals	**12,547**	7,276
Unallocated bank overdraft and other short term borrowings	**82,238**	80,491
Unallocated amounts due to related parties	**61**	123
Group liabilities	**426,111**	383,977

5 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:

	Healthcare US$ '000	*Distribution and services US$ '000*	*Total US$ '000*
Year ended 31 December 2013			
Customer 1	**75,802**	**-**	**75,802**
Customer 2	**32,715**	**-**	**32,715**
	108,517	**-**	**108,517**
Year ended 31 December 2012			
Customer 1	66,354	-	66,354
Customer 2	27,426	-	27,426
	93,780	-	93,780

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:

	2013 US$ '000	*2012 US$ '000*
Revenue from services:		
Healthcare – clinic	**207,532**	177,609
Healthcare - management fees	**5,445**	907
	212,977	178,516
Sale of goods:		
Distribution	**265,835**	242,584
Healthcare	**72,066**	68,953
	337,901	311,537
Total	**550,878**	490,053

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6 EXPENSES BY NATURE

	2013	*2012*
	US$ '000	*US$ '000*
Cost of inventories recognised as an expense	**265,852**	246,749
Salary expenses	**126,580**	97,436
Rent expenses	**21,518**	21,029
Sales promotion expenses	**29,533**	29,999
Repair & maintenance expenses	**5,796**	6,356
Others	**35,619**	33,286
	484,898	434,855
Allocated to :		
Direct costs	**365,336**	329,800
General and administrative expenses	**119,562**	105,055
	484,898	434,855

The classification of the remaining expenses by nature recognised in the consolidated statement of comprehensive income are:

	2013	*2012*
	US$ '000	*US$ '000*
Depreciation	**9,663**	7,038
Impairment of property and equipment	**210**	-
Finance costs	**14,344**	13,738
Flotation costs	**-**	3,402
Unamortised finance fees written off	**3,394**	-
	27,611	24,178

7 OTHER INCOME

Other income includes US$ 26,771,000 (2012: US$ 23,919,000) relating to reimbursement of advertisement and promotional expenses incurred by the Group. Revenue is recognised following the formal acceptance of the Group's reimbursement claims by suppliers and is measured at the confirmed amount receivable.

8 FINANCE COSTS

	2013	*2012*
	US$ '000	*US$ '000*
Bank interest	**12,788**	11,968
Bank charges	**2,258**	2,099
Change in fair value of derivative financial instrument	**(702)**	(329)
	14,344	13,738

9 FINANCE INCOME

	2013	*2012*
	US$ '000	*US$ '000*
Bank and other interest income	**3,814**	4,325
	3,814	4,325

10 PROFIT FOR THE YEAR BEFORE TAX

The profit for the year before tax is stated after charging:

	2013 **US$ '000**	2012 US$ '000
Cost of inventories recognised as an expense (note 6)	**265,852**	246,749
Cost of inventories written off (note 18)	**1,781**	1,753
Minimum lease payments recognised as operating lease expense	**21,518**	21,029
Depreciation (note 16)	**9,663**	7,038
Net Impairment of accounts receivable (note 19)	**2,462**	1,291
Employees' end of service benefits (note 26)	**2,362**	2,142
Net foreign exchange loss	**3,841**	3,034

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.

	2013 **US$ '000**	2012 US$ '000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**615**	500
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	**142**	161
- audit related assurance services	**155**	173
- other assurance services	**15**	2,283
- Tax compliances services	**25**	-
- Tax advisory services	**25**	
- corporate finance services	**-**	2,622
- non audit services	**19**	41
	996	5,780
Offset against share premium (note 21)	**-**	(4,285)
Total included in the consolidated statement of comprehensive Income	**996**	1,495

Other assurance services in 2012 represented 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.

Included in the fees payable to the Company's auditor for the audit of the Company's annual accounts in the current year is an amount of US$ 100,000 which was under-accrued in respect of the prior year audit of the Company's annual accounts.

11 AUDITOR'S REMUNERATION continued

The fees paid to the auditor includes US$ 85,000 (2012: US$ 249,500) in respect of out of pocket expenses of which US$ nil (2012: 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 2013 or 2012.

Of the total fees payable to the auditor in 2013, US$ 437,000 (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.

12 STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) Staff costs

	2013 US$ '000	*2012 US$ '000*
Wages and salaries	**126,580**	97,436
Employees' end of service benefits (note 26)	**2,362**	2,142
Others	**7,726**	6,639
	136,668	106,217

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:

	2013	*2012*
Healthcare	**3,169**	2,715
Distribution & services	**1,726**	1,538
Administration	**151**	162
	5,046	4,415

(b) Directors' remuneration

	2013 US$ '000	*2012 US$ '000*
Directors' remuneration	**1,746**	1,352

There are no other employee benefits such as long-term benefits, post-employment benefits or share options paid or payable to the directors.

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 21) 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. Out of the total costs of US$ 18,175,000 an amount of US$ nil remains payable as at 31 December 2013 (2012: US$ 645,000) 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:

	2013	*2012*
Profit attributable to equity holders of the Parent (US$ ‘000)	**68,165**	58,891
Weighted average number of ordinary shares in issue (‘000)	**185,714**	171,824
Basic and diluted earnings per share (US$)	**0.367**	0.343

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 21).

16 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013 US$ '000	2012 US$ '000
Property and equipment	**273,792**	201,653
	273,792	201,653

	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 US$ '000*	*Capital work in progress US$ '000*	*Total US$ '000*
31 December 2013								
Cost:								
At 1 January 2013	19,206	12,343	26,269	12,722	5,544	110,594	104,067	290,745
Additions	-	-	31	907	83	8,791	72,840	82,652
Disposals	-	-	-	-	(47)	(6,553)	-	(6,600)
Transfer from capital work in progress	-	-	-	3,759	307	1,242	(5,308)	-
Impairment of property and equipment	-	-	-	-	-	-	(210)	(210)
At 31 December 2013	**19,206**	**12,343**	**26,300**	**17,388**	**5,887**	**114,074**	**171,389**	**366,587**
Depreciation:								
At 1 January 2013	-	7,494	3,083	8,932	4,701	64,882	-	89,092
Charge for the year	-	310	1,418	1,347	214	6,374	-	9,663
Relating to disposals	-	-	-	-	(47)	(5,913)	-	(5,960)
At 31 December 2013	**-**	**7,804**	**4,501**	**10,279**	**4,868**	**65,343**	**-**	**92,795**
Net carrying amount:								
At 31 December 2013	**19,206**	**4,539**	**21,799**	**7,109**	**1,019**	**48,731**	**171,389**	**273,792**
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 combination	-	-	-	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

16 PROPERTY AND EQUIPMENT continued

As part of the Group's capital expenditure programme, borrowing costs of US$ 4,886,000 (2012: US$ 4,110,000) net of finance income of US$ 54,000 (2012: US$ 1,217,000) have been capitalised during the year. The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.40% (2012: 3.81%) which is the effective rate of the borrowings used to finance the capital expenditure. As companies in UAE are not subject to taxation and as such there is no tax relief in respect of capitalised interest.

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 ("Dubai General Hospital"), the land on which the Khalifa City Specialty Hospital is being constructed and the warehouse facilities which had leases renewable on an annual basis (note 2.3). As at 31 December 2013 US$ 50,244,600 (2012 US$ 21,796,700) of the amounts included in Property plant and equipment related to assets with annually renewable leases. Subsequent to year end, the lease for the land on which the Khalifa City Specialty Hospital is being constructed was renewed for a period of 27 years (note 34). Khalifa City Specialty Hospital has US$ 49,696,000 included in property and equipment as at 31 December 2103.

In accordance with the local laws, except in some specific locations in the UAE the registered title of land and buildings must be held in the name of a UAE national. As a result, land and buildings of the Group are legally registered in the name of shareholders or previous shareholders of the Group. Certain land and buildings with a carrying amount of US$ 9,648,000 (31 December 2012: US$ 9,974,000) are held in the name of a previous shareholder for the beneficial interest of the Group As the beneficial interest of such land and buildings resides with the Group, these assets are recorded within land and buildings in the Group's consolidated financial statements. The directors take into account this local legal registration requirement, the Group's entitlement to the beneficial interest arising from these assets, as well as other general business factors, when considering whether such assets are impaired.

Property and equipment with a net carrying amount of US$ nil at 31 December 2013 (2012: US$ 4,849,000) are pledged as security against term loans.

17 INTANGIBLE ASSETS

	2013	*2012*
	US$ '000	*US$ '000*
Goodwill		
Balance at 1 January	**1,016**	-
Addition from business combination	**-**	1,016
Balance at 31 December	**1,016**	1,016

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.

Goodwill arose on the acquisition of BR Medical Suites FZ LLC on 1 July 2012. The goodwill is attributable to the synergies that arose as a result of the acquisition. Goodwill is allocated to the healthcare segment and is monitored at the healthcare segment level, which equates to the level for impairment testing.

The recoverable amount of the CGU 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. The pre-tax discount rate applied to cash flow projections is 9.3% and a 3% growth rate is used to arrive at the cash flows between year 6 to 10 and a terminal value beyond year 10

17 INTANGIBLE ASSETS continued

is used using a zero growth rate. Management has assessed the key assumptions within these calculations using their past experience from operating within the healthcare industry. The growth rate does not exceed either the long term average growth rate for the healthcare business in which the CGU operates or the country growth rate.

The main assumptions used to compute the value in use were those concerning the discount rate, the most recent cash flow projections and the expected growth rate at the end of the time horizon of the forecast.

In addition, the Group performed a sensitivity analysis for changes in the basic assumptions of the impairment test, specifically focusing on the variables that have the greatest impact on recoverable value (discount rate and projections). The results of these tests showed no indications of impairment.

18 INVENTORIES

	2013	*2012*
	US$ '000	*US$ '000*
Pharmaceuticals and cosmetics	**44,959**	32,906
Scientific equipment	**11,899**	9,111
Consumer products	**27,915**	22,701
Food	**6,796**	4,791
Telecommunication equipment	**569**	140
Consumables	**290**	436
Opticals	**358**	357
Goods in transit	**1,594**	1,589
Other	**459**	543
	94,839	72,574
Less: provisions for slow moving and obsolete inventories	**(716)**	(116)
	94,123	72,458

The amount of write down of inventories recognised as an expense for the year ended 31 December 2013 is US$ 1,781,000 (2012: US$ 1,753,000). This is recognised in direct costs.

Trust receipts issued by banks amounting to US$ 3,100,000 (2012: US$ 9,493,000) are secured against the inventories.

19 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013	*2012*
	US$ '000	*US$ '000*
Accounts receivable	**145,993**	158,463
Receivable from suppliers for promotional expenses	**9,696**	11,684
Other receivables	**6,845**	6,219
Prepayments	**5,848**	5,036
	168,382	181,402

19 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

Receivables from suppliers relate to advertising and promotional expenses incurred by the Group. Accounts receivable are stated net of provision for doubtful debts of US$ 8,241,000 (2012: US$ 6,444,000). Movements in the provision for doubtful debts are as follows:

	2013	*2012*
	US$ '000	*US$ '000*
At 1 January	**6,444**	5,153
Written off	**(665)**	-
Written back (note 10)	**(472)**	(951)
Charge for the year (note 10)	**2,934**	2,242
At 31 December	**8,241**	6,444

The ageing of unimpaired accounts receivable is as follows:

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*< 90 days*	*91-180 days*	*181-365 days*	*>365 days*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
31 December 2013						
Accounts receivable	**145,993**	**104,028**	**31,658**	**6,053**	**2,774**	**1,480**
31 December 2012						
Accounts receivable	158,463	92,086	41,051	15,950	9,007	369

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 2013 trade receivables of US$ 8,241,000 (2012: US$ 6,444,000) 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$ 145,993,000 an amount of US$ 61,353,000 is against five customers (2012: US$ 63,966,000 is against five 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.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	2013 ***US$ ‘000***	*2012* *US$ ‘000*
Bank deposits	**193,366**	233,703
Bank balances and cash	**75,329**	23,747
Bank overdrafts and other short term borrowings	**(82,238)**	(80,668)
	186,457	176,782
Adjustments for:		
Short term borrowings	**74,183**	51,604
Bank deposits maturing in over 3 months	**(148,380)**	(136,129)
Restricted cash	**(33,059)**	(10,327)
Cash and cash equivalents	**79,201**	81,930

Bank deposits of US$ 193,366,000 (2012: US$ 233,703,000) 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 (2012: 3 to 12 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 (H.E. 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 2013, the Group had US$ 18,323,000 (2012: US$ 11,444,000) of undrawn bank overdraft facilities, which are renewable annually.

Restricted cash mainly represents funds held by a bank in respect of upcoming loan repayment instalments.

21 SHARE CAPITAL

As at 31 December 2013 and 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**

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		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
At 31 December 2013		**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% at the time of listing.

Share issue costs incurred in 2012 include US$ 4,285,000 of fees paid to the auditor (note 11).

22 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.

23 RETAINED EARNINGS

As at 31 December 2013, retained earnings of US$ 14,333,000 (2012: US$ 12,627,000) 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.

24 DIVIDEND

In the AGM on 27 June 2013 the shareholders approved a dividend of 4.1 pence per share, amounting to GBP 7,614,286 (US$ 11,598,326) paid to shareholders on the Company's share register on 31 May 2013. The dividend was paid on 4 July 2013. No interim dividend was declared during the year. Subject to shareholder's approval, a final dividend of 4.4 pence per share, GBP 8,212,700 (US$ 13,633,000) will be paid to shareholders on the Company's share register on 31 May 2014.

25 TERM LOANS

	2013	*2012*
	US$ '000	*US$ '000*
Current portion	**88,355**	104,540
Non-current portion	**161,845**	118,428
	250,200	222,968
Amounts are repayable as follows:		
Within 1 year	**88,355**	104,540
Between 1 - 2 years	**50,871**	45,195
Between 2 - 5 years	**110,974**	73,233
	250,200	222,968

The term loans primarily carry interest at EIBOR / LIBOR plus margin.

31 December 2013:
During the year ended 31 December 2013, the Group agreed a new syndicated loan facility, led by JP Morgan Chase Bank, of US$ 225,000,000 (with an additional available facility of US$ 75,000,000 which the group has not drawn down to date). The loan facility is repayable over 54 monthly instalments with a grace period of six months and carries interest at the rate of 1 month US$ LIBOR + 3% + mandatory costs; if any, per annum. The new syndicated loan facility has been utilised to repay some of the existing debts including the debt with JP Morgan Chase Bank against the facility of US$ 150,000,000 obtained in the previous year and will also be utilised for capital expenditures. The Group has utilised an amount of US$ 225,000,000 against the new syndicated loan facility as of 31 December 2013.

This new syndicated loan is guaranteed by corporate guarantees provided by NMC Health plc and operating subsidiaries of the Group. The new syndicated loan is secured against a collateral package which includes an assignment of some insurance company receivables and their proceeds by the Group and a pledge over certain bank accounts within the Group.

In addition to the JP Morgan loan facility, term loans also include other short term revolving loans which get drawn down and repaid over the period and carry interest at varying rates which include EIBOR + margins ranging from 3% to 3.75% per annum, except for one of the loans which carries interest at a fixed rate of 7.5% per annum.

The Group has charged an amount of US$ 3,394,000 (2012: US$ nil) to the consolidated statement of comprehensive income with respect to unamortised transaction costs of previously existing debts which have been settled during the year using the proceeds of the new syndicated loan led by JP Morgan Chase Bank.

25 TERM LOANS continued

31 December 2012:

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 had drawn down US$ 150,000,000 against the loan as at 31 December 2012. Repayments in the year ended 31 December 2012 amounted to US$ 18,889,000. Finance fees of US$ 636,000 had been capitalised against the loan as at 31 December 2012 and were being amortised over the period of the loan.

This syndicated loan was 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 syndicated loan was 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. As noted above, this loan was repaid during the current year using the proceeds from the new syndicated loan facility.

26 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2013 ***US$ '000***	*2012* *US$ '000*	*1 January 2012* *US$ '000*
Balance at 1 January	**10,380**	8,864	7,532
Charge for the year	**2,362**	2,142	1,821
Employees' end of service benefits paid	**(643)**	(626)	(531)
Net transferred from related party	**-**	-	42
Balance at 31 December	**12,099**	10,380	8,864
Current	**2,063**	1,746	1,161
Non –current	**10,036**	8,634	7,703
Balance at 31 December	**12,099**	10,380	8,864

Charge for the year comprise of the following:

	2013 ***US$ '000***	*2012* *US$ '000*	*1 January 2012* *US$ '000*
Current service cost	**1,909**	1,784	1,821
Interest cost	**453**	358	-
Balance at 31 December	**2,362**	2,142	1,821

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 2013 and 2012, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The impact of the actuarial valuation is not material to the Group, accordingly no actuarial gain or losses are recognised in other comprehensive income. Management has assumed an average length of service of 5 years (2012: 5 years) and increment/promotion costs of 3.0% (2012: 3.0%). The expected liability at

26 EMPLOYEES' END OF SERVICE BENEFITS continued

the date of employees' leaving service has been discounted to its net present value using a discount rate of 4.5% (2012: 4.5%). Management also performed a sensitivity analysis for changes in discount rate and increment costs; the results of this analysis showed that none of the factors had any material impact on the actuarial valuation.

Note:
No actuarial valuation was performed as of 31 December 2011.

27 ACCOUNTS PAYABLE AND ACCRUALS

	2013 US$ '000	*2012 US$ '000*
Trade accounts payable	**57,565**	53,334
Other payables	**13,416**	10,657
Accrued interest	**705**	893
Accrued expenses	**4,401**	3,729
	76,087	68,613

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.

The Company's immediate and ultimate controlling party is a group of three individuals (H.E. Saeed Bin Butti, Dr BR Shetty and Mr Khalifa Bin Butti) who are all shareholders and directors of the Company and who together have the ability to control the company. As the immediate and ultimate controlling party is a group of individuals, it does not produce consolidated financial statements.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2013 US$ '000	*2012 US$ '000*
Entities significantly influenced by a shareholder who is a key management personnel in NMC		
Sales	**8,828**	4,135
Purchases	**30,040**	13,206
Rent charged	**418**	425
Other Income	**582**	-
Shareholder who has significant influence over NMC is a key management personnel of the entity		
Management fees	**5,445**	907
Sales	**2,608**	-

28 RELATED PARTY TRANSACTIONS continued

Transactions with related parties included in the consolidated statement of financial position are as follows:

	2013 US$ '000	*2012 US$ '000*
Shareholder with significant influence over NMC:		
Acquisition of BR Medical Suites FZ LLC	**-**	9,000

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 (with significant influence over the Company) and director of the Company. The consideration for the acquisition was US$ 9,000,000 (note 17).

Amounts due from and due to related parties disclosed in the consolidated statement of financial position are as follows:

	2013 US$ '000	*2012 US$ '000*
Entities significantly influenced by a shareholder who is a key management personnel in NMC		
Amounts due from related parties	**3,619**	58
Amounts due to related parties	**5,018**	-
Shareholder who has significant influence over NMC is a key management personnel of the entity		
Amounts due from related parties	**5,635**	1,543
Shareholder:		
Amounts due to related parties	**61**	123

Outstanding balances with related parties at 31 December 2013 and 31 December 2012 were unsecured, payable on 60–120 days term and carried interest at 0 % (31 December 2012: 0%) per annum. Settlement occurs in cash. As at 31 December 2013: US$ 3,249,000.of the amounts due from related parties were past due but not impaired (31 December 2012: US$ nil).

The Group has incurred an expenses and recharged back an amount of US$ 12,340,000 (31 December 2012: US$ 636,000) made on behalf of a related party where a shareholder who has significant influence over the Group is a key management personnel of that entity.

With the exception of the JP Morgan Chase syndicated loan facility of US$ 225,000,000, all credit facilities provided by the bankers to the Group are secured by joint and several personal/corporate guarantees of the shareholders (H.E. Saeed Mohamed Butti 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.

28 RELATED PARTY TRANSACTIONS continued

Compensation of key management personnel

	2013 ***US$ '000***	*2012* *US$ '000*
Short term benefits	**4,065**	2,174
Employees' end of service benefits	**19**	32
	4,084	2,206

The key management personnel include all the Non-Executive Directors, the two Executive Directors and five senior management personnel.

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 2013 amount to US$ 541,000 (2012: US$ 476,000).

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.

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 2013 US$ '000***	*Effect on profit at 31 December 2012 US$ '000*
100	**(1,105)**	(454)
(100)	**1,105**	454

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk
Credit risk is the risk that 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:

	2013	*2012*
	US$ '000	*US$ '000*
AA+	**-**	2,169
Aa/AA2	**-**	40,839
AA-/A-1/Aa3	**498**	199
A+/A1	**701**	14,521
A/A2	**32,352**	4,452
A+/A-1	**1,762**	-
A3/A-	**1,188**	9,532
AA-	**-**	35
Baa2	**789**	-
BBB-	**187,822**	-
BBB+/Baa1/Baa1/P-2	**13,099**	2,166
Baa2/P-2	**-**	111,070
Without external credit rating	**30,167**	72,237
Total bank deposit and cash at bank	**268,378**	257,220

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 2013					
Trade accounts payable	**-**	**57,565**	**-**	**-**	**57,565**
Amounts due to related parties	**-**	**5,079**	**-**	**-**	**5,079**
Other payables	**-**	**13,416**	**-**	**408**	**13,824**
Terms loans	**-**	**21,128**	**75,603**	**175,803**	**272,534**
Bank overdrafts and other short term borrowings	**8,178**	**42,090**	**34,048**	**-**	**84,316**
Financial guarantees	-	**180**	**3,275**	**3,612**	**7,067**
Total	**8,178**	**139,458**	**112,926**	**179,823**	**440,385**
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

The group also has future capital commitments for the completion of ongoing capital projects of US$ 76,402,000 (2012: US$ 103,106,000) (note 31). These are to be financed from the fixed deposits held by the Group.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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.

Significant foreign currency payable balances included in the consolidated statement of financial position are as follows:

	2013	*2012*
	US$ '000	*US$ '000*
EUR	**1,611**	4,198
CHF	**612**	730

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*	*Australia n Dollar*	*Effect on profit and equity*
Assumed change from year end exchange rates	+5%	+5%	+5%	+5%	+5%	
31 December 2013 (US$ '000)	**(81)**	**(31)**	**(14)**	**(3)**	**-**	**(129)**
31 December 2012 (US$ '000)	(210)	(37)	(15)	(1)	-	(263)
Assumed change from year end exchange rates	-5%	-5%	-5%	-5%	-5%	
31 December 2013 (US$ '000)	**81**	**31**	**14**	**3**	**-**	**129**
31 December 2012 (US$ '000)	210	37	15	1	-	263

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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$ 386,236,000 as at 31 December 2013 (2012: US$ 329,669,000). 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.

	2013	*2012*
	US$ '000	*US$ '000*
Interest bearing loans and borrowings	**332,438**	303,636
Accounts payable and accruals	**76,495**	69,838
Less: bank deposits, bank balances and cash	**(268,695)**	(257,450)
Net debt	**140,238**	116,024
Capital	**386,236**	329,669
Capital and net debt	**526,474**	445,693
Gearing ratio	**27%**	26%

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 2013 of US$ 7,067,000 (2012: US$ 7,282,000).

31 COMMITMENTS

Capital commitments
The Group had future capital commitments of US$ 76,402,000 at 31 December 2013 (2012: US$ 103,106,000) principally relating to the completion of ongoing capital projects.

Other commitments

	2013	*2012*
	US$ '000	*US$ '000*
Future minimum rentals payable under non-cancellable operating leases		
Within one year	**10,491**	10,233
After one year but not more than five years	**43,984**	43,258
More than five years	**102,782**	113,999
	157,257	167,490

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 2013			
Interest rate swap US$	**(179)**	**24,503**	**Feb-14**
At 31 December 2012			
Interest rate swap US$	(881)	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$ 702,000 for the year ended 31 December 2013 (2012: gain of US$ 329,000) 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.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (bases on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

Liabilities measured at fair value:

	Level 1 US$ '000	*Level 2 US$ '000*	*Level 3 US$ '000*	*Total fair value US$ '000*
31 December 2013				
Interest rate swaps	-	**(179)**	-	**(179)**
31 December 2012				
Interest rate swaps	-	(881)	-	(881)

During the year 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair value of the interest rate swap is determined by reference to market values for similar instruments. It is measured using the Forward Price Method; under this method a forward rate or value is determined based on the current market price or value of the interest rate and an appropriate rate curve and assuming that the forward price, rate or value will be realized in future periods.

34 SUBSEQUENT EVENT

Subsequent to year end, the lease for the land on which Khalifa City Specialty Hospital is being constructed (which as at 31 December 2013 was an annually renewable lease) has been renewed so that it is now a 27 year lease expiring in the year 2040.

Principal risks and uncertainties

The Board consider the identification and mitigation of material risks and uncertainties 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.

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, Crowe Horwath, 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.

Risks and uncertainties	*Potential impact*	*Mitigation*
Economic and Political risk A change in the political and regulatory environment.	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
Working capital Insufficient free cash flow, borrowings headroom or material changes to supplier payment terms	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 and the Group's low leverage levels provide additional borrowing capability if required Strong banking and supplier relationships

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	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
External interests Potential conflicts of interest and time conflicts in relation to the other significant business interests of senior management	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
Capital projects risk Failure to deliver key projects on time or on budget	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
Competitor environment New significant entrants into the UAE healthcare market given government focus on healthcare in UAE	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

Recruitment Loss of specialist medical professionals as a result of wage inflation and increased healthcare provision in the UAE	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 21 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
Clinical risk Unforeseen significant clinical negligence leading to significant damages, loss of patient confidence and potential criminal proceedings	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

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	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
Cultural A very small entrepreneurial management team which has faced significant changes in business process as a result of the Company's IPO	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 and provide advice to the management team in external reporting matters The Company has a Company Secretary with significant UK plc experience to assist with the process of change management required following IPO
Material contracts Cancellation of the management services contract for Umm Al Quwain due to contracted obligations, non-performance or legal changes in UAE	Reputational damage within the UAE Financial impact as a result of loss of Revenue and EBITDA as a result of any loss of the contract	Senior Management continually monitor performance at the facility and under the terms of its management contract We have a good relationship with the Ministry of Presidential Affairs and our regulators and continue to meet key quality standards required under our management contract There is a regular reporting review mechanism and meetings to monitor progress under the terms of our contract