

Strong operational performance

NMC Health plc
Annual Report and Accounts 2016

NMC Health is the largest private healthcare operator in the UAE and one of the largest product distribution and wholesale companies in the country.



Multi-speciality

For more information go to page 22 »



Maternity & Fertility

For more information go to page 22 »



Long-term & Home Care

For more information go to page 22 »



Operation & Management

For more information go to page 23 »



Products & Consumables

For more information go to page 23 »

1. Overview

2	At a Glance
4	Chairman's 2016 Report to Shareholders

2. Strategic Report

8	Executive Vice Chairman & CEO's Review
11	Financial Summary and Highlights
14	Our Business Model
16	Our Strategy
20	Business Overview
24	Financial Review
26	Corporate Social Responsibility
30	Risk Management

3. Governance

35	Corporate Governance Report
56	Directors' Remuneration Report
79	Directors' Report

4. Financial Statements

82	Directors' Statements
85	Independent Auditor's Report
92	Consolidated Income Statement
93	Consolidated Statement of Other Comprehensive Income
94	Consolidated Statement of Financial Position
95	Consolidated Statement of Changes in Equity
96	Consolidated Statement of Cash Flows
97	Notes to the Consolidated Financial Statements
144	Statement of Financial Position
145	Statement of Changes in Equity
146	Statement of Cash Flows
147	Notes to the Financial Statements

5. Other Information

IBC	Shareholder Information
-----	-------------------------



Read the annual report
and much more on our website:
www.nmchealth.com

At a Glance

Our verticals and brands

The company has completed strategic and value accretive acquisitions to date that have all met NMC's stringent investment criteria. These acquisitions, coupled with NMC's organic initiatives, have allowed the Group to establish new strategic verticals within the broader healthcare delivery platform with specialization-specific capabilities and brands. NMC has two lines of business - Healthcare which owns and operates hospitals, day surgery centres, medical centres and pharmacies, and Distribution which is the wholesale of pharmaceutical, scientific equipment, FMCG, food, veterinary and education products.

4m+

Patients in 2016



783¹

Licensed beds (NMC Healthcare & Dr. Sunny)



406²

Licensed beds (ProVita, Americare and two assets in Saudi Arabia)



205

Licensed beds (Sheikh Khalifa Hospital in UAQ)



100

Licensed beds (Brightpoint Royal Women's Hospital, Clinica Eugin and Fakh IVF)



c.97,600

Stock Keeping Units (exclusive wholesaler of mainly globally established and branded healthcare products and equipment)

¹ Includes 154 beds of Al Zahra Hospital.

² Includes 140, 120 and 26 beds of As Salama, Chronic Care and ProVita beds in NMC Royal respectively.



For more information see our Business Overview on pages 20 to 23

Healthcare



Multi-speciality

The addition of Al Zahra Hospital further strengthens our portfolio, will bring the total number of hospitals to seven across the UAE. The unique combination of NMC Royal Hospital and Al Zahra Hospital will create a solid platform for the robust growth of this vertical. This platform is complemented by a network of medical centers and day surgeries to increase operational reach and the addressable market through cross-referrals. NMC also has a network of 15 pharmacies.



Maternity & Fertility

The blend of organic (i.e. Brightpoint Royal Women's Hospital) and strategic value accretive acquisitions (i.e. Clinica Eugin and Fakh IVF facilities) confirms the Maternity & Fertility vertical's global market position, as one of the leading and premium international providers of fertility treatment services. The Group, through its Spanish arm (i.e. Clinica Eugin) extended its geographic coverage during the year with acquisitions of IVF facilities in Denmark and Brazil, extending to 5 countries. Our Maternity & fertility vertical has segment-leading assets, and is now considered one of the top three fertility services providers globally based on cycles performed annually.



Long-term & Home Care

The blend of a leading provider of in-home healthcare services in the UAE, Americare, acquired by NMC in April 2015, and ProVita, the UAE's leading provider of long-term medical care acquired by the Group in August 2015, created a solid foundation of our Long-term ad Home care vertical. Meeting the under-served demand for long-term care facilities, ProVita fills a gap between the short-term care offered by NMC's existing facilities and the in-home services offered by Americare. ProVita, the Group's Long Term Care business further extend the vertical with its entry into the Saudi Arabian market. In August 2016, the Group announced the acquisition which consummated early 2017, of a 70% stake in As Salama Hospital, a leading general hospital in Al Khobar, Saudi Arabia. In addition, ProVita, invested in a start-up purpose-built long-term care facility with a licensed capacity of 120 beds in Jeddah in Saudi Arabia's western region.



Operation & Management

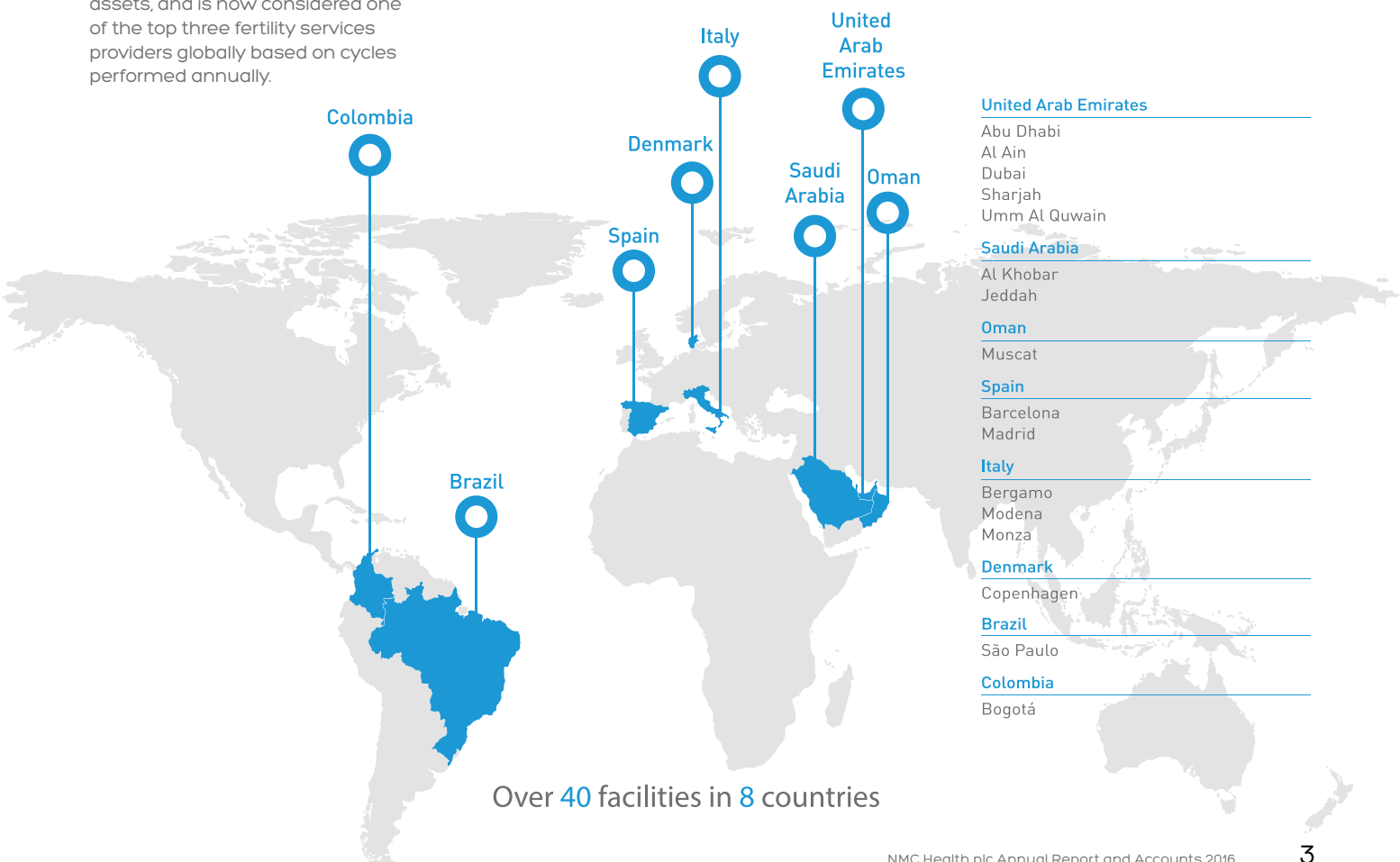
Our experience in the Operation & Management is leading us to increasingly explore the prospects of expanding this business regionally. While this evaluation of the wider market remains at initial stages, our long experience of operating and managing healthcare assets in the region means we can contribute to the evolution of healthcare delivery outside our own assets.

Distribution



Products & Consumables

NMC Health's Product & Consumables or product distribution and wholesale business is one of the largest in the UAE in terms of product portfolio and sales. This portfolio of international and regional brands, sold mainly on exclusive basis by NMC to local retailers, has been built over the past 40 years across diverse product areas, including key segments such as FMCG, Pharmaceuticals and Scientific Equipment.



Chairman's 2016 Report to Shareholders

Continued growth and extension of reach

2016 saw the Company progress a number of acquisitions to continue the execution of our growth strategy to put in place, and to grow, an integrated multi-vertical and multi-brand healthcare network across several geographies.

Dear Shareholder,

I am writing to you at the end of another year in which the Company has made excellent progress both in the execution of its growth strategy and in its management of existing operations.

2016 has seen Group Revenue increase from US\$880.9m in 2015 to US\$1,220.8m in 2016. Consolidated EBITDA also improved by 63.7% from US\$150.3m to US\$246.1m in the last financial year. This continued excellent performance has resulted in the Group growing significantly in size. We now employ 11,252 people and have a market capitalisation as of the end of February 2017 of £3.5bn.

STRATEGY AND ACQUISITIONS

2016 saw the Company progress a number of acquisitions to continue the execution of our growth strategy to put in place, and to grow, an integrated multi-vertical and multi-brand healthcare network across several geographies. The acquisitions which we have made in 2016, together with our continuing organic expansion, and good performance from operations, have enabled your Company, as indicated above, to maintain sustained growth in the 2016 financial year.

The largest acquisition we have made to date, Al Zahra Hospital in Sharjah, UAE, was announced in December 2016 and approved by shareholders at the General Meeting held on 29 December 2016. As outlined to you in my letter of 14 December 2016, the acquisition of Al Zahra Hospital provided the Company with a unique opportunity to increase its presence in the attractive Sharjah market. Al Zahra Hospital is one of the largest private hospitals in the UAE, a scarce asset that is difficult to replicate and considerably expands the Group's capacity in the region.

In addition to its own strong track record of performance, the hospital will benefit from the introduction of mandatory insurance in Sharjah which is expected in the near future and from referral business from the Group's existing medical facilities in this Emirate.

Our IVF business, Clinica Eugin based in Barcelona, Spain, extended its geographic coverage during the year with acquisitions of IVF facilities in Denmark and Brazil, extending to 5 countries. The acquisition of Fakh IVF early in 2016 resulted in the Group operating one of the largest IVF businesses in the world.

During 2016, our geographic spread was further strengthened with our entry into the Saudi Arabian market. In August 2016 we announced the acquisition consummated early 2017, of a 70% stake in As Salama Hospital, a leading general hospital in Al Khobar, Saudi Arabia. In addition, ProVita, the Group's Long Term Care business, invested in a start-up purpose-built long-term care facility with a licensed capacity of 120 beds in Jeddah in Saudi Arabia's western region. These two investment represent your company's first step into the largest market in the GCC region.

ORGANIC EXPANSION

During the year, our new 250 licensed bed flagship super specialty Hospital, NMC Royal Hospital, in the Khalifa City suburb of Abu Dhabi, opened for inpatient services. NMC Royal Hospital has been a vision of our founder and Executive Vice Chairman and CEO, Dr B R Shetty, for many years and the start of inpatient services is a significant milestone for the Group. This facility, and our other facilities opened over the last two years, Brightpoint Royal Women's Hospital in Abu Dhabi and NMC General Hospital Dubai Investment Park, have been ramping up better than anticipated, which is a testament to the strategic planning of our management team and the hard work of our staff.

FINANCIAL STABILITY

The maintenance of financial stability has been a very important concern of your company during this period of substantial growth. In 2016, the Board have been keen to retain flexibility with regards to financing, as well as ensuring that the Group is well funded for both general working capital purposes and to facilitate strategic acquisitions.

In December 2016, to coincide with the announcement of the acquisition of Al Zahra Hospital, the Board decided to utilise the authority given to them by shareholders at the 2016 AGM, to carry out a Share Placing amounting to 9.9% of the Company's existing issued share capital. This Share Placing raised US\$322.3m which, alongside additional financing facilities, meant that the Company is now well financed for the future.

DIVIDEND

As a result of our continued growth, good performance and financial stability, your Board intends to retain its dividend payment policy of distributing a dividend of approximately 20% of profit after tax. Therefore, the Board plans to submit a resolution to shareholders at the 2017 Annual General Meeting authorising payment of a cash dividend of 10.6 pence per share, an increase of 70.9% compared to the 2015 dividend payment.

BOARD

There have been no changes in board structure over the last year. The Board believes it is well structured and has a good balance to cope with the increasing governance demands placed on Board's of companies listed on the Premium Segment of the London Stock Exchange.

The Board has a wide cultural and ethnic mix, significant female representation and a wide range of skills and operational experience from different parts of the world. Shareholders can therefore take re-assurance that different viewpoints are represented during board discussions.

“The Share Placing raised US\$322.3m which, alongside additional financing facilities, meant that the Company is now well financed for the future.”



EXECUTIVE REMUNERATION

As you will be aware, the Remuneration Committee has increased the remuneration paid to our Executive team over the last two years. In addition, in Q4, 2016, the Committee felt that it was an appropriate time to put in place a new Directors' Remuneration Policy, which included proposals to increase the maximum opportunity of variable remuneration paid to the Executive Directors and the Senior Management Team. The changes made in the new policy, which was approved by shareholders on 29 December 2016, were set out in the circular to shareholders circulated on 14 December 2016.

The Board is aware of the significant focus on Executive Remuneration, particularly in the UK where the Company is listed. As set out in the December 2016 shareholder circular proposing the new Directors' Remuneration Policy, our Executive remuneration was at a low level compared to comparable companies for a number of years following the Company's IPO. After the completion of the initial phase of the Group's growth plan, the Committee, supported by the Board, decided that it would be an appropriate time to reward management for their excellent performance and to acknowledge the fact that the size and complexity of the Group had increased. These moves were also intended to incentivise the team in the implementation of the Group's acquisition strategy.

Shareholders have enjoyed significant value accretion over the last few years and the new remuneration structures now in place incentivise management to produce continuing good performance which is expected to lead to further accretion of shareholder value in the future. The Remuneration Committee, and the Board, appreciate shareholder feedback on all matters, including Executive Remuneration. We believe that we took a correct approach on

remuneration which is appropriate to NMC Health, and its strategy, during this unique period of growth. We believe that the initial delay in increasing Executive Remuneration was appropriate for your Company, but also that the recent short term phasing of remuneration increases to catch up to market levels was opportune, appropriate and, we believe, in the long term interests of all shareholders. We look forward to your continued support in relation to remuneration matters.

MANAGEMENT AND STAFF

The Board is delighted with the excellent progress that the Executive Directors and Senior Management Team have made in continuing to grow the Group in 2016 and also in pursuing an integration policy to ensure that all acquired businesses are integrated into the Group effectively and at an appropriate pace. The Board also acknowledges how difficult it can be to produce excellent results from existing Group businesses whilst also managing an integration plan alongside continued strategic growth. The Board would like to thank Dr Shetty and his Executive Team for the significant contribution made in the last 12 months.

Across the Group, we continue to consider the Company's human capital as vital to the success of your Company, particularly during this period of significant change and growth. Our doctor and employee turnover remains low which we believe is a testament to the loyalty of our staff and the environment in which they work and practice. We have welcomed new businesses and employees to the NMC family and both the Board and I would like to thank them all, whether new or long time employees, for their continued commitment, contribution, energy and goodwill during this continuing period of change and growth.

OUTLOOK

Economic conditions remain challenging within some of the markets in which we operate. However the price of oil has stabilised and the anticipated growth in private healthcare continues in the UAE and the wider GCC. Against this background, trading conditions in the markets in which we operate continue to be generally favourable and your Board continues to view the outlook for your Group with confidence.

H.J. MARK TOMPKINS

Non-Executive Chairman

Strategic Report





Extending the reach and footprint of the Group

NMC expanded into Saudi Arabia in 2016 through the Long-term & Home care vertical by announcing the acquisition of As Salama Hospital, which was subsequently consummated in early 2017.

Today NMC is the leading private sector healthcare group in the UAE and one of the most advanced and diversified operators in the MENA (Middle East and North Africa) region.

Executive Vice Chairman & CEO's Review

Record growth in 2016

With further strategic progress in 2016, we have created a leading, inter-connected, integrated multi-vertical and multi-brand private healthcare network with the scalability and flexibility to sustain strong growth into the future.

STRATEGY DELIVERING GROWTH

NMC Health delivered record growth in 2016 as we began to reap the long-term rewards of several years of progress on the two stages of our growth strategy. In recent years NMC has expanded its asset and brand portfolio organically and inorganically into additional healthcare services segments, extended our presence across the continuum of care, entered into higher growth and margin specialties with very favourable regional supply/demand dynamics, and selectively entered new geographies to position the Group at the intersection of multiple growth channels to the ultimate benefit of all our stakeholders.

With further strategic progress in 2016, we have created a leading, inter-connected, integrated multi-vertical and multi-brand private healthcare network with the scalability and flexibility to sustain strong growth into the future.

CONTINUED STRATEGIC PROGRESS

Following our IPO in 2012, the Group embarked upon the first stage of strategic growth to enhance organic capacity, resulting in three new hospitals and two new medical centres, adding 410 licensed beds - marking the largest ever private sector expansion programme in the UAE healthcare market. The first stage of strategic growth has been completed, and all new hospitals and medical centres that opened in 2013 and 2014 achieved breakeven ahead of initial guidance, and NMC Royal Hospital which opened outpatient services in September 2015 and inpatient services in March 2016 is performing ahead of expectations.

The second stage of our growth strategy, which was initiated at the beginning of 2015, entails a shift in focus from capacity to capabilities. NMC's objective is to accelerate its expansion into higher medical complexity and thus higher value

added specialty healthcare segments through the acquisition of leading global and regional entities and the subsequent establishment of new strategic multi-brand verticals capable of unlocking synergies within the enlarged group and act as stand-alone platforms spearheading the expansion beyond the UAE into some of most accretive healthcare market segments.

We have made significant progress in achieving this objective/delivering on the second stage of our growth strategy. Since 2015 NMC has completed acquisitions that have enhanced our capabilities, added value and been successfully integrated.

In addition, in December 2016 NMC announced the proposed acquisition of the Al Zahra Hospital in Sharjah, which is due to complete in the first quarter of 2017. Al Zahra Hospital is a multispecialty general hospital and one of the largest private hospitals in the UAE, operating 137 active inpatient beds and serving approximately 400,000 outpatients and 23,000 inpatient bed days per year. The acquisition complements the Group's existing network of seven out-patient medical centres in Sharjah, the third most populous emirate in the UAE, and is expected to be value accretive in the first full year of ownership.

Above acquisition along with the Saudi acquisition (As Salama), coupled with NMC's organic growth programmes, have enabled the Group to establish and further develop strategic verticals within the broader healthcare delivery platform with specialization-specific capabilities and brands.

- Multi-specialty: 783¹ licensed beds (NMC Healthcare & Dr. Sunny)
- Maternity & fertility: 100 licensed beds (Brightpoint Royal Women's Hospital, Clinica Eugin and Fakhif IVF)

- Long-term & Home care: 406² licensed beds (ProVita, Americare and two assets in Saudi Arabia)
- Operation & management: 205 licensed beds (Sheikh Khalifa Hospital in UAQ)
- Products & consumables: Around 97,600 Stock Keeping Units (exclusive wholesaler of mainly globally established and branded healthcare products and equipment)

The progress we have made to date in executing on our strategic growth plan has enabled NMC's healthcare asset and brand portfolio to become even more diversified with significantly enhanced competitive advantages and substantially augmented strategic optionality. This in turn enables NMC to further expand its growth horizons in what is an increasingly challenging market for static market actors. The combination of this progress with a more optimised resource allocation is leading to a substantially higher growth, margin and return profile for the Group.

Today NMC is the leading private sector healthcare group in the UAE and one of the most advanced and diversified operators in the MENA (Middle East and North Africa) region. Our Maternity & fertility vertical has segment-leading assets, and is now considered one of the top three fertility services providers globally based on cycles performed annually.

In the Long-term & Home care vertical we expanded into Saudi Arabia in the last year, firmly establishing our position as the leading regional operator of long-term care services and enhancing the opportunities for future growth in this segment and across the Group, as we remain the only provider present along the full continuum of care. In Operations & management NMC was the first local operator in the UAE to be awarded a contract to manage a government

¹ Includes 154 beds of Al Zahra Hospital.

² Includes 140, 120 and 26 beds of As Salama, Chronic Care and Provita beds in NMC Royal respectively.

“We have made significant progress in delivering on the second stage of our growth strategy. Since 2015 NMC has completed acquisitions that have enhanced our capabilities, added value and been successfully integrated.”



hospital. In our distribution division, the Products & consumables vertical, as of year-end 2016 we offer around 97,600 SKUs and are seen as one of the top three wholesalers in the UAE.

NMC now operates a total of 43 healthcare services assets and 15 pharmacies, including the 205 bed Sheikh Khalifa General Hospital in Umm al Quwain.

GEOGRAPHICAL EXPANSION

Further to our strategic growth plan, NMC expanded into Saudi Arabia in 2016 through the Long-term & Home care vertical by announcing the acquisition of As Salama Hospital, which was subsequently consummated in early 2017, in Al Khobar and investing in a new long-term care facility in Jeddah. Going forward, NMC will continue to evaluate further geographic expansion in the UAE, GCC countries and selectively beyond, as we see attractive market opportunities with growing populations, favourable demographic trends and undersupply of healthcare services.

CONTINUOUS IMPROVEMENTS

In addition to making and integrating value-enhancing acquisitions, we have continued to make upgrades within our existing hospital network to further optimise service delivery and capacity utilisation. As a result, at the end of 2016 the Group's healthcare assets had a total capacity of 1,135 licensed beds and with the completion of the Al Zahra Hospital and other acquisition this will rise to 1,289 licensed beds.

During the period, we continued to advance our clinical capabilities and offering throughout our key hospitals. The addition of NMC Royal Hospital, which commenced its inpatient services during the period, was major step forward for the group's capabilities. We continued to work on further improving the patient experience at our facilities, from the moment patients start their interaction

with NMC till they are discharged. Patient satisfaction surveys and mystery shopper exercises undertaken during the period demonstrated very good progress.

During 2016 we continued the phased roll out of our Hospital Information System (HIS) in our new hospitals and within some legacy assets, in order to increase operational efficiency within our network. We will continue to introduce and utilise the HIS across our network of assets over the coming year. In 2016 we also made progress with the implementation of the Company's financial Enterprise Resource Planning (ERP) system.

REGULATORY CHANGES

While regulatory changes and improvements are part and parcel of an evolving and advancing healthcare sector, very few of those changes get the same level of attention afforded to the abrupt introduction of a blanket co-payment of up to 20% on Thiqa insurance³ in late June 2016. This announcement took the equity and healthcare markets by surprise.

However, our continuous efforts since NMC's establishment to build a business seeking sustainable long-term growth and competitive advantages by adhering to the highest ethical standards combined with the constant objective to deliver even more effective services to both patients and payors - shielded us from part of the potential impact.

Furthermore, and in line with our strategy, NMC's diversification was also another very important pre-existing mitigant. Unlike most of the UAE healthcare private sector, NMC operates across:

1. Insurance/market segments - from the basic all the way up to Thiqa insurance.
2. Medical/clinical segments - with a leading and rapidly advancing mix of capabilities across the multi-specialty vertical to specialist units in fertility and long-term care.

3. Geographical/regulatory regions - expanding presence, mainly across the UAE, GCC⁴ and Europe.
4. Wholesale product distribution market - products sold range from FMCG⁵ to pharmaceuticals and food across the UAE.

Post the introduction of the 20% co-payment, which was effective from 1st of July 2016, the regulator has continued to work with the operators to clarify and where possible update the application in a manner that serves the ultimate objective - which is better and more sustainable healthcare services to the patient. Most recently, the Healthcare Authority of Abu Dhabi (HAAD), announced the decision to exempt long-term care patients from the co-payment.

OPERATIONAL AND FINANCIAL PERFORMANCE

Our healthcare assets continue to perform very well and we have achieved positive operational and financial results.

In total, we received 4.32m patients into our facilities in 2016, representing 34.5% year on year growth. Hospital occupancy increased by 0.8% driven by the continually high demand for quality services and we enlarged our medical specialist teams with the addition of 225 doctors during the year.

- 3 Medical insurance cover provided by the Government of the Abu Dhabi emirate to UAE nationals. Citizens who are provided this insurance do not pay an insurance premium.
- 4 Gulf Cooperation Council.
- 5 Fast moving consumer goods.

Executive Vice Chairman & CEO's Review continued

"We expect continued strong performance from our enlarged network, its growing specialisms and the further introduction of higher value added services especially through our single specialty verticals."

Group financial performance in 2016 was once again strong, with reported revenues increasing by 38.6% and Earnings Before Interest, Depreciation and Amortisation (EBITDA) increasing by 63.7% compared with 2015. This was driven by the increased utilisation of our organic 455 bed capacity expansion over the past two years, recent acquisitions of businesses in high growth segments, and very good performance at the major specialty hospitals and in particular healthcare assets in Dubai which benefitted from faster than expected roll-out of mandatory healthcare insurance. NMC continues to have a strong capital structure, and even after completing the US\$560m acquisition of Al Zahra Hospital in the first quarter of 2017 we will remain well capitalised to support and pursue further growth opportunities.

We also continued to expand our distribution vertical, Products & consumables, this year with further new product and brand introductions. The number of SKUs increased to around 97,600, an increase of 9.3% compared to 2015.

OUTLOOK

I would like to thank my fellow members of the Board of Directors, the senior management team and our shareholders for their continued support and dedication throughout the year. Most importantly, I would like to thank the employees of NMC - both old and new - for their tireless efforts to provide the United Arab Emirates' and the region's growing population with increased local access to quality healthcare services and products, as we have done so for the last four decades.

Our transformation from a small pharmacy and clinic into an internationally recognised private healthcare services provider would not have been possible without the unparalleled support of the UAE government and its residents, and I extend my sincerest thanks to you for your encouragement.

We expect another good year for the UAE economy in 2017 supported by further GDP growth of around 2.3% despite lower oil prices, based on forecasts by leading rating agencies. For the local healthcare sector, one of the key drivers of growth will be the increase in the patient volumes with expected completion of mandatory healthcare insurance in the Emirate of Dubai by Q1 2017. For NMC in particular, we expect continued strong performance from our enlarged network, its growing specialisms and the further introduction of higher value added services especially through our single specialty verticals.

Yours sincerely,

DR B.R. SHETTY

Executive Vice Chairman and CEO



For more information see Our Strategy on pages 16 to 19

Financial Summary and Highlights

Group reported revenue grew by 38.6% to US\$1.2bn (FY2015: US\$880.9m) of which 18.5% was achieved organically with the remaining 20.1% growth resulting from the transformation strategy of the group through acquisition.

US\$m (unless stated)	FY 2016	FY 2015	Growth %
Group			
Revenue	1,220.8	880.9	38.6%
EBITDA	246.1	150.3	63.7%
EBITDA margin	20.2%	17.1%	309bps
Net Profit	151.4	85.8	76.5%
Net Profit margin	12.4%	9.7%	267bps
Earnings per share (US\$)-Basic	0.711	0.443	60.6%
Adjusted Net Profit	165.2	97.5	69.4%
Adjusted Earnings Per Share (US\$)	0.785	0.506	55.2%
Divisional performances			
Healthcare revenue	823.3	517.1	59.2%
Healthcare EBITDA	241.1	137.0	76.0%
Healthcare EBITDA margin	29.3%	26.5%	280bps
Healthcare net profit	192.9	108.0	78.6%
Healthcare occupancy	74.3%	73.5%	80bps
Distribution revenue	431.9	393.4	9.8%
Distribution EBITDA	47.1	43.5	8.3%
Distribution EBITDA margin	10.9%	11.1%	-15bps
Distribution net profit	43.6	40.7	7.0%

Notes:

- Net Profit equals profit after tax as shown in the Consolidated Income statement.
- Adjusted Net profit equals adjusted profit as shown in Note 16.
- EBITDA equals Profit from operations before depreciation, amortisation and one off items as shown in the Consolidated Income statement.
- Healthcare and distribution numbers are before considering intra-group eliminations.



For more information see our Financial Review on pages 24 to 25

Acquisition of the Al Zahra Hospital

On 14 December 2016, the Board announced that the Company had agreed terms with Gulf Medical Projects Company ("GMPC") for the acquisition, subject to certain conditions and approvals, of GMPC's Al Zahra Hospital in Sharjah (the "Al Zahra Hospital"), comprising the share capital of Al Zahra (Pvt.) Hospital Company Limited and certain land and buildings currently used by the Al Zahra Hospital.

The Al Zahra Hospital was established in 1981 by GMPC, a publicly listed company on the Abu Dhabi Securities Exchange (the "ADX"). The Al Zahra Hospital was one of the first private general hospitals in the UAE and provides both inpatient and outpatient services of an international standard, supported by state-of-the-art facilities including cutting edge radiology and laboratory practices.

The Al Zahra Hospital is the largest private hospital in Sharjah and the Northern Emirates and operates as a full service multi-speciality hospital, with 137 active inpatient beds and a current capacity

of 154 beds, serving approximately 400,000 outpatients and 23,000 inpatient bed days per year. The Al Zahra Hospital has strong relationships with a number of major insurance providers in Sharjah with approximately 85 per cent. of outpatients referred through the insurance channel. The Al Zahra Hospital is located on a freehold site of approximately 80,000 square feet including approximately 502,000 square feet of floor space. Certain land and buildings owned by GMPC and currently used by the Al Zahra Hospital will be sold to the Group as part of the Acquisition.

AED 2,058m

Acquired for

23,000

Inpatient bed days per year

154

Outpatient beds

137

Active Inpatient beds

US\$44m

EBITDA

400,000

Outpatient bed days per year

US\$130m

2015 Revenue



Our Business Model

NMC currently operates or manages four strategic verticals within its healthcare division. In addition, the Group is also a leading UAE supplier of products and consumables across several key market segments, through its distribution division, with the major contribution coming from healthcare related products.

HEALTHCARE DIVISION

Through our healthcare division we provide people with a range of high quality outpatient and inpatient services across our facilities. These facilities range from the larger specialty hospitals to medical centres, providing care along the care pathway from emergency and short-term health to long-term and in-home care. Our major operational presence is in the UAE market, however, we have also established operations in Europe and the Gulf region mainly through our Long-term & Home Care and Maternity & Fertility verticals.

Our network of retail pharmacies sells pharmaceuticals mainly prescribed by our doctors to our patients either within, or in the immediate vicinity of, our healthcare services facilities, as well as numerous healthcare related products supplied by our Products & consumables vertical. Our comprehensive care approach maximises patient convenience and increases revenue contribution to our business.

While we serve both insured and self-paying patients, the overwhelming majority of our healthcare division's revenue is generated through insured patients. Usually insured patients have to make a co-payment, which is the proportion of the full price of services rendered that the patient pays directly to NMC when they receive services at our facilities. NMC then submits claims to insurance companies to collect the remainder of our fees.

Pricing of our healthcare services is typically negotiated on an annual basis with the insurance companies we work with and may differ between the various insurance plans offered in the market. In contrast, prices of the majority of pharmaceutical products sold in our pharmacies are regulated and set by the UAE Ministry of Health.

NMC Hospitals are currently covered by the majority of the approximately 51 insurance companies operating in the UAE, including the largest market participants. These companies have either a direct relationship with us or through Third Party Administrators who currently provide private medical insurance into the Abu Dhabi market.

Our Healthcare division also provides operational and management services to third party owned healthcare services assets. In return for our services, we receive a contracted management fee by the asset owner. Typically, the fee received is partially tied to a set of pre-agreed performance metrics incorporating either qualitative and/or quantitative operational targets. We currently have one management contract with the UAE Ministry of Presidential Affairs pertaining to a general hospital in Umm al Quwain in the Northern Emirates.

PRODUCT DISTRIBUTION AND WHOLESALE

NMC's distribution division, the Products & consumables vertical, is now one of the largest in the UAE and it offers products across several segments including Pharmaceuticals, FMCG, Scientific Equipment and Food.

NMC counts among its clients UAE Government entities, the largest UAE retailers, pharmacies and hospital operators. We supply our customers with a portfolio of globally and locally established brands and products with end-user demand in the UAE. We ensure our customers receive quality products in a timely manner with the required support services.

Our distribution capabilities are supported by a network of strategically located warehouses and a fleet of vehicles ensuring timely delivery to our customers across the country. Products are predominantly sold on credit, with payments collected based on agreed terms. Our pricing of these products includes a mark-up over the product cost to generate profit margins and cost of imports, duties, registration and administration fees, distribution expenses, credit costs and, in certain cases, marketing costs. Pharmaceutical is the only segment where pricing is widely regulated by the UAE Ministry of Health.

Only registered domestic distributors, such as a locally established company like NMC, are entitled by customs authorities to import products into the country. Principals (suppliers) contract NMC as their distributor to gain access to the UAE market through a reputable partner with a long track-record, established distribution channels and infrastructure and strong financial standing. Every individual brand and product has to go through an approval and registration process with local authorities before being allowed to be sold in the country. NMC facilitates this process and ensures local requirements are met. The majority of agreements with our Principals are on exclusive basis. All agreements are registered with the government.

NMC procurement is on a principal basis. In the vast majority of cases, NMC takes the inventory and collection risk of the product that it buys and sells. Acting as a Principal rather than an agent enhances NMC's margins at the expense of increasing the Group's risk profile. Our agreements are almost exclusively operated on a credit basis, with the number credit days agreed with our Principals.



Product
Distribution

 nmc health

Healthcare
Services

Our Strategy

Second stage of growth

The second stage of our growth strategy, which was initiated at the beginning of 2015, entails a shift in focus from capacity to capabilities.

NMC's IPO in 2012 reinforced the Company's strategic commitment to expanding its capacity in the undersupplied and fragmented private UAE healthcare market. This was a major milestone in establishing the first integrated nationwide hub-and-spoke healthcare network in the UAE private sector with a primary, secondary and tertiary care offering.

NMC successfully executed the organic expansion plan outlined during its IPO, by delivering strategic, well-positioned and complementary healthcare assets in the UAE market. The major organic asset additions include:

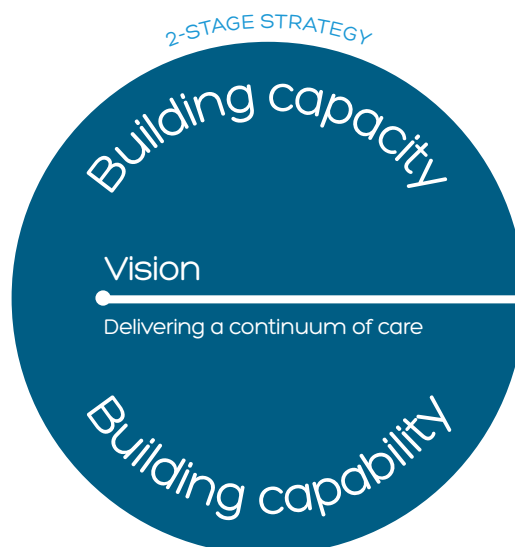
1. Brightpoint Royal Women's Hospital - The first and leading maternity hospital in the UAE private sector, with 100 beds. Opened in H2 2014.
2. NMC General Hospital Dubai Investment Park - Modern hospital with 60 beds, extending NMC's presence into southern parts of Dubai emirate ahead of mandatory medical insurance roll-out. Opened in H2 2014.
3. NMC Royal Super Specialty Hospital - Advanced super specialty hospital with 250 bed capacity underpinned by tertiary and quaternary care capabilities, opened in H2 2015. Acts as the hub for NMC's national network with referrals from across the network and as the centre for NMC's most complex and advancing medical capabilities. This hospital building has the potential to expand to 500 beds in the future with comparatively limited capital expenditure.

Following the successful advance in this capacity focused organic expansion program, NMC initiated a capabilities focused update to its strategy to accelerate the expansion of the Company's clinical offering into higher complexity and higher value specialties. This new phase of growth was supported, in February 2015, by a new financing facility of up to US\$825m, including US\$475m earmarked for inorganic expansion to complement NMC's existing capabilities.

To date the company has completed several strategic and value accretive acquisitions that complement the Group's offering, enhance its competitive advantages and extend its growth prospects. All acquisitions and investments have met NMC's stringent investment criteria.

The major acquisitions include:

1. Clinica Eugin - A leading global fertility treatment provider.
2. Fakih IVF - Middle Eastern fertility services leader.
3. ProVita - Pioneering UAE based long-term ventilated care provider
4. Americare - Top UAE provider of home care services.
5. Dr Sunny Network - Highly reputable UAE based primary care provider in Sharjah.
6. Acquisition of As Salama Hospital and investment in newly started long-term care facility, both in Saudi Arabia - Geographical expansion within the Long-term & Home care vertical.
7. Proposed acquisition of the Al Zahra Hospital (expected to be completed in the first quarter of 2017).



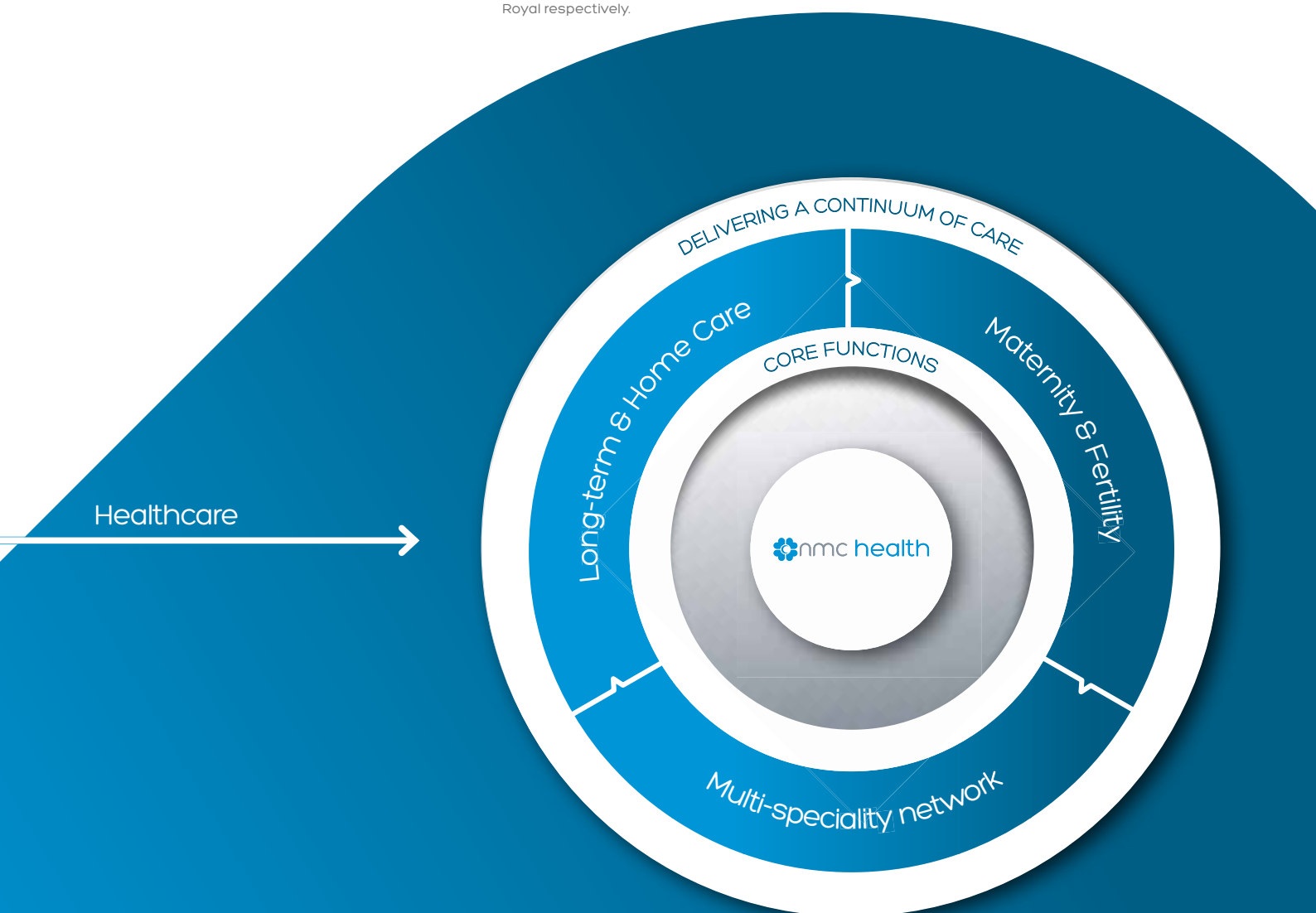
The updated strategy and its subsequent execution has meant that NMC's healthcare operations have evolved from a single multi-specialty platform operating under one brand, NMC, to include additional higher complexity and single specialty verticals operating under a multi-brand and multi-segment strategy.

These acquisitions, coupled with NMC's organic initiatives, have allowed the Group to establish strategic verticals within the broader healthcare delivery platform with specialization-specific capabilities and brands:

1. Multi-specialty - 783¹ licensed beds (NMC Healthcare & Dr. Sunny).
2. Maternity & fertility - 100 licensed beds (Brightpoint Royal Women's Hospital & Clinica Eugin).
3. Long-term & home care - 406² licensed beds (ProVita, Americare and two assets in Saudi Arabia).
4. Operation & management - 205 licensed beds (Sheikh Khalifa Hospital in UAQ).
5. Products & consumables - Around 97,600 SKUs (exclusive wholesaler of mainly globally established and branded healthcare products and equipment).

1 Includes 154 beds of Al Zahra Hospital.

2 Includes 140, 120 and 26 beds of As Salama, Chronic Care and Provita beds in NMC Royal respectively.



Our Strategy continued

Our healthcare network

NMC's healthcare operations have evolved from a single multi-specialty platform operating under one brand to include additional higher complexity and single specialty verticals operating under a multi-brand and multi-segment strategy.



The Group now has a total capacity of 1,135 licensed beds, and with the completion of the Al Zahra Hospital acquisition this will rise to 1,289 licensed beds. In addition, NMC has a network of medical centres and day-surgeries, and operates the 205 bed Sheikh Khalifa Hospital on behalf of the UAE government in the Emirate of Umm al Quwain.

Having made significant strategic progress in recent years, which has resulted in strong operational and financial performance, NMC reiterates its commitment to the long-term strategic growth plan and the following key objectives:

- Accelerate development of Centres of Excellence in key specialties within the multi-specialty vertical (e.g. partnership with Oxford University affiliate to deliver in-hospital oncology therapy) as well as in newly-established single specialty verticals such as fertility and long-term care through organic, inorganic or partnership initiatives;
- Contribute towards increased healthcare spend retention within the UAE, through a broader and higher complexity offering;

- Expand medical specialty offering to the growing patient population within the UAE whilst maximising cross-referrals and operational synergies between existing network assets and verticals;
- Selectively pursue in-vertical consolidation opportunities to grow market presence and cross-referral capabilities and accelerate the patient volume reliant drive towards higher complexity/value added healthcare services;
- Offer fully integrated healthcare solutions within NMC's system to the benefit of patients and payors. This includes a leading presence across the continuum of care with the ability to 'step-up' and 'step-down' patients based on their healthcare needs (e.g. from super specialty hospital to/from long-term care to/from home-care);
- Further complement its market position through selective adoption of a multi-brand approach under the broader NMC Health umbrella brand;
- Increase participation in the rapidly growing medical tourism market within the UAE by establishing its facilities as a destination of choice for medical tourists from the wider region;
- Continue to selectively establish a strategic presence outside the UAE through the more scalable and less capital expenditure intensive single specialty verticals, thereby allowing NMC to leverage its expertise and the reputation behind its key brands (such as Fakh IVF, Eugin and ProVita) in attractive markets.

1 ORGANIC CAPACITY GROWTH

Stage 1: 2012-2014

DEVELOPMENT	CATEGORY
MBZC	Day Surgery
Brightpoint	Maternity Hospital
DIP	General Hospital
Al Ain	Medical Centre
NMC Royal	Special Hospital

Licensed beds

+410

132% growth

2 INORGANIC CAPABILITIES FOCUS

Stage 2: 2015-2018

ACQUISITION	CATEGORY
Eugin	Fertility
Provita (including Saudi)	Long Term Care
As Salama	Long Term Care
Americare	Homecare
Dr. Sunny	Medical Centre
Fakh IVF	Fertility
Al Zahra	Special Hospital

Licensed beds

+534

71% growth

Business Overview

FY 2016 was a remarkable year for NMC Health Plc. with the Group embarking on acquisitions in the key verticals within the healthcare space, both within Middle East, Europe and South America.

OPERATIONAL REVIEW

The Group has increased the revenue contribution from the higher margin healthcare business from 49.5% in 2014 to 65.6% in 2016, by outpacing the growth in the distribution division - through organic and inorganic investments in recent years.

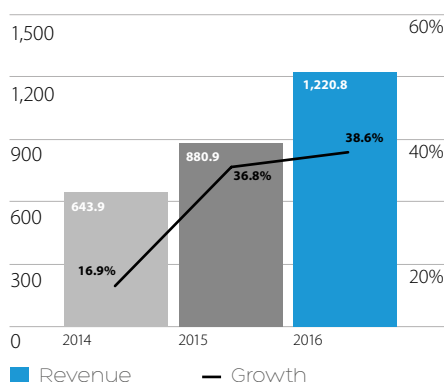
Consequently, the healthcare division accounted for 83.7% (FY2015: 75.9%) of Group EBITDA with the balance of 16.3% (FY2015: 24.1%) coming from the distribution division.

While the organic investments have an initial suppressing impact on margins, due to the gradual ramp-up towards breakeven and eventually profitability - this impact has been more than offset through our subsequent initiation of the capabilities stage of our strategy, a stage that has been focused on inorganic expansion prioritising clinical specialisations with higher value added per patient services that complement NMC's integrated offering and enjoy even more favourable regional market dynamics.

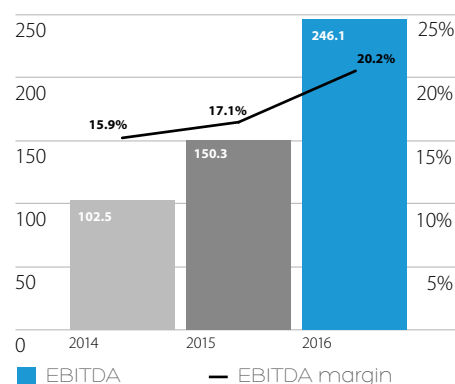
As a result, the consolidated group EBITDA reached US\$246.1m (+63.7% YoY), resulting in an EBITDA margin of 20.2% an increase of 309bps compared to FY 2015. Since the initiation of the capabilities stage in our strategy in early 2015, consolidated group EBITDA margins have increased by 425bps or 27% (15.9% in 2014 to 20.2% in 2016).

RECORD TOP-LINE GROWTH AND IMPROVED MARGINS

Revenue (US\$m) and annual growth

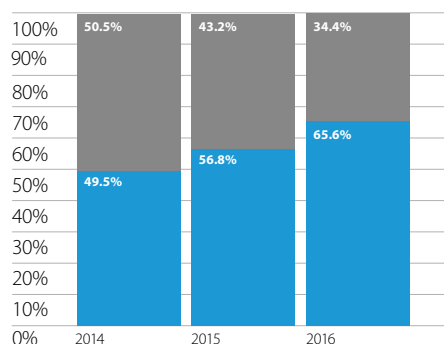


EBITDA (US\$m) and margin

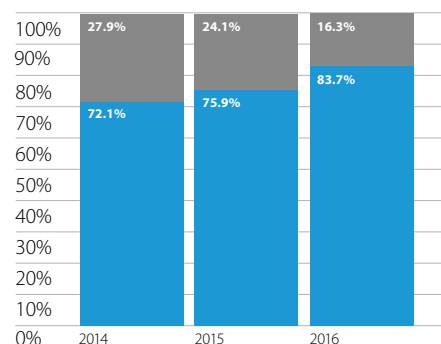


HEALTHCARE CONTRIBUTION RISING

Revenue contribution

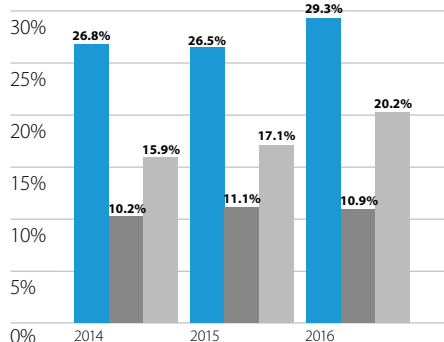


EBITDA contribution



CONSOLIDATED' EBITDA MARGINS CONTINUE TO INCREASE

EBITDA margin



■ Healthcare
■ Distribution
■ Consolidated

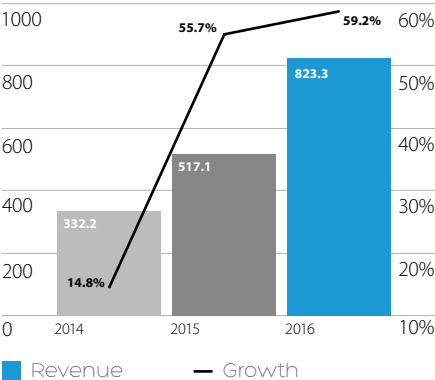
1 Consolidated EBITDA is comprised of divisional profits less corporate expense

This trend of comparable healthcare division growth and increasing contribution is expected to continue, supported by:

- Existing healthcare assets continuing to outpace the growth in distribution.
- Rising and more profitable contribution from the three major organic hospital additions made post IPO and most specifically from NMC Royal, the largest and most recent organic hospital addition.
- Increased healthcare spend in Dubai market underpinned by the recent roll-out of mandatory medical insurance, which is already having positive impact on our assets within the emirate.
- Consolidation in 2017 of the 140 bed As Salama Hospital in Al Khobar, Saudi Arabia - acquired in 2016.
- Commencement of long-term care operations in 2017 within the recently established 120 bed Jeddah facility in Saudi Arabia. This facility has total potential building capacity of 220 beds.
- Al Zahra Hospital Sharjah acquisition announced in December 2016 and expected to be completed by Q1, 2017.
- Fakih IVF acquisition, which was completed in February 2016 and thus consolidated for 11 out of 12 months in 2016. Will be consolidated for the full year 2017.

STRONG GROWTH IN HEALTHCARE REVENUES AND PROFITABILITY

Healthcare revenue (US\$m) and YoY growth



HEALTHCARE DIVISION
The healthcare division reported revenues of US\$823.2m in FY2016 (+59.2% YoY), including US\$761.5m from healthcare services, US\$55.5m from hospital pharmacies and US\$6.3m from the operation and management of third-party healthcare assets.

A total of 4.32m patients visited NMC’s healthcare network in FY 2016, an increase of 34.5% compared to FY 2015. This was mainly driven by organic growth grounded in the enlargement of our network during the capacity focused stage of the Group strategy, which saw the addition of three new hospitals between 2014 and 2015.

Average revenue per patient from healthcare services in FY 2016 was US\$176.3, 28.3% growth over FY 2015; as we continued to see growing contribution from the capabilities focused strategy stage in NMC’s expansion, which was initiated in 2015, this manifested itself through the consolidation of higher complexity and ultimately higher value per patient units including Provita, Fakih IVF and Clinica Eugin. In addition, this growth was supported by the increasing top-line contribution from Brightpoint and NMC Royal Khalifa City.

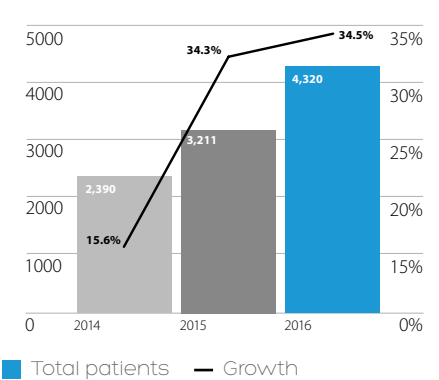
Both these relatively new hospitals, achieved above average revenue per patient compared to NMC’s pre-IPO network as a consequence of their;

- unique market positioning;
- patient mix and extended service mix; and
- enhanced clinical capabilities.

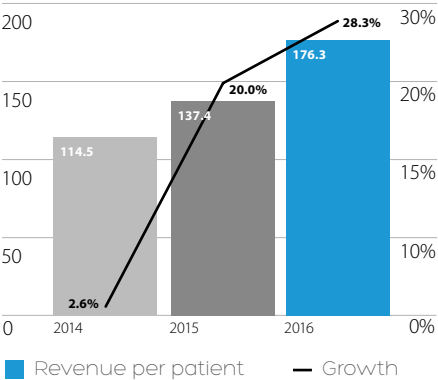
This combined growth in patients, service mix and revenue per patient increased group asset utilisation and operational gearing. As a result, healthcare division margin increased by 220bps to 29.3% in 2016 - despite lower in-hospital pharmacy margins during the period.

RECORD GROWTH IN PATIENTS AND REVENUE PER PATIENT

Patient numbers and annual growth



Revenue per patient and YoY growth



Business Overview continued

KEY HEALTHCARE VERTICALS

PERFORMANCE OVERVIEW BY VERTICAL

Detail	Multispecialty	Maternity & Fertility	Longterm & Home care	Total
Revenue (USD '000)	542,306	187,030	87,675	817,011
Growth, YoY	27%	263%	182%	59.8%
Revenue/patient	121	691	8,579	176.3
Growth, YoY	6%	-12%	94%	28.3%
Capacity				
Licensed beds	655	100	120	875
Operational beds	459	100	120	679
Growth, YoY	32%	0%	33%	26.4%
Spare capacity (beds %)	30%	0%	0%	22.4%
Patients	4,038,905	270,861	10,220	4,319,986
Growth, YoY	29%	313%	45%	34.5%
Bed Occupancy	72%	65%	90%	74.3%

Source: NMC Health

*Revenue per patient excludes pharmacy revenues.

MULTI-SPECIALTY

NMC completed its hub-and-spoke network opening of the 250 licensed beds super specialty and quaternary care NMC Royal Hospital. This facility launched its inpatient services in March 2016 and has performed ahead of expectations.

The addition of NMC Royal Hospital further expands our portfolio, bringing the total number of hospitals within this vertical to six across the UAE - which will rise to seven following acquisition of Al Zahra Hospital, which is expected to be completed in the first quarter of 2017. This platform is complemented by a network of medical centres and day surgeries to increase operational reach and the addressable market through cross-referrals. NMC also has a network of 15 pharmacies.

This enhanced multi-specialty healthcare delivery network of assets across the UAE has elevated NMC's capacity, geographical presence, service quality and offering complexity to further increase NMC's future growth prospects.

The multi-specialty vertical's combined revenue was US\$542.3m (+26.6% YoY), backed by strong performance at all major hospitals and to a lesser extent the full consolidation of Dr Sunny's network of medical centres.

The total number of patients reached 4.04m (+28.7% YoY). While growth was good across the portfolio and also has impact due to full consolidation of Dr. Sunny's network of medical centres.

Revenue per patient was US\$120.5 (+5.5% YoY), excluding pharmacies, despite the dilutive impact from the comparatively low revenue per patient at Dr. Sunny. The main reason the vertical was able to offset this impact was NMC Royal Hospital - which with recent commencement of inpatient operations, now has one of the highest revenue per patient indicators amongst NMC's assets.

MATERNITY & FERTILITY

The opening of Brightpoint Royal Women's Hospital combined with the subsequent acquisitions of Clinica Eugin and Fakh IVF confirms the Maternity & Fertility vertical's global market position, as one of the leading and premium international providers of fertility treatment services based on:

- Scale of its global business, cycle capacity and global egg-bank
- Focused strategic initiative towards raising capabilities and access to care in high growth and under-supplied markets
- Segment leading treatment capabilities and success rates
- Diversity and complexity of service offering across the fertility treatment spectrum
- Established presence and referral centres across regulatory geographies to facilitate one-stop approach for patients

The most recent acquisition of Fakh IVF which completed in January 2016 has proved to be highly synergistic, with significant opportunity for cross-referral of patients and transfer of best practices and technologies within NMC's Maternity & Fertility vertical. Patients have access to an integrated continuum of care with complementary capabilities and coordinated, seamless service offerings including local IVF treatments of the highest international standards at Fakh IVF, international referral to Clinica Eugin and its wider fertility service offering as permitted by its operational and regulatory environment, and hospitals, led by Brightpoint, for antenatal, delivery and postnatal services.

NMC's maternity and fertility focused healthcare assets within the healthcare division, reported revenues at US\$187.0m in 2016 (+263% YoY), as Brightpoint Royal Women's Hospital recorded strong growth and Fakh IVF was consolidated from February 2016.

Brightpoint Royal Women's Hospital which started its initial outpatient operations in July 2014, commenced inpatient services in May 2015 with 60 beds out of the total licensed bed capacity of 100. As of 2016 the hospital is utilising the full 100 bed capacity. Patient growth was record high at 313%, mainly driven from the strong outpatient growth at Brightpoint.

This exceptional growth in patient visits, from what used to be a very low base due to the start-up nature of Brightpoint's operations, led to a dilution in the vertical's revenue per patient from US\$785 to US\$691 (-12% YoY).

LONG-TERM & HOME CARE

NMC is firmly established as the leading provider of long-term and in-home healthcare services in the UAE.

In 2015 NMC acquired ProVita and Americare. ProVita is the UAE's leading provider of long-term medical care. Americare operates a community-based physician practice providing medical care in the comfort of the patient's home for a variety of conditions and across all ages. Meeting the under-served demand for long-term care facilities, ProVita fills a gap between the short-term care offered by NMC's existing facilities and the in-home services offered by Americare, furthering NMC's strategy of being an integrated healthcare provider with Centres of Excellence across specialities.

During 2016 Provita completed and launched operations starting in March 2016 at the 30 bed expansion in Abu Dhabi, which took the total capacity up to 120 beds (+33% YoY). Subsequently, Provita commenced operations of 26 beds within NMC Royal Super Specialty Hospital dedicated to acute care.

In August 2016, NMC announced the acquisition of the 140 bed As Salama Hospital in Khobar and the investment of a newly established 120 bed asset in Jeddah - both with a focus on the Saudi Arabian long-term care market. NMC expects to consolidate these entities starting from March 2017.

While Saudi Arabia has one of the most advanced regional healthcare markets, the local long-term care segment has a very limited number of specialist operators relative to the size of the population, presenting a sizeable opportunity.

By providing specialised long-term care, NMC can help to absorb capacity from the more expensive and comparatively lower quality of life ICU beds currently occupied by long-term acute and sub-acute care patients within NMC and other local/international private sector and government hospitals. This integrated solution across the continuum of care allows for a seamless patient experience with higher quality of life for the patients and their families combined with synergies and enhanced efficiencies for NMC and payors. Given the limited availability of long term care facilities in the region, we expect NMC's care solutions to provide an effective alternative to sending patients abroad for treatment.

NMC's long-term and home care focused healthcare assets within the healthcare division, reported combined revenues of US\$87.7m in 2016 (+182% YoY), as Provita was consolidated for the full year.

OPERATION & MANAGEMENT

NMC Health continued to operate and manage the 205-bed Sheikh Khalifa General Hospital in Umm al-Quwain on behalf of the UAE Ministry of Presidential Affairs since Q4 2012.

NMC has a five year contract to operate this hospital in return for an annual management fee based on qualitative metrics. This is the first such contract to manage a large Government healthcare facility awarded by a Government Department to a local UAE business, demonstrating confidence in NMC's significant healthcare experience and capabilities.

The total revenue contribution from this contract reached US\$6.3m in 2016, with year on year growth of 5%.

DISTRIBUTION DIVISION

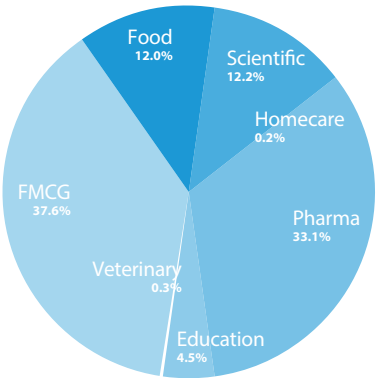
Over the past 40 years, NMC has developed one of the largest product portfolios in the UAE with around 97,600 SKUs, and is the exclusive wholesaler of mainly globally established and branded healthcare products and equipment.

NMC's distribution division operates across the entire UAE through a network of five warehouses and three sales and marketing offices strategically located in the major cities and a fleet of 230 vehicles ensuring timely distribution.

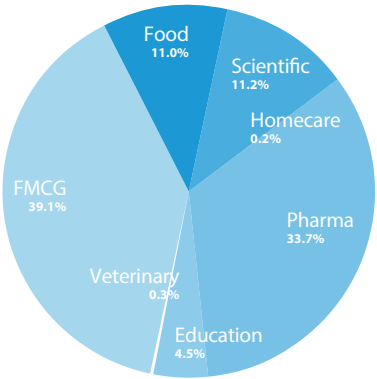
Reported revenues for this division reached US\$431.9m in 2016 (+9.8% YoY) with an EBITDA of US\$47m - resulting in an EBITDA margin of 10.9%. The EBITDA margin was slightly lower this year, -15bps YoY, compared to the exceptionally high margins of 2015.

The FMCG segment (+14% year on year) remained the largest contributor to the distribution division followed by Pharmaceuticals at 34%.

Segment contribution 2015



Segment contribution 2016



Recent distribution agreements added to our portfolio include:

1. MENA DMCC
2. Hector Beverages Private Limited

Financial Review

The Group reported consolidated revenues of US\$1.2bn in FY2016 (+38.6% YoY) with approximately 65.6% (FY2015: 56.8%) coming from its healthcare division and 34.4% (FY2015: 43.2%) from the distribution division.

The Group delivered a robust performance in 2016 both at the overall and at the divisional level primarily due to strong inpatient and outpatient performance at our existing and the acquired hospitals and medical centres including the new ones commissioned during the previous years.

The acquired assets over the fertility and mother care space and long term care segments delivered performance in line with expectation.

Group reported revenue grew by 38.6% to US\$1.2bn (FY2015: US\$880.9m) of which 18.5% was achieved organically with the remaining 20.1% growth resulting from the transformation strategy of the group through acquisition, and Group EBITDA increased by 63.7% to US\$246.1m (FY2015: US\$150.3m). Group EBITDA margin increased by 309 basis points to 20.2% with the additions of new entities and improvement of margin in existing entities including the new facilities. Group net profit increased by 76.5% to US\$151.4m (FY2015: US\$85.8m), Group Basic earnings per share grew by 60.6% to US\$0.711c (FY2015: US\$0.443c). Cash generated from operations increased by 109.8% to US\$176.4m on account of inclusion of cash flows from acquired entities. This reflected a conversion of EBITDA into operating cash flow of 71.7%. Return on Average Equity increased to 27.3% (FY2015: 18.3%).

HEALTHCARE DIVISION

Revenue in the Healthcare division continued to witness improved performance from US\$517.1m in FY2015 to US\$823.3m in FY2016, a growth of 59.2% of which 25.1% was achieved organically with the remaining 34.1% of growth coming from acquired assets.

EBITDA improved to US\$241.1m in FY2016 (2015: US\$137.0m), a growth of 76.0%. EBITDA margins were at 29.3% (FY2015: 26.5%).

Newly commissioned facilities, NMC Royal Hospital, Brightpoint Royal Women's Hospital, NMC General Hospital LLC, Dubai

Investment Park and NMC Day Surgery Centre LLC performed above expectation in terms of revenues, EBITDA and cash flows.

During the year, the Group acquired Fakih IVF as part of its new Growth Strategy to grow an integrated multi-vertical and multi-brand healthcare network across several geographies. This contributed a positive impact on the group revenue, EBITDA and cash flow.

DISTRIBUTION DIVISION

Within the Distribution division, revenues increased to US\$431.9m in FY2016 (FY2015: US\$393.4m), a growth of 9.8%. EBITDA increased to US\$47.1m in FY2016 (FY2015: US\$43.5m), a growth of 8.3%.

Addition of agencies, customer tie-ups and cost efficient operations contributed to better performance in terms of revenue and margins. The introduction of mandatory insurance in Dubai had a favourable impact on the Pharma portfolio.

CAPITAL EXPENDITURE

The Group has increased its investment in new capacity during the course of the year, as well as continuing to upgrade and maintain its existing infrastructure. Total net capital additions of US\$66.9m (FY2015: US\$82.2m) were made during the year. This encompassed the Group's capital projects of US\$38.9m. The Group also incurred US\$28.0m on furniture, equipment and leasehold improvements required across the existing operations.

The Group has assessed all significant capital expenditure projects including NMC Royal Hospital for indicators of impairment and have concluded that the projects have sufficient headroom and that none of the assets are impaired.

ACQUISITIONS

During the year, we completed and announced a number of transactions, some of which had a material impact on our results during the period. These transactions reflect our focused expansion strategy and total

consideration paid for all the acquisitions was US\$236.3m.

For detailed discussion on the acquired assets, please refer to the Business Combinations note (note 5) of the financial statements.

CASH

Net cash inflow from operating activities for the 2016 financial year was US\$176.4m, compared with US\$84.1m for the comparative period in 2015. This was mainly on account of inclusion of cash flows from acquired entities.

Including funds held on deposit, cash as at 31 December 2016 amounted to US\$617.8m compared to US\$177.4m at the end of FY2015. As expected, the Group had a net debt position of US\$431.3m at 31 December 2016 compared with US\$552.9m at 31 December 2015.

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 2017 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 20%-30% of the Group's total debt facilities.

NET DEBT AND FUNDING

Net debt decreased during the period from US\$552.9 m to US\$431.3m. The decrease in net debt is primarily a result of Group's free cash generation in the period of US\$176.4m, proceeds from the issue of new equity shares of US\$314.9m partially offset by the financing for acquisitions of US\$236.3m, investment in tangible and intangible assets of US\$58.4m and dividend including finance cost payment of US\$54.0m.

The movement in cash and the level of capital expenditure have had a significant effect on the movement in net debt during the 2016 financial year. A summary of the principal drivers is shown as follows:

NET DEBT AND FUNDING

	US\$m
Net Debt at 31 December 2015	552.9
Free cash flow	(176.3)
Investment capital expenditure	58.4
Proceeds from share issue	(314.9)
Acquisitions (Note 5)	236.3
Contingent consideration paid for acquisition (Note 36)	9.5
Dividend paid (Note 26)	21.6
Finance cost paid	32.4
Other Items	11.4
Net debt as at 31 December 2016	431.3

FUNDING

Currently, the Group has a 5 year syndicated loan facility of US\$825m, with a third party (borrower), which was structured in two tranches: 1) US\$350m of term debt, this was utilised to refinance the existing higher cost debt; and 2) US\$475m delayed drawdown acquisition facility to support NMC's capabilities focused strategy in making accretive acquisitions.

The total debt of the Group, excluding accounts payable and accruals, was US\$1,049.1m as at 31 December 2016 compared to US\$730.1m as at 31 December 2015.

FINANCING OF NEW ACQUISITION (AL ZAHRA HOSPITAL)

The Group has arranged new loan facilities of US\$1.4bn. The consideration payable to Seller (GMPC) of approximately US\$560m and associated fees relating to the Acquisition, along with the repayment of the Group's current debt facilities, will be funded from a combination of the New Loan Facilities and proceeds from new shares placement. The New Loan Facilities comprise: the Facility A Agreement, consisting of a US\$825m loan with five year maturity, used for refinancing existing syndicated facilities; Facility B Agreement, totalling US\$300m, to provide cash consideration for the Acquisition; and Facility C Agreement not relevant now as group has already gone for share placement on 14th December 2016.

ISSUE OF SHARES

During 2016, the Group issued 18,571,428 Shares (the Placing Shares) in an equity placing (representing up to 9.99 per cent of the Company's Ordinary Share Capital), at a price of 1,375 pence per share, raising gross proceeds of US\$322.3m. The net proceeds of the placement US\$314.9m after reducing the associated expenses of US\$7.4m, was recognised as Equity.

FINANCE COSTS AND INCOME

Total finance costs for FY2016 were US\$41.6m compared to US\$23.8m in FY2015. This was mainly on account of the higher facility amount availed to refinance the existing debts as well as to finance the acquisitions.

As part of the Group's capital expenditure programme, borrowing costs of US\$0.3m (FY2015: US\$1.7m) have been capitalised during the year. The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.9% (FY2015: 2.1%) which is the effective rate of the borrowings used to finance the capital expenditure.

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 10.6 pence per share be paid in cash in respect of the year ended 31 December 2016 (FY2015: 6.2 pence per share).

Subject to approval of the shareholders at the company's annual general meeting on 23 May 2017, the dividend timetable is as follows:

Ex-dividend date - 11 May 2017
Record date - 12 May 2017
Payment date - 2 June 2017

Corporate Social Responsibility

NMC has been committed to practising a strong professional and social responsibility to its community, sustainable management of UAE's environment and ethical conduct and good governance in the workplace.

We believe that a crucial criterion of how an organisation operates and how its success and development is measured is the way in which it fulfils its responsibilities both within and outside its businesses, is its Corporate Social Responsibility (CSR). Our CSR strategy focuses mainly on community, environment and workplace.

THE CSR PRINCIPLES

For over 40 years the Group has been using its medical and non-medical infrastructure along with our expertise in the region to positively impact community, environment and workplace. NMC has been committed to practising a strong professional and social responsibility to its community, sustainable management of UAE's environment and ethical conduct and good governance in the workplace.

NMC'S GENERAL APPROACH TO CSR

NMC takes very seriously its social responsibility and supports the report of the International Bioethics Committee of UNESCO on Social Responsibility and Health. This report interprets social responsibility and healthcare delivery as both "passive" and "active" in how to manage internal operations and the impact of activities on the community and environment.

At NMC we engage in "passive" social responsibilities by complying with all regulatory requirements and general ethical standards, such as:

- respecting human rights;
- non-discriminatory work practices;
- protecting privacy rights that improve society;
- strict adherence to Anti-Bribery, Anti-Corruption, Gifts and Entertainment Policy by having a zero tolerance to such behaviour regardless of the identity or position of the originator or recipient of a Bribe;
- welcoming patients from all segments of society, nationalities and income levels; and
- having environmental policies and practices that protect our society and environment.

We are also committed to "active" social responsibilities that go beyond legal obligations and general ethical standards. We actively pursue the interests and values of individuals and the local and global community and environment. These 'moral obligations' include:

- actively promoting preventive health programmes designed to improve the health and quality of life of residents;
- funding and making publicly available the annual Health Index for the UAE; and
- introducing best practice environmental management.

These all contribute to the common good of people in the workplace, the community and the environment.

Responsibility to the Global and Local Community

NMC Health has always been at the forefront of building a healthier society and a safer future for generations to come. Community screening and outreach programmes are one of the ways we contribute towards profoundly impacting the health of the society. This section will provide a glimpse of our Community Health Awareness programs through a few examples.

COMMUNITY SCREENING AND OUTREACH PROGRAMMES

Each year NMC actively undertakes copious amounts of screening programmes. In 2016 we touched the lives of over 350,000 UAE residents. The basic general health screening programme includes screening of Blood Glucose Levels (BGL), Blood Pressure (BP), Body Mass Index (BMI) for overweight/obesity and cholesterol levels. These simple tests can diagnose or predict the risk of developing the 4 major non-communicable diseases of hypertension, diabetes, obesity and cardiovascular disorders. Preventing or slowing down the progress of these diseases saves lives and improves Quality of Life (QOL).

NMC's preventive healthcare programme in the UAE extends to providing free health checks and screenings with regulatory bodies, insurance companies and corporates, such as polio, diabetes, cancer, immunisations and blood donations.

Diabetes Month 2016

This World Diabetes Month, NMC screened well over 3,000 people at corporates and communities. The screenings included diabetic retinopathy with fundus camera, random blood sugar, cholesterol, blood pressure and BMI. People were educated about diabetes through health talks and by Endocrinologists, Physicians and Nutritionist.

Diabetic Retinopathy Free Awareness Campaign

An example of one of the community outreach campaigns NMC conducted was a free Diabetic Retinopathy Awareness Campaign across NMC facilities in Abu Dhabi, Dubai and Al Ain. The campaign was announced to the public through radio, SMS, internal TV signage's and roll ups in NMC facilities. A total of 1,073 patients were screened out of which roughly 30% were identified with the condition.

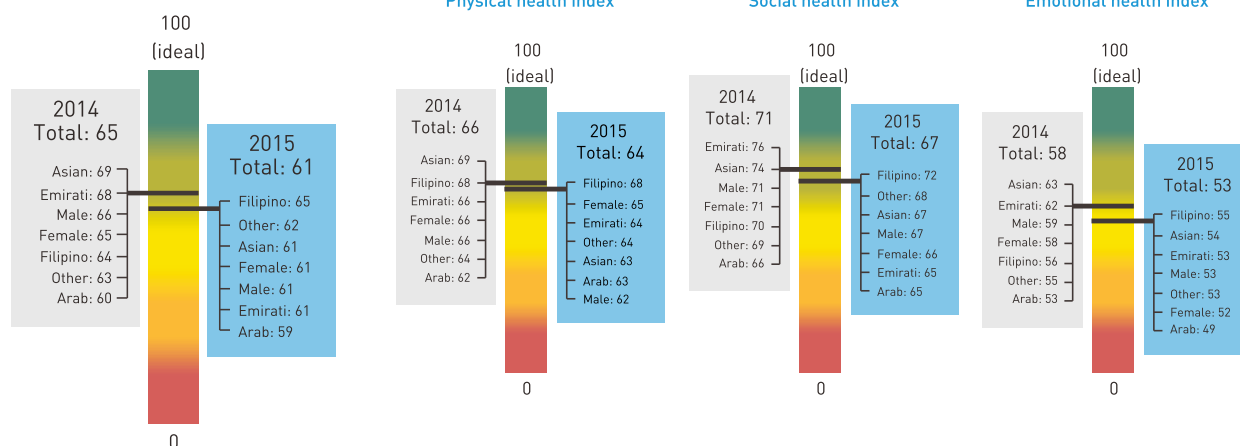
NMC ANNUAL HEALTH INDEX FOR THE UAE

The NMC Annual Health Index for the UAE is one of the most important and unique initiatives of our CSR programme that strengthens our efforts to create a healthier society. The Health Index profiles the health of UAE residents and provides trending data for the development of hospital and public policy. The Health Index assesses the physical, social and emotional wellbeing of UAE residents and provides an overall index of the health of a nation. The findings of the Health Index allow NMC to provide the most appropriate public health education and screening programmes that best benefit the health and lifestyles of UAE residents. The Health Index also provides information that facilitates the formulation of a strategy that addresses the perceived and actual health issues in the UAE.

NMC Health Index Key Findings 2016

The overall health and well-being have been relatively consistent amongst all the residents of the UAE.

Overall health and well-being
index scores



Responsibility to the Environment

NMC recognises the importance and our responsibility of environmental stewardship. Reflecting our role in the sustainable management of UAE's environment, we are committed to conducting our work in an environmentally responsible way. We operate in compliance with all relevant environmental legislation and we continue strive to use pollution prevention and environmental best practices in the workplace to minimise our potential impact on the environment.

All employees in NMC have enthusiastically undertaken a responsibility to work in a sustainable manner and reduce the negative impact of their own activities on the environment. All managers are responsible for implementing this policy and are accountable for environmental performance in their areas of responsibility.

OUR ENVIRONMENT AND ITS CHALLENGES

The extremely hot and humid weather leads to the UAE being one of the highest per capita greenhouse gas emitters globally. The use of gases and refrigerants is extensive, not only in the UAE as a whole, but also to ensure the most appropriate environment within which to treat and care for our patients, maintain our food and pharmaceutical stocks safely and to care for the welfare of our employees.

In line with our CSR principles, we seek to reduce our greenhouse gas emissions where possible and hence limit our effect on the environment.

CONTINUINGLY REVIEWING ENVIRONMENTAL PERFORMANCE

We are continuing to look at initiatives to reduce our emissions. As most of our operations are in the UAE, we have taken note of the UAE Vision 2021 - a green economy for sustainable development. The primary sources of our GHG emissions relate to the use of fuels in vehicles in our distribution business and electricity consumption in our hospitals and some of our initiatives focus on these areas and are set out below:

- **Awareness and training:** All our drivers have been provided with training sessions on managing fuel consumption and identifying inefficiencies. Furthermore, there is ongoing replacement of older vehicles with newer models that are more environmentally efficient. NMC is also considering converting fleet vehicles to run on LPG or CNG.
- **Greenhouse gas emissions reporting:** We continue to collate and evaluate our energy consumptions and greenhouse gas emissions across all our businesses. The information is collated and reviewed on a regular basis as are the various emission reduction initiatives that are being developed and implemented in order to share best practice.
- **New Facilities:** As noted below, when our new healthcare businesses become operational for the first time, the average power/fuels consumption per patient can be high due to the low occupancy rates in these new sites. We continually look at ways to make improvements in these operations.

As a result, our overall greenhouse gas emissions have decreased during the year in both our Distribution business and, on a like for like basis, in our Healthcare businesses. We continue to take our role as a corporate citizen seriously and therefore we continually review our operations and the impacts they have on the communities in which we operate.

NEW FACILITIES

As highlighted in previous years, this strategic expansion programme brings challenges in relation to reported emissions. When our new healthcare businesses become operational for the first time, the average power/fuel consumption per patient can be high due to the lower occupancy rates in the newer facilities during their initial ramp up phase. In addition, in the case of some of our acquired businesses, initiatives to monitor and reduce greenhouse gas emissions have not previously taken place, and the implementation of such initiatives may take some time.

This combination of issues can produce spikes in emissions in certain years. Therefore, we have included in our reported data above our emissions both including and excluding these entities. We believe that this is an appropriate and transparent way to report our data so as to show a more accurate like for like comparison to the prior year.

Corporate Social Responsibility continued

This year's report includes first year reporting of GHG emissions by:

- Dr Sunny Healthcare Group located in Sharjah;
- Clinica Eugin which reports on behalf of Spanish, Italian, Danish, Brazilian and Colombian operations;
- ProVita, provider of long-term medical care in the UAE;
- Americare provider home health care; and
- NMC Royal Hospital Abu Dhabi.

We have continued our policy that any new facilities acquired during the year under review are not included in reporting for that year. Therefore, we have not included any of the acquisitions which the Group has made in 2016. All of these facilities have commenced data collection and monitoring with effect from 1 October 2016.

OUR GREENHOUSE GAS EMISSIONS

Our greenhouse gas reporting covers the 12 month period of 1 October 2015 to 30 September 2016. This reporting period enables us to collate and review the data in a timely manner ahead of the annual report and accounts.

We have applied an operational control approach in presenting our GHG emissions, and have reported on all material emission sources within scope 1

(combustion of fuel from operation of facilities and usage of vehicles) and scope 2 (purchased electricity and cooling). Gas and electricity usage information has been obtained from purchase invoices. Vehicle fuel usage is based upon purchase invoices. Where NMC is not directly billed for the consumption of power and therefore does not have full visibility the data, an estimation using average consumption from other similar sites has been applied.

Our emissions data for 2016 shows that there has been an 18% decrease in GHG intensity per 1,000 orders and a 14% decrease on a per 1,000 dollar revenue basis for the distribution business. This improvement is largely due to the implementation of training sessions on managing fuel consumption and identifying inefficiencies, together with the replacement of older vehicles with more fuel efficient versions.

In the Healthcare division on a like for like basis, there has also been a 2% decrease in tonnes CO₂e per 1,000 patients, and a 0.64% decrease in tonnes CO₂e per 1,000 dollars of revenue (when excluding the new facilities). However, there has been a 9% increase in GHG intensity on a per 1,000 patient basis overall, when looking at all Healthcare entities, including newly opened and acquired facilities reporting

for the first time. This spike is due to the initial phase after opening whereby hospitals are operational but patient numbers and occupancy are ramping up as outlined above. This has contributed to an 8% overall increase in GHG emissions intensity per 1,000 dollars of revenue for NMC as a whole.

NMC remains committed to continuous improvement and ongoing reduction of GHG emissions when measured on an intensity basis.

Responsibility to NMC Employees

NMC considers its employees an invaluable resource. It is one of our biggest strengths to have an extremely loyal employees base, which NMC has been grateful for many years. Our annual employee turnover percentage remains minimal. A well-defined performance management system, transparent compensation model and effective career paths helps NMC retain this loyal employee base. It is with great pride that many of our original staff and vendors are still with us today and that our healthcare professionals are now treating the grandchildren of original patients.

GHG EMISSIONS (TONNES CO₂E)

For the 12 months to 30 September	Healthcare (excluding the new facilities)		Healthcare (all entities)		Distribution		Total	
	2015	2016	2015	2016	2015	2016	2015	2016
Scope 1 emissions	4,071	7,699	4,071	9,666	4,276	3,917	8,347	13,583
Scope 2 emissions	27,511	29,829	27,511	43,361	5,452	5,230	32,693	48,591
Total GHG emissions	31,582	37,528	31,582	53,027	9,728	9,147	43,310	62,174
GHG emissions intensity - tonnes CO ₂ e/1,000 patient	11.5	11.3	11.5	12.5				
GHG emissions intensity - tonnes CO ₂ e/1,000 orders					25.6	20.97		
GHG emissions intensity by revenue - tonnes CO ₂ e/1,000 dollar	0.073	0.072	0.061	0.065	0.026	0.022	0.047	0.051

Scope 1 = direct emissions from fuel combustion and industrial processes. At these sites this takes the form of gas for heating, diesel and petrol for the fleet and diesel for generators.

Scope 2 = indirect emissions from the generation of purchased electricity and cooling.

Notes:

1. The GHG emissions reporting is in line with the GHG Protocol developed by the World Business Council for Sustainable Development, and additional guidance issued by the UK Government. The emissions have been calculated using carbon conversion factors published by the UK Government in October 2016.
2. The total Scope 2 emissions have been reported in accordance with the 'location based' method which uses grid average emissions factors. There are no energy certificates or supplier-specific information available in the UAE, therefore, the 'market based' method is not applicable here.
3. Conversion factors applicable to the UAE for Scope 2 have been obtained from the publication 'IEA CO₂ Emissions from Fuel Combustion' (2012 edition).
4. A conversion factor for Sevoflurane was not available from the UK Government so an epa.gov ghg reporting figure was used.
5. We have restated the 2015 emissions data to take account of updated 2016 conversion factors to allow for a like for like comparison. In summary Healthcare scope 1 emissions for 2015 decreased by 97 tonnes CO₂e and Healthcare Scope 2 emissions decreased by 461 tonnes CO₂e. Distribution scope 1 emissions increased by 2 tonnes CO₂e.
6. During Q3-2015 and the 2016 period, a number of entities became operational. These entities include: NMC Royal Hospital - Khalifa City, Clinica Eugin, ProVita, Dr Sunny Healthcare Group and Americare. The exclusion of these entities from our total emissions provides a comparable position to the prior year data as the average patient occupancy rates during the start-up phase is low.

NMC EMPLOYEE ENGAGEMENT PROGRAMS

We take pride in having an organisational ethos that is exceedingly supportive and encouraging of employee engagement programs. Our employees social and emotional well-being is benefit from having activities and initiatives planned year round.

THANK GOD IT'S TUESDAY (TGIT)

Our TGIT is a monthly initiative with an aim to provide a platform for our staff to mingle with each other and know their colleagues. This is an informal meeting where employees congregate and hold casual conversations with one other. The TGIT's also get incorporated with WHO global health awareness day's in order to provide our employees an opportunity to learn, reflect and act in a positive manner towards their health.

HEALTH TIP OF THE DAY

Our Health Tips of the Day is a daily emailer that is sent out to all our employees in the group. These health tips range from home remedies to health benefits of a myriad different topic. NMC believe preventive healthcare initiatives are crucial for the longevity of our employees social and emotional health.



DIVERSITY, DISCRIMINATION AND GENDER

Our commitment to diversity and anti-discrimination policies are reflected in the profile of our employees.

NMC has an anti-discrimination policy in place to ensure that there is no discrimination or harassment of any person employed or seeking employment on the basis of their race, colour, religion, gender, age or nationality.

In accordance with Spanish Law, Eugin also works to stimulate the social and labour integration of disabled people and supports Centros especiales de empleo, special work centres that employ disabled people by purchasing their products and services.

As at 31 December 2016, our Group has grown its employee base across all its business operations to over 11,000 employees. We employed individuals from 81 different nationalities. In addition, our workforce is equally split between female and male employees. We believe that this widespread cultural and balanced gender mix is testament to the effects of our discrimination policies and the multi-cultural nature of the UAE, our primary market.

GENDER COMPARISON STUDY

		31 December 2016				
		Gender			Percentage	
Facilities	Categories	Total	Male	Female	Male	Female
Board of Directors & Senior Management Team	NMC Board of Directors	11	8	3	67%	33%
	Senior Management Team	6	5	1	83%	17%
	Grand Total	11,252	5,582	5,670	50%	50%
Corporate Office	Total - Corporate Office	419	273	146	65%	35%
	Corporate Management*	109	85	24	78%	22%
	Corporate Staff	310	188	122	61%	39%
Reliance Infotech	Total - Reliance Infotech	78	69	9	88%	12%
	Reliance Management	9	8	1	89%	11%
	Reliance Staff	69	61	8	88%	12%
Healthcare	Total - Healthcare	8,686	3,456	5,230	40%	60%
	Healthcare Management	155	107	48	69%	31%
	Doctors	1,030	619	411	60%	40%
	Staff Nurses	3,014	531	2,483	18%	82%
	Technicians & Pharmacists	1,119	454	665	41%	59%
Distribution	Healthcare - Others	3,369	1,745	1,625	52%	48%
	Total - Distribution	2,059	1,781	278	86%	14%
	Distribution Management	187	164	23	88%	12%
R&D	Distribution Staff	1,872	1,617	255	86%	14%
	Eugin	10	3	7	30%	70%

* Corporate Management includes six Senior Management Personnel, two of whom were Executive Directors also, but excludes Non-Executive Directors.

Risk Management

NMC follows a conservative approach in risk taking and has implemented controls and mitigation strategies in order to reduce those risks.

IDENTIFICATION OF RISK

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 Board has overall responsibility for the Group's risk management and internal control systems. 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 due to both our current strategic expansion program and the fact that our businesses are operating in regulated environments.

As there are multiple risks associated with our businesses, particularly the healthcare sector, the process of Risk Management is an essential mechanism to enable a risk based decision making process. NMC follows a conservative approach in risk taking and has implemented controls and mitigation strategies in order to reduce those risks.

The Strategic Risk Register, which is the basis for the list of principal risks and uncertainties, was developed and is

maintained using both a bottom up and top down assessment of business and strategic risks. The register is reviewed and considered in detail every six months.

The initial production of the Strategic Risk Register was by way of a bottom up exercise of risk reviews conducted through discussions in each of the Group's businesses. The top down exercise included meetings of senior executives. The output from the aggregated results of these exercises produced a list of principal risks that were reviewed and agreed by the Senior Management Team before being presented to, and discussed by, the Board.

The Strategic Risk Register is now reviewed and maintained regularly by management, with the Board retaining oversight and responsibility over the Register and the risk management process. The Board approved an amended Strategic Risk Register in both August 2016 and March 2017.

Depending on the nature of the risk involved, a variety of risk mitigation measures have been implemented including, for example, insurance, standardised processes, delegation

of authorities and succession plans, diversification in business and revenue streams.

STRATEGIC RISKS AND UNCERTAINTIES

In the table of strategic risks below, the Board have set out the Group's strategic risks and the mitigating actions and controls taken against those risks. It should be noted that the order that these risks are expressed in the table does not reflect an order of magnitude as regards their potential impact on the Group. The Board Oversight of the System of Internal Control and Risk section on pages 51 to 54 also sets out additional details of the governance framework and controls in place within the Group's businesses to monitor and control risk.

There have been no material changes made to the Group's strategic risk register in 2016. However, the Board has made a number of minor changes to the list of principal risks in the last 12 months, particularly having regard to the challenges faced by the Group in the execution of its strategic growth plan and integration of acquired businesses into the Group, in particular given the acquisitive nature of the Group and its entry into new markets.



For more information see our Viability Statement on pages 83 and 84

KEY THEMATIC RISKS

THE BIG PICTURE - 2016

SERVICES EXCELLENCE

7. A Data Security (e.g. VVIP patient records) breach due to either intentional malicious cyber-attack or unintentional data or system loss resulting in reputational damage, operational disruption or regulatory breach.
8. Failure to comply with multi regulatory and standards bodies' requirements could result in financial fines, inability to renew licenses, as well as NMC reputation damage.
9. Failure to comply with internationally recognised clinical care and quality standards, clinical negligence, the mis-diagnosis of medical conditions or pharmaceuticals and the supply of unfit products across both divisions. could result in regulatory sanction, licence removal, significant reputational damage, loss of patient and customer confidence and potential criminal proceedings.

CUSTOMER CENTRICITY

1. Bad decision in relation to either acquisition or organic growth investments or an inability to appropriately execute integration or new facility ramp-up plans may result in:
 - Lower Return on Investment (ROI);
 - Lower revenue than expected;
 - Decreased margins and market share;
 - Potential for impairment of assets;
 - Potential difficulty in raising future finance.



PEOPLE ENABLEMENT

10. Failure to retain/acquire key professionals or inability to acquire sufficient Medical staff could potentially lead to inability to deliver required healthcare services and execute growth strategy.

FINANCIAL HEALTH

2. Increased competition due to high private and public investments in the UAE healthcare sector and associated investments coming from new entrants or existing player partnerships would lead to market share loss and potential reduction in access to future growth in UAE healthcare spend.
3. Failing to innovate and effectively deliver new services. Inexperience of operating in new markets/offers leads to missed opportunity or poor service delivery.
4. Potential adverse effect NMC's margin as a result of unexpected regulatory or cultural changes affecting the provision of healthcare, the basis of the healthcare insurance structure or increases in medical inflation and pricing pressure and bargaining from key insurance providers in the Group's key markets, would result in less profitability.
5. Potential instability in revenue impairing cash flow and working capital health as a result of global and regional demographic, macro economic and geopolitical factors.
6. Failure to maximise the opportunity or acquisitions through successful integration strategies or through ineffective management structure or operating model may result in:
 - Increased market and regulatory/legal obligations;
 - Increased culture resistance and complexity in shifting the governance model from enterprise to corporate structure;
 - Increased operational exposure due to the complexity of integrating higher number of spokes to centralised hub of excellence;
 - Increased investment risk due to weak due diligence and other mitigates.

Risk Management continued

Risk Class	Description and Potential Impact	Current Mitigations
Investment	<p>Bad decisions in relation to either acquisition or organic growth investments or an inability to appropriately execute integration or new facility ramp-up plans may result in:</p> <ul style="list-style-type: none"> • Lower Return on Investment (ROI); • Lower revenue than expected; • Decreased margins and market share; • Potential for impairment of assets; • Potential difficulty in raising future finance. 	<ul style="list-style-type: none"> • Board oversight in approving and monitoring strategic projects. • Project management controls. • Detailed market and business appraisal processes. • Focus on integration pathway to improve Group revenue generation from intra-group business referrals and multi-brand facility sharing. • Strategy to acquire international know-how through acquisition plan. • Re-alignment of existing assets within the Group's hub and spoke model (e.g. existing specialty hospitals feeding the regional NMC Royal Hospital, Khalifa City).
Competition	<p>Increased competition due to high private and public investments in the UAE healthcare sector and associated investments coming from new entrants or existing player partnerships would lead to market share loss and potential reduction in access to future growth in UAE healthcare spend.</p>	<ul style="list-style-type: none"> • Integrated Hub-Spoke model. • Growing healthcare network. • Partnership with Government hospitals. • The development of international partnerships and use of increased know-how gained through strategic growth plan. • Diversification of patient base. • Variety in service offerings.
Financial	<p>Failing to innovate and effectively deliver new services. Inexperience of operating in new markets/offerings leads to missed opportunity or poor service delivery.</p>	<ul style="list-style-type: none"> • Frequent monitoring of both fixed and variable cost. • Synergy tracking and reporting. • Acquiring the skills associated with the M&A transactions.
Financial	<p>Potential adverse effect NMC's margin as a result of unexpected regulatory or cultural changes affecting the provision of healthcare, the basis of the healthcare insurance structure or increases in medical inflation and pricing pressure and bargaining from key insurance providers in the Group's key markets, would result in less profitability.</p>	<ul style="list-style-type: none"> • Diversification of the revenue streams. • Increased collaboration between different group assets and businesses. • Frequent monitoring of both fixed and variable cost. • Good relationships with insurance providers. • Strategy to increase patient volumes and focus on clinical specialisms. • M&A Strategy in new markets.
Macro-economic	<p>Potential instability in revenue impairing cash flow and working capital health as a result of global and regional demographic, macro-economic and geopolitical factors.</p>	<ul style="list-style-type: none"> • UAE is a stable and booming market to operate in. • Diverse business and revenue streams. • Long Term debt facilities and unutilized working capital limits. • Strong banking and supplier relationships.
Financial	<p>Failure to maximize the opportunity of acquisitions through successful integration strategies or through ineffective management structure or operating model may result in:</p> <ul style="list-style-type: none"> • Increased market and regulatory/ legal obligations; • Increased culture resistance and complexity in shifting the governance model from enterprise to corporate structure; • Increased operational exposure due to the complexity of integrating higher number of spokes to centralized hub of excellence; • Increased investment risk due to weak due diligence and other mitigates. 	<ul style="list-style-type: none"> • Proper due diligence. • Post-acquisition integration plan. • Rigorous analysis of value of the acquisition. • Focus on the corporate cultures involved. • Executive committee reporting and targets. • Synergy tracking and reporting. • Acquiring the skills associated with the M&A transactions.

Risk Class	Description and Potential Impact	Current Mitigations
Technology	A Data Security (e.g. VIP patient records) breach due to either intentional malicious cyber-attack or unintentional data or system loss resulting in reputational damage, operational disruption or regulatory breach.	<ul style="list-style-type: none"> • ISO 27001 certified framework for IT policies and controls. • Strict measures towards clients' data and records. • Investment in new Hospital Information. • System and ERP financial system approved by the Board and implementation in progress.
Compliance & Regulation	Failure to comply with multi regulatory and standards bodies' requirements could result in financial fines, inability to renew licenses, as well as NMC reputation damage.	<ul style="list-style-type: none"> • Quality & Standards Department monitors regulatory changes. • Partnership with government. • Good relationships with regulators and accrediting organizations. • Continuous focus on delivering high levels of service.
Product & Service	Failure to comply with internationally recognized clinical care and quality standards, clinical negligence, the misdiagnosis of medical conditions or pharmaceuticals and the supply of unfit products across both divisions could result in regulatory sanction, licence removal, significant reputational damage, loss of patient and customer confidence and potential criminal proceedings.	<ul style="list-style-type: none"> • Doctors subject to rigorous licensing procedures which operate in the UAE. • Healthcare division is a regulated business and five of the Group's principal hospitals have achieved, or are in the process of achieving, international quality standards accreditation. • Many aspects of the operation of the Distribution division, including the sale of pharmaceuticals, is regulated in the UAE. • Board oversight and integrated governance structure. • Medical malpractice insurance to cover any awards of financial damages. • Continuous training and development programs.
Human Capital	Failure to retain/acquire key professionals or inability to acquire sufficient Medical staff could potentially lead to inability to deliver required healthcare services and execute growth strategy.	<ul style="list-style-type: none"> • Partnership with education institutes. • Effective sourcing strategies & recruitment campaigns. • Ongoing review of senior management resources and succession plans in place for key positions. • Competitive salary packages, growth and good working conditions act as a good retention tool. • Clear career path for staff and continuous training and development programs.

As recommended by provision C.2.2 of the UK Corporate Governance Code, the Directors have considered a formal long-term assessment of the prospects and viability of the Group. As part of this assessment, the Board considered the potential impact of three principal risk themes facing the Group. The Board's viability statement is set out on pages 83 to 84.

The Group Strategic Report set out on pages 6 to 33 has been approved by the Board and is signed on its behalf by:

DR B.R. SHETTY

Executive Vice Chairman & CEO

Governance

A blue-tinted photograph of hands interacting with large mechanical gears, symbolizing governance and corporate structure. The image shows several large, dark-colored gears of different sizes. A hand at the top left is touching a gear, and a hand at the bottom left is holding a gear. The background is a solid blue color with a diagonal line running from the top right to the bottom left.

Corporate Governance Report

The Board, supported by its Committees and the Senior Management team, have in place a governance and control environment which they believe is appropriate for the NMC Group and which they believe are consistent with the standards which would be expected of a FTSE 250 Company listed on the Premium Segment of the London Stock Exchange.

INTRODUCTION

The Board is responsible for, and committed to, ensuring that procedures are in place so that good standards of corporate governance are operated at all levels in the Group in accordance with the guidance and principles set out in the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in September 2014 (the "Code"). The Code can be found on the Financial Reporting Council website, frc.org.uk.

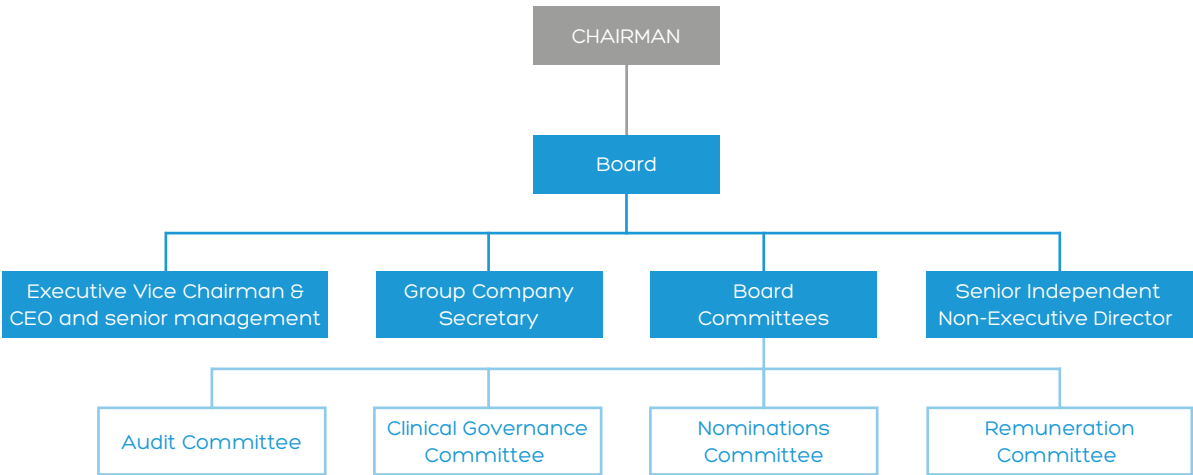
The Board, supported by its Committees and the Senior Management team, have in place a governance and control environment which they believe is appropriate for the NMC Group and which they believe are consistent with the standards which would be expected of a FTSE 250 Company listed on the Premium Segment of the London Stock Exchange. The Board ensures that governance processes are documented and implemented and, where appropriate, continue to be improved.

The Board has reviewed the Company's compliance against the provisions of the Code and believes that, with the exception of provision E.2.4 in relation to the notice given at less than 14 working days for the General Meetings held on 29 December 2016, the Company was compliant with the provisions of the Code for the 2016 Financial Year. The Board felt it necessary to give less than 14 working days' notice for the General Meeting in relation to the acquisition of Al Zahra Hospital, given the deadlines for this transaction set in negotiations between the parties. The second General Meeting to approve the Company's New Directors' Remuneration Policy was held on the same day for the convenience of shareholders wishing to attend the Meetings.

This Governance section describes how the Board has applied Corporate Governance principles during the 2016 financial year.

GOVERNANCE FRAMEWORK

The Company operates within a traditional governance framework



The roles and responsibilities of each of the individuals and groups above, and their role in the overall governance framework, are set out below.

Corporate Governance Report continued

THE BOARD

THE ROLE OF THE BOARD

The Board is responsible for the overall conduct of the Group's business and:

- for the long term success of the Company ensuring that it meets its responsibilities towards all stakeholders;
- demonstrating leadership and focussing on matters that affect shareholder value;
- determining the strategic direction of the Group; and
- for ensuring the effectiveness of, and reporting on, the risks facing the Group and the systems of governance and internal control in place in the Group.

The Board seeks at all times to ensure that there is an appropriate balance between short term and long term considerations and objectives of the Group.

The Board has the powers and duties as set out in the Company's Articles of Association and the relevant regulations applicable to the Company as a public listed company registered in England and Wales. As part of the terms of their appointment, each director agreed that they will act collectively with the rest of the Board to ensure the success of the Group.

The Company has agreed a formal schedule of matters reserved for the Board including:

- approval of strategic plans;
- approval of major capital projects, acquisitions and divestments;
- approval of long term financing plans;
- setting the annual budget;
- risk management and internal control systems and processes to ensure that the Group is managed appropriately; and
- approving the half-year and annual results and financial statements.

Specific responsibilities are delegated to Board Committees, details of which are set out on pages 43 to 50 or to the Executive Vice Chairman & CEO who is responsible for delivering the Company's strategic objectives.

BOARD COMPOSITION AND INDEPENDENCE

The Board of the Company currently comprises eleven directors, all of whom have served throughout the year:

- the Non-Executive Chairman who is considered to be Independent
- two Executive Directors
- five Independent Non-Executive Directors
- three Non-Independent Non-Executive Directors

In addition, Heather Lawrence was an Independent Non-Executive Director until 12 January 2016.

The biographies of each of the Directors are set out on pages 38 and 39.

Provision B.1.1 of the Code suggests that length of tenure is a factor in determining the independence of non-executive directors. The table below therefore shows how long each Director considered by the Board to be Independent Non-Executive Directors have been members of the Board.

	Date of appointment	Term in office to 2017 AGM (years)
H J Mark Tompkins	7 March 2012	5
Dr Ayesha Abdullah	26 June 2014	3
Jonathan Bomford	27 June 2013	4
Lord Clanwilliam	7 March 2012	5
Salma Hareb	26 June 2014	3
Dr Nandini Tandon	26 June 2014	3

The other five Directors are either Executive Directors or connected to, or representing, the Company's principal shareholders, and are therefore not independent.

The Board considers that it is independent.

The Senior Independent Director is Jonathan Bomford, who is available to shareholders should they have any concerns that they do not wish to raise with the Company or the Chairman directly. The Senior Independent Director can be contacted through the UK corporate office, and registered office, of the Company.

BOARD DIVERSITY

The Board considers that the extensive and diverse business, cultural and operational experience of all the Directors, both Independent and non-Independent, ensures a good balance in all aspects of Group decision making and control. The above attributes also enable the Board to take account of diverse and independent judgement to bear on key issues of:

- strategy, including constructively challenging the strategic direction of the Group;
- the consideration of acquisition proposals and long term financing of the Group's growth strategy;
- scrutinising and challenging the performance of the Group;
- assessing risk and controls operating within the Group and in its decision making; and
- standards of conduct and governance and other matters presented to the Board.

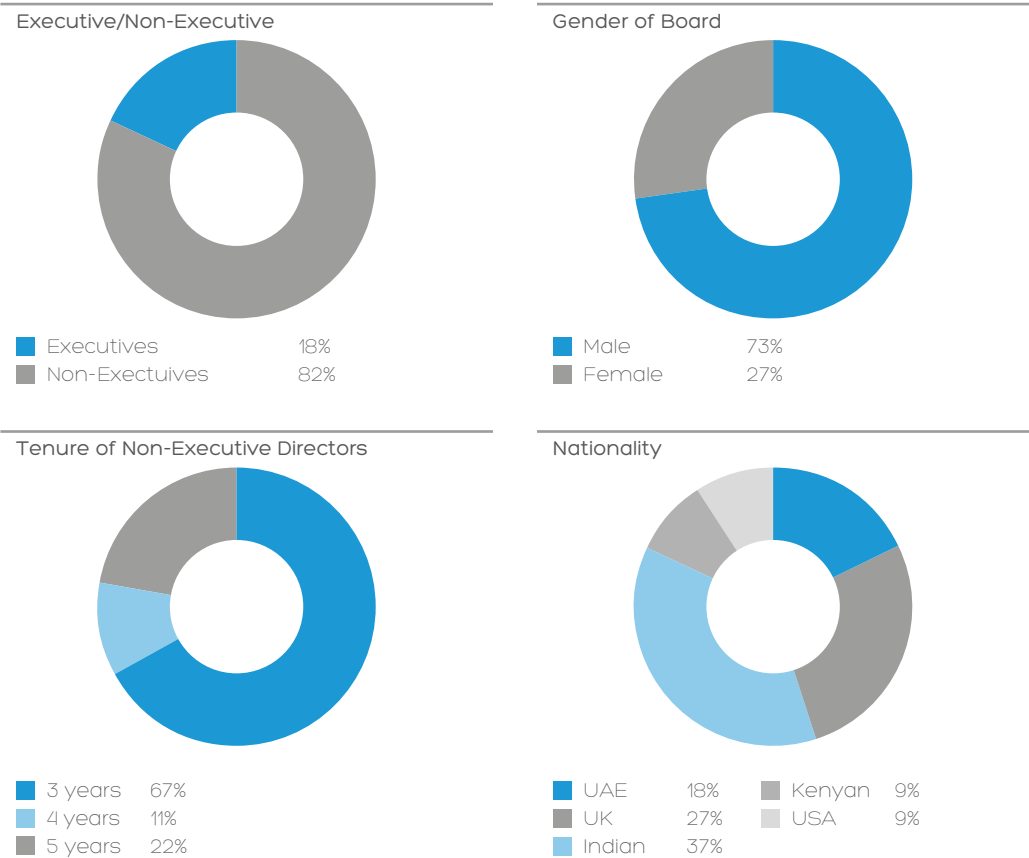
Similar practices to ensure a diverse employee base are also operated within the Group's businesses. The principles of employee diversity in the Group are summarised in the Corporate Social Responsibility report on pages 26 to 29.

Therefore the Board is structured to ensure that:

- an appropriate cultural and ethnic mix is in place considering the Company's listing in the UK and its diversified operations, the vast majority of which are in the UAE, as well as global drivers and practice in healthcare related services;
- the conclusions of the Davis Report on Women on Boards, and in particular the benefits of significant male and female representation on the Board, are taken into account; and
- the individual skills and experience that Directors bring to the Board are well balanced.

The Board will continue to consider appropriate skills, gender and cultural balance when reviewing future Board appointments.

Board diversity and composition as at the date of this report is as follows:



Board of Directors



MR H. J. MARK TOMPKINS (76)

Non-Executive Chairman ³

Nationality: British

Tenure: 5 years

Relevant Experience:

- Significant public company experience on UK, US and French listed company Boards
- Experience in investment banking, international real estate and the financing of small and medium sized enterprises
- Director and Chairman of Allied Healthcare International
- Non-Executive Director and Conseiller Special aupres du Conseil D'Administration of Sodexo S.A.



DR B. R. SHETTY (74)

Executive Vice-Chairman & Chief Executive Officer

Nationality: Indian

Tenure: 6 years

Relevant Experience:

- Business Entrepreneur
- Founder, Director and principal shareholder of NMC Health
- Pioneer in the development of the private healthcare sector in the UAE
- Other Board positions and material investments in financial, hospitality, food and beverage, pharmaceuticals and real estate sectors



MR PRASANTH MANGHAT (42)

Deputy Chief Executive Officer

Nationality: Indian

Tenure: 3 years

Relevant Experience:

- 20 years' experience in accounting, corporate finance, treasury and banking, including 12 years' in NMC related businesses
- Chief Financial Officer of NMC Health 2011-2014
- Spearheaded NMC's successful IPO on the London Stock Exchange in April 2012
- Chartered Accountant



DR AYESHA ABDULLAH (50)

Independent Non-Executive Director ¹ ²

Nationality: Emirati

Tenure: 3 years

Relevant Experience:

- Significant experience in development and regulation of the healthcare industry in the UAE
- Oversaw development of, and then regulatory aspects of, Dubai Healthcare City (DHCC)
- Previously, CEO of Dubai Healthcare City (DHCC)
- Currently Executive Dean of Health Sciences and Business at Higher College of Technology (Dubai)



MR ABDULRAHMAN BASADDIQ (68)

Non-Executive Director ³ ⁴

Nationality: Kenyan

Tenure: 3 years

Relevant Experience:

- Significant business experience across a number of GCC based Groups operating in multiple jurisdictions and business sectors, including two major listed Groups
- Previously 25 years with EY in the UK and GCC, including 15 years as an equity partner
- Currently Non-Executive Director of Abu Dhabi National Hotel Group, Travellex and UAE Exchange
- UK qualified Chartered Accountant and licensed auditor in the UAE



MR JONATHAN BOMFORD (68)

Senior Independent Non-Executive Director ¹ ⁴

Nationality: British

Tenure: 4 years

Relevant Experience:

- Accounting, financial and audit experience gained principally in the Middle East and East Africa
- Previously with EY (Middle East, East Africa, Abu Dhabi & Riyadh) for 24 years (15 years as a partner)
- EY clients included international clients across healthcare, oil, banking and construction sectors
- Currently Non-Executive Director of Travellex
- UK qualified Chartered Accountant



LORD CLANWILLIAM (56)

Independent Non-Executive Director ⁴

Nationality: British

Tenure: 5 years

Relevant Experience:

- Government and financial communications specialist
- Extensive network of governmental and institutional contacts across Middle East, UK and Eastern Europe
- Founding Partner and Chairman of Meade Hall Communications Limited
- Chairman of Eurasia Drilling Company 2007 to 2016



MRS SALMA ALI SAID BIN HAREB ALMHEIRI (51)

Independent Non-Executive Director ⁴

Nationality: Emirati

Tenure: 3 years

Relevant Experience:

- Significant business experience and a recognised leading businesswoman in the Middle East
- CEO of Economic Zones World (EZW) and Jebel Ali Free Zone (Jafza) from 2005 to 2015
- Instrumental in creation of Dubai Logistics Corridor and oversaw EZW's expansion with development of international logistics parks in UAE, Europe, India, USA and Africa



MR KEYUR NAGORI (38)

Non-Executive Director

Nationality: Indian

Tenure: 3 years

Relevant Experience:

- 10 years' of experience in international audit firms including Deloitte and KPMG
- Audit of multinational companies based in both India and Abu Dhabi
- 10 years' experience at KBBO Group



MR BINAY SHETTY (33)

Non-Executive Director ²

Nationality: Indian

Tenure: 3 years

Relevant Experience:

- Operations and strategic experience within a number of organisations
- 2010 to 2014 Chief Operating Officer, NMC Group
- 2004 to 2010 Executive Director of NMC responsible for strategic planning
- Director of UAE Exchange and Travellex and Head of Shetty Family Investment office



DR NANDINI TANDON (54)

Independent Non-Executive Director ¹ ²

Nationality: USA

Tenure: 3 years

Relevant Experience:

- Investment and Board experience in healthcare and healthcare IT sectors
- Director and investment in numerous high tech companies in the USA
- Delegate and speaker on a number of high level global investment and governmental and investor summits and programs
- Board of Trustees, Bay Area Council Economic Institute, Board Member, SF-Bangalore Sister City Initiative and TeleVital Real Time Telemedicine

Key to committees

- ¹ Audit Committee
- ² Clinical Governance
- ³ Nominations
- ⁴ Remuneration

Note: Full biographies can be viewed on the Company's Investor Relations website at www.nmchealth.com

Senior Management Team

The Senior Management Team Consists of:



DR B. R. SHETTY

Executive Vice-Chairman & Chief Executive Officer

Relevant Experience:

- Business Entrepreneur
- Founder, Director and principal shareholder of NMC Health
- Pioneer in the development of the private healthcare sector in the UAE
- Other Board positions and material investments in financial, hospitality, food and beverage, pharmaceuticals and real estate sectors



MR PRASANTH MANGHAT

Deputy Chief Executive Officer

Relevant Experience:

- 20 years' experience in accounting, corporate finance, treasury and banking, including 12 years' in NMC related businesses
- Chief Financial Officer of NMC Health 2011-2014
- Spearheaded NMC's successful IPO on the London Stock Exchange in April 2012
- Chartered Accountant



DR CHANDRAKUMARI R. SHETTY

Group Medical Director

Relevant Experience:

- Over 40 years' experience with NMC Health and a pioneer in developing the private healthcare sector in the UAE
- Instrumental in establishing Centres of Excellence in various NMC facilities
- Chairs a number of NMC business committees covering Governance, Infection Control, Patient Rights, Quality and Facility Management
- Supervises NMC Healthcare's diversified multi-cultural workforce.



ROY CHERRY

Head of Strategy & Investor Relations

Relevant Experience:

- 13 years' experience in financial services and healthcare
- Assists Executive Vice Chairman and CEO and Deputy CEO in relation to NMC strategic matters
- Leads Group's IR and played an instrumental role in the re-rating of NMC's shares
- Formerly a Senior Consultant at PwC Transaction Services providing advice on transactions across several sectors including healthcare
- Contributed to several regional IPO's including Saudi Catering, NMC Health, Deyaar, DP World and Royal Jordanian Airlines
- Previously headed the Equity Research Departments at SHUAA Capital in Dubai and Saudi Fransi Capital in Riyadh
- Holds a BSc in Management from University of London and speaks English, Arabic and Swedish fluently



SURESH KRISHNAMOORTHY

Chief Financial Officer

Relevant Experience:

- Appointed as CFO in January 2015 and heads up NMC's finance teams
- Joined NMC in December 2000 and held a number of senior finance roles in the Group
- Has had significant involvement in the Company's IPO in April 2012 and subsequent fund raising initiatives
- Prior to joining NMC, worked as Assistant Finance Manager in Kerala Industrial Infrastructure Corporation in India
- Qualified as a Chartered Accountant in India in 1998



SIMON WATKINS

Group Company Secretary

Relevant Experience:

- Joined NMC in May 2012 shortly after the Group's IPO
- Responsible for Group's listing obligations and all governance matters, assisting the Chairman with ensuring effective and appropriate Board processes
- Over 25 years' of experience as a Company Secretary in large and medium sized UK public companies across a number of sectors
- Significant experience within Group's focussed on strategic and acquisitive growth
- Previous experience includes Deputy Company Secretary of Rank Group plc and Group Company Secretary of lastminute.com
- Qualified as a Chartered Secretary in the UK in 1987.

Corporate Governance Report continued

KEY ROLES AND RESPONSIBILITIES IN THE GOVERNANCE STRUCTURE

The roles of the Chairman and Chief Executive Officer are separate.

CHAIRMAN

The Chairman was appointed to the Board in March 2012 in anticipation of the Company's IPO. He was independent at the time of his appointment and is considered to be independent by the Board. The Chairman is responsible for the proper functioning of the Company's Board of directors including:

- the effective operation and governance of the Board
- setting the agenda and coordinating the style and tone of Board discussions

EXECUTIVE VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Executive Vice Chairman and Chief Executive Officer is responsible for identifying, with the Senior Management Team, opportunities that are deemed appropriate and in line with the Board's strategic objectives. He is also responsible for delivering the key strategic objectives set by the Board. The Executive Vice Chairman and Chief Executive Officer is assisted in this task by the Deputy Chief Executive Officer and the remainder of the Senior Management Team who meet regularly to discuss the performance of the business, the progress of key capital projects, new development opportunities as well as other material matters arising within the business.

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director acts as a sounding board for the Chairman and serves as an intermediary for the other Directors as required. The Senior Independent Director is available to shareholders if they have concerns which they have not managed to resolve through the normal channels of the Chairman or the Executive Directors, or who feel that such contact is inappropriate for the concerns that they may have.

GROUP COMPANY SECRETARY

The Group Company Secretary acts as Secretary to the Board and to the Board Committees. He assists the Chairman in ensuring that all Directors have full and timely access to all relevant information and in organising induction programmes for new Directors. The Group Company Secretary is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

The biography of each individual holding the above positions is set out on pages 38 to 40.

BOARD MEETINGS

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

BOARD FOCUS IN 2016

Matters considered at all Board Meetings include:

- Operational and financial performance through management reports
- Potential acquisition or organic growth opportunities being considered in pursuance of the Group's growth strategy
- Other development opportunities
- Board Committee updates
- Risk and risk management

During the course of the 2016 financial year the Board has also considered, as appropriate:

- The Group's strategy with significant focus on potential organic and inorganic growth opportunities and the associated risks of such strategy and opportunities
- Long term acquisition and working capital financing
- The key economic conditions and drivers and competitive environment in each of the Group's primary markets
- The Group's half-year and full-year results
- The proposed operating budget for the following financial year

BOARD AND BOARD COMMITTEE ATTENDANCE IN THE 2016 FINANCIAL YEAR

During the period under review, the Board met, as scheduled, on six occasions as scheduled as well as other ad-hoc meetings normally called at very short notice on specific matters requiring board approval or consideration. During 2016, the majority of such ad-hoc meetings were in relation to acquisitions or long term finance related discussions and approvals. Scheduled periodic Board Meetings are planned in each financial year to be split, where possible, evenly between London and Abu Dhabi.

The attendance of the Directors at each of the scheduled Board meetings during the period is set out in the table below. Whilst the ad-hoc meetings held are classified as formal meetings, given their brief nature and the fact that they were called at very short notice, the attendance table excludes such meetings.

Corporate Governance Report continued

BOARD MEETINGS CONTINUED

BOARD AND BOARD COMMITTEE ATTENDANCE IN THE 2016 FINANCIAL YEAR CONTINUED

Board meeting attendance 2016	Scheduled/Attended
H.J. Mark Tompkins	6/6
Dr B.R. Shetty	5/6
Prasanth Manghat	6/6
Dr Ayesha Abdullah	6/6
Abdulrahman Basaddiq	6/6
Jonathan Bomford	6/6
Lord Clanwilliam	6/6
Salma Hareb	6/6
Keyur Nagori	6/6
Binay Shetty	6/6
Dr Nandini Tandon	6/6

BOARD EFFECTIVENESS

DIRECTOR INDUCTION

On appointment, directors have the benefit of a personalised induction programme which is undertaken during the first few months of their tenure as a director. Each induction programme covers a number of different areas including:

- briefings and presentations from management to understand the business operations and financial drivers
- their legal and regulatory responsibilities as directors and the governance environment in which the Company operates
- opportunities to visit the Group's key facilities and new capital development project locations
- meetings with the Company's key advisors

BOARD INFORMATION AND PROFESSIONAL DEVELOPMENT

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

Following an initial induction process, Non-Executive Directors meet with management and undertake visits to operational facilities as required in order to further understand the way the business operates and any change within the business. The Board had presentations from management during the year in relation to the Group's material acquisitions and financing arrangements, as well as market conditions drivers within the Group's key markets.

As part of their overall training and development needs, some non-executive directors have attended externally provided seminars and discussion forums relating to their general responsibilities as Directors or areas of specific responsibility, in particular in relation to the Board Committees on which they serve. Such development opportunities are made available to all Directors on an ongoing basis.

During the year, the Board approved the implementation of a new electronic Board Meeting system. In addition to the benefits of reducing paper waste, the Board believes that distribution of papers utilising a specific Board pack system will ease communication and distribution of Board information, making the Board process more efficient, and also increase security, given that paper copies of board papers are being phased out.

PERFORMANCE EVALUATION

During the year the Board undertook an evaluation of its own performance. This was undertaken by way of a questionnaire developed internally by the Chairman and the Group Company Secretary which asked Directors to assess the effectiveness of the Board and its committees and the Board and Board committee processes. The questionnaire included questions in relation to the suitability of the Board's discussions and whether the Directors felt able to be candid or raise matters of concern.

The evaluation questionnaire was completed confidentially by Directors and the results consolidated into a report by the Group Company Secretary which was then reviewed by the Chairman and reported to the Board. No material action items arose from the review.

The Board's intention is to undertake such a Board evaluation each year and to conduct an externally facilitated performance appraisal every three years in compliance with the Code, with the first external appraisal being conducted during the 2017 financial year.

RE-ELECTION OF DIRECTORS

All of the directors of the Company submit themselves for re-election at the annual general meeting of the Company to be held on 23 May 2017. Each resolution for re-election or election of a retiring director will be proposed as a separate resolution. The Board performance appraisal undertaken during the year has satisfied the Board that the contribution made by each director, and the Board as a whole, to board deliberations continues to be effective and that the shareholders of the Company should support their re-election.

OTHER BOARD DISCLOSURES

CONFLICTS OF INTEREST

The Board are aware of the interest that some Directors have in other businesses in which they have invested. Any conflicts of interest and related party transactions that may arise are monitored by:

- A list of other relevant interests of each Director being circulated to the Board at each of its Board Meetings;
- Each of the Directors are asked to confirm that they have no other interests which would conflict them for the purposes of any item to be discussed at the meeting; where such conflict is reported, the respective Director is not permitted to take part in the consideration of that matter by the Board;
- Each Director discloses to the Board any related party transactions in which they are connected, and such transactions are reported in the Group's financial statements.

Whilst Directors on the Board have other business interests, the Board do not consider that these, nor the time commitment that they require, affect the ability of such Directors to undertake their role or comply with their statutory obligations.

INDEPENDENT ADVICE

Each of the directors is permitted to obtain independent legal advice at the Company's expense in the performance of their duties as directors. This would normally be managed through the Group Company Secretary.

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

INDEMNIFICATION OF DIRECTORS

The Company has put in place a Directors and Officers Liability Insurance policy which provides all Board members with insurance cover in respect of liabilities that may arise against the Directors collectively or individually. The Directors do not benefit from any form of qualifying third party indemnities made by the Company.

BOARD COMMITTEES

The Board has established an Audit Committee, a Clinical Governance Committee, a Nominations Committee and a Remuneration Committee. The terms of reference for each committee clearly set out its authority and duties and have been approved by the Board. The terms of reference for each committee are available on our website at www.nmchealth.com or available from the Group Company Secretary.

Corporate Governance Report continued

Audit Committee

OVERVIEW PROVIDED BY THE CHAIR OF THE AUDIT COMMITTEE

The 2016 financial year continued in a similar vein to prior years and has been another busy year for the Audit Committee. As UK listed company reporting and governance requirements continue to evolve, and as the Group grows, both management and the audit committee have been committed to appropriate focus on finance, governance and controls across the Group.

This report sets out the work of the Committee, significant matters addressed by the Committee during the year and the responsibilities of, and work undertaken by, the external and internal auditors. In addition, the Board asks the Audit Committee to review various matters in relation to risk and internal control which, during a year of significant strategic activity and integration, is a significant aspect of the Board and Audit Committee focus.

MEMBERSHIP AND ATTENDANCE

The Audit Committee has consisted entirely of independent non-executive directors during the year under review.

During the 2016 financial year, the following served as members of the Committee for the full financial year:

Chairman:	Committee members:
Jonathan Bomford	Dr Ayesha Abdullah
	Dr Nandini Tandon

During the 2016 financial year, the Chairman of the Committee and the Committee's financial expert was Mr Jonathan Bomford. Mr Bomford is a Chartered Accountant and his brief biographical details and experience are set out on page 38 of the annual report.

The Audit Committee met four times during the year. The Meetings are scheduled to align with the Group's reporting timetable with planning meetings in advance of both the half-year review and full-year audit, and approving meetings shortly in advance of the announcement of the Group's half-year and full-year results.

Audit Committee attendance	Scheduled/Attended
Jonathan Bomford	4/4
Dr Ayesha Abdullah	4/4
Dr Nandini Tandon	4/4

Meetings are normally attended by the Deputy Chief Executive Officer and the Chief Financial Officer. The Chairman and some other Non-Executive Directors also attend meetings. The Group Company Secretary acts as Secretary to the Committee. The Committee also has the opportunity to meet separately with the external auditors and management with the other parties not present.

KEY ROLE AND RESPONSIBILITIES

The key role of the Committee is to ensure that the integrity of published financial information by the Company, and the effectiveness of both external and internal audit processes, are appropriate to ensure that the interests of all shareholders are protected.

The Audit Committee assists the Board in:

- discharging its responsibilities with regard to financial reporting, external and internal audits and controls;
- reviewing the Company's financial results announcements, Annual Report and audited financial statements;
- monitoring the independence and extent of the non-audit work undertaken by the external auditors;
- making recommendations to the Board on the appointment of external auditors and the level of their remuneration;
- reviewing the effectiveness of the Company's internal audit activities and internal policies;
- overseeing the Group's compliance processes; and
- oversight of the Group's internal controls and risk management systems although the Board retains control over these matters.

Consideration of principal risks and the risk management process in place across the Group is a matter retained for discussion and review by the Board. The Audit Committee is required to report regularly to the Board of Directors in relation to its findings on the above and the discussions at each meeting. The ultimate responsibility for reviewing and approving the Company's Annual Report and audited financial statements and the half yearly reports remains with the Directors of the Company.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

During the year, the Committee has focussed significantly on areas relating to acquisition accounting. In addition to the main activities on which the Committee focusses each year, being the Committee's consideration, and approval, of the Interim Results and the Annual Report, specific items which the Audit Committee discussed, and the significant issues considered by the Committee in relation to the financial statements, during the year included:

ACCOUNTING FOR MAJOR TRANSACTIONS.

There are a number of aspects in relation to the Group's acquisition strategy which had an impact on accounting and audit matters during 2016. These included accounting in relation to various aspects of each acquisition, including accounting for goodwill, judgements in respect of contingent consideration, and specifically work on the purchase price allocation for each transaction, including the identification of intangible assets, assessing the accounting policies within each business for consistency with NMC accounting policies and also evaluating the internal control environment in the acquired businesses. These and related matters took up significant audit committee time during the year.

ACCOUNTING FOR CAPITAL PROJECTS

During the year, the Company opened a significant proportion of its largest capital project to date, NMC Royal Hospital Khalifa City, with the commencement of inpatient services. The accounting relating to this event, including the treatment of expenses and capital costs, as well as reviewing the useful life of hospital assets, was reviewed by the committee.

THE INTERNAL AUDIT PROGRAM

Principal Internal Audit Reports are presented at Committee meetings twice a year with other updates from the Internal Auditors as required. During 2016, in addition to ongoing work, the Internal Audit program has focussed on the acquired entities. Both management and the Committee have been keen during this period of strategic growth, to assess in detail and review the internal control measures operating in the acquired businesses and to enhance such controls and processes as necessary. In addition, discussion focussed on rolling out the Internal Audit program to the IVF businesses, and an independent firm, Deloitte, were chosen to provide these services, which commenced during the year.

OTHER CONSIDERATIONS AND ACTIVITIES OF THE COMMITTEE

INTERNAL CONTROL

The Committee has reviewed the process by which the Group evaluates its control environment across all of its businesses. The Chief Financial Officer provides a report to the Audit Committee on the effectiveness of internal controls and confirms to the Committee whether or not he is aware of any significant fraud that may have occurred within the business. The internal auditors also undertake a review across a wide range of control areas to give the Audit Committee and the Board assurance on the internal control environment.

The internal control environment and internal audit processes within the acquired entities have been scrutinized by group management and the internal auditors. Where there is an identified need to enhance internal controls within these businesses to bring them into line with Group standards and processes, an action plan has been developed and the Audit Committee is receiving reports from the internal auditors as to the progress of implementation of such actions.

IT

The Audit Committee, with the Board, continues to monitor the implementation of new financial systems, the challenges in this respect over the last two years and monitor and consider any effect that implementation delays may have on the control environment.

OTHER

Other matters discussed and considered by the Committee during the year included setting expectations with the new audit partner, consideration of the review of the effectiveness of the internal control environment across the Group, reviewing the Going Concern and Long Term Viability assessments prepared by management and review the Group's financial statements in advance of the Board, including whether they consider the Annual Report to be fair, balanced and understandable. The Committee also has significant engagement with the external auditor at each meeting.

EXTERNAL AUDIT AND AUDITOR INDEPENDENCE

EXTERNAL AUDIT EFFECTIVENESS

The Committee believes that the effectiveness of the external audit is dependent on the identification and consideration of key risks by the Committee, management and, as part of their audit process, by the auditors during the financial year under review. EY produces and discusses with the Committee a detailed audit plan identifying these key risks, the focus of audit procedures and the work to be done to test management's assumptions and accounting treatment in these areas.

The Committee has the option to meet separately with the External Auditors to ensure that an independent dialogue is maintained in relation to monitoring key business and financial risks and to ensure that management have not restricted the scope of their audit. The Audit Committee Chairman also meets with the lead audit partner on a number of occasions during the year outside the formality of Audit Committee meetings.

The Committee did not commission an independent review of the effectiveness of the external audit during the year. However, by the Committee, management and, as part of their audit process, by the auditors.

AUDITOR FEES AND APPOINTMENT

EY were appointed as auditor to the Company at the time of the Company's IPO in April 2012. The level of audit fees paid in relation to the 2016 financial year is set out in note 13 to the Consolidated Financial Statements.

Corporate Governance Report continued

Audit Committee continued

EXTERNAL AUDIT AND AUDITOR INDEPENDENCE CONTINUED

NON-AUDIT FEES

During FY2016, the level of non-audit fees amounted to a total of US\$2.16m, including fees of US\$198.0k in relation to the half year review. The remaining non-audit fees of US\$1.96m related predominantly to fees as reporting accounting and associated services relating to the Company's acquisition of Al Zahra Hospital, approved by shareholders in December 2016.

The Audit Committee currently complies with regulations adopted by the FRC in their implementation of an EU directive in relation to non-audit fees. The Company is in the process of reviewing its non-audit services policy and plans to adopt a new policy during the 2017 financial year.

AUDITOR INDEPENDENCE

The Audit Committee formally reviewed the independence of the Company's auditor, EY, during the period under review. The review took account of the relationship between management and the audit team, the processes that EY have in place internally to ensure objectivity and independence and also the level of non-audit fees incurred during the year.

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

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

The Audit Committee is satisfied that in all areas sufficient safeguards were adopted by the auditor and that the independence of EY and of the audit engagement partner had not been compromised. There is no limitation of liability in the terms of appointment of the Auditor for the audit of the Company's financial statements.

AUDIT RE-TENDER POLICY

In accordance with the requirements set out in the September 2014 Competition and Markets Authority Order, the Audit Committee have considered its approach to audit tendering and have determined that:

- it currently intends to undertake a competitive tender process in relation to statutory audit services provided to the Group in 2020 with the chosen statutory auditor being appointed for the FY2021 audit; and
- this approach is considered appropriate on the basis that partner rotation was undertaken by the Group's current auditors, EY, during the 2016 financial year which, in the Committee's view, introduced an independent review of the Group audit strategy and process.

However, between now and the planned competitive tender date during which the Group is expected to grow substantially through execution of its organic and acquisitive growth strategy leading to transformational changes in the size and complexity of the NMC Group, the Audit Committee is conscious of the need to keep the provision of audit services under continual review for the benefit of both the Group and its Shareholders. The Audit Committee has therefore not ruled out that an earlier tender process may be appropriate.

JONATHAN BOMFORD, FCA

On behalf of the Audit Committee

Corporate Governance Report continued

Clinical Governance Committee

OVERVIEW PROVIDED BY THE CHAIR OF THE CLINICAL GOVERNANCE COMMITTEE

This my second report to you as Chair of the Clinical Governance Committee.

The Clinical Governance Committee meets regularly to provide Board oversight in the key area of Clinical Governance. The Committee works with management to ensure that the governance structure within the healthcare business is appropriate to ensure that clinical care is enhanced and that clinical quality indicators are monitored and maintained at a high standard. This oversight is designed to mitigate as far as possible the risks associated with operating a healthcare organisation.

In line with the experience of management, the Board and its other committees, a time of significant growth in the healthcare business is both exciting and challenging from a quality and clinical governance perspective. Good progress has again been made during a very busy year with the majority of key clinical care indicators remaining at a strong level or improving.

MEMBERSHIP AND ATTENDANCE

The Committee consists of a majority of Non-Executive Directors plus Dr C R Shetty, the Group Medical Director. Her experience of governance structures operating in the Group, and the standards by which the Healthcare businesses are monitored, is very important to the Committee's ongoing monitoring of clinical care.

During the 2016 financial year, the following served as members of the Committee for the full financial year:

Chairman:	Committee members:
Dr Ayesha Abdullah	Binay Shetty
	Dr C. R. Shetty
	Dr Nandini Tandon

The Chair of the Clinical Governance Committee is also a member of the Audit Committee which assists in ensuring that the two committees interact providing an overall control and governance framework to manage the Group's key clinical risks.

Meetings of the Committee have been scheduled three times on each of the previous financial years, but given increasing demands on the Committee, this will increase to four meetings in 2017. In addition to the Clinical Governance Committee members, the Vice President - Quality and Standards attends each meeting. The Group Company Secretary is Secretary to the Committee.

Clinical Governance Committee attendance	Scheduled/Attended
Dr Ayesha Abdullah	3/3
Dr C R Shetty	3/3
Binay Shetty	3/3
Dr Nandini Tandon	3/3

KEY ROLE AND RESPONSIBILITIES

The establishment of the Clinical Governance Committee was undertaken as a result of an appreciation of the clinical risks faced by the Group.

The key role of the Committee is to oversee governance structures, processes and controls in relation to Clinical matters in place within the Group healthcare operations. This is to ensure that the risks associated with clinical care are mitigated in the interests of the Company and its stakeholders, including shareholders. As a result the Committee is a key aspect of the Group's internal control environment.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Specific responsibilities of the Committee, and work undertaken by it during the year, include:

- Ensuring processes and controls are in place across the NMC Healthcare hospitals to promote safety and excellence in patient care and manage risks arising from clinical care on a continuing basis, including a review of Code Blue procedures in place in the Group;
- Review the systems of clinical governance, monitoring that they operate effectively and that action is being taken to address any areas of concern;
- Review clinical performance indicators quarterly;
- Reviewing the implications of new regulations and standards compliance implemented by our local health authority regulators;
- Commencement of reporting from the Group's acquired businesses;
- Reviewing patient satisfaction data across all facilities;
- Review of surgical procedures to ensure these are in line with regional and international norms;
- Discussion in relation to the use and benefits IT systems for all aspects of patient care and information monitoring.

Corporate Governance Report continued

Clinical Governance Committee continued

PRINCIPAL MANAGEMENT ACTIVITIES ON CLINICAL GOVERNANCE MATTERS DURING THE YEAR

2016 has been a very busy year for management in relation to quality and clinical governance matters. In addition to ongoing quality monitoring, Abu Dhabi Specialty Hospital completed its triennial JCI re-accreditation during the year with excellent results. Both NMC General Hospital, DIP and Brightpoint Royal Women's Hospital were surveyed and accredited by JCI during 2016, extending the reach of external monitoring and accreditation for the Group's facilities. In addition, preparatory work has already commenced in advance of proposed surveys to seek JCI accreditation for our largest facility, NMC Royal Hospital Khalifa City, in 2017.

In addition, the committee has received reports from, and started to monitor standards in, the acquired businesses, including IVF facilities. Reports received from the acquired businesses show how important quality metrics are considered across those businesses.

The Committee is delighted with the dedication and determination of management, and all of our employees, to keep up to date with regulatory changes and new standards, ensuring that the Group is well positioned in its compliance with its requirements as well as offering an excellent and safe service to our patients.

The Quality and Clinical teams also continue their excellent work ensuring that clinical care monitoring within the business, including the acquired businesses, has been further enhanced during the year, which gives assurance to management and the Board that clinical risk is mitigated. Finally, I would like to thank my fellow Committee members for their contribution during the year.

DR AYESHA ABDULLAH

For and on behalf of the Clinical Governance Committee

Corporate Governance Report continued

Remuneration Committee

MEMBERSHIP AND ATTENDANCE

The Remuneration Committee consists of four Non-Executive Directors, three of whom are Independent Non-Executive Directors, with an Independent Non-Executive Director holding the chairmanship of the Committee. During the 2016 financial year, the following served as members of the Committee for the full financial year:

Chairman:	Committee members:
Lord Clanwilliam	Abdulrahman Basaddiq
	Jonathan Bomford
	Salma Hareb

The Chairman of the Company is invited to attend Remuneration Committee meetings. The Executive Vice Chairman and Chief Executive Officer and the Deputy Chief Executive Officer do attend some Remuneration Committee meetings and the Chairman of the Committee discusses proposed remuneration policies with them during their formulation. No Director is present when their own remuneration is discussed.

The Group Company Secretary acts as Secretary to the Remuneration Committee and, along with the Committee's independent advisors, provides advice to the Committee on Corporate Governance aspects relating to remuneration matters. He also provides assistance to the Chairman of the Committee as required in discussions with the Remuneration Committee advisers and on implementation of Committee decisions. The Group Company Secretary is not present when his own remuneration is discussed.

The Committee met five times during the financial year.

Remuneration Committee attendance	Scheduled/Attended
Lord Clanwilliam	5/5
Abdulrahman Basaddiq	5/5
Jonathan Bomford	5/5
Salma Hareb	5/5

KEY ROLE AND RESPONSIBILITIES

The Remuneration Committee assists the Board in:

- making recommendations to the Board on the Company's Directors' Remuneration Policy, the framework of executive remuneration, including the use of incentive arrangements within that framework; and
- determining, on the Board's behalf, the entire individual remuneration packages for each Executive Director and advising the Chief Executive Officer in relation to the level of remuneration the Committee feel is appropriate for the Senior Management Team.

All other recommendations must be referred to the Board for approval.

No Committee member is permitted to participate in any discussion or decision regarding his/her own remuneration. The remuneration of non-executive directors is a matter for consideration by the Executive Directors, in discussion with the Chairman of the Company.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The principal activities of the Committee during 2016 and the Directors' Remuneration Policy and Annual Remuneration Report, are set out in the Directors' Remuneration report on pages 56 to 78.

Corporate Governance Report continued

Nominations Committee

The Nominations Committee consists of three Non-Executive Directors, two of whom are Independent Non-Executive Directors, one of whom holds the chairmanship of the Committee. During the 2016 financial year, the following served as members of the Committee for the full financial year:

Chairman:	Committee members:
H.J. Mark Tompkins	Abdulrahman Basaddiq
	Lord Clanwilliam

The Nominations Committee has a role to assist the Board in:

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

Following the significant changes to the Board and work undertaken on the Senior Management Team structure and succession plan over the prior two years, and the fact that no material concerns arose from the Board appraisal undertaken in 2015, the Committee did not meet during the year.

However, committee members held a number of informal discussions during the year on matters of interest to the role of the Committee. The Committee would expect to meet to consider appropriate candidates to fill any vacancy created on the Board should such a vacancy arise or be considered appropriate given other skills and experience on the Board.

The approach of the Committee, and of the Board, to the issue of diversity is set out in this Governance section on pages 35 to 80.

Corporate Governance Report continued

BOARD OVERSIGHT OF SYSTEM OF INTERNAL CONTROL AND RISK

OVERVIEW

Management is responsible for establishing and maintaining adequate internal controls over financial reporting and operational matters across the Group. The Board is responsible for reviewing such internal controls and for ensuring that they are effective to properly manage the Group's businesses.

STRENGTHENING OF INTERNAL CONTROLS

In recent years, as the Group has progressed an organic and inorganic growth strategy, in order to strengthen the governance and control structure further across the Group, management have progressively been:

- incorporating additional key internal controls into its financial and operational processes;
- implementing new policies and procedures covering all aspects of the Group's accounting policies and controls;
- extending its Quality Team and the Group's Quality and Clinical Governance processes;
- enhancing the Group's Internal Audit function which independently reviews and monitors key business processes; and
- developing new financial and hospital management IT systems.

All of these changes are part of an overall process to improve the Governance structure within the Group and to improve further the Group's formal internal control processes.

CHALLENGES

New businesses

The businesses which have been acquired over the last two years, all operated under differing levels of control. Similar to the NMC Group prior to preparation for its IPO in 2012, some of these businesses have a very centralised approach to control, with the majority of the controls over all financial and operational aspects of each business resting with a small number of individuals and, in some of the businesses, being manual in nature. We consider this to be a normal environment in which smaller privately owned businesses are used to operating. In addition, the program to open new facilities since the Company's IPO has resulted in a significant level of growth in the Group. This increases further the challenge on the Company in relation to controls and risk.

Integration

Such transformational changes in the Group over the last 4 years inevitably results in different control environments operating across group businesses. Measured integration, at a pace which is appropriate to each individual new business, and integration of those businesses, is undertaken to align control processes.

IT environment

Management recognise that the Group's IT systems are not fully integrated and that an element of manual control procedures are still prevalent across the Group. The growth of the Group, organically and through acquisition, together with significant regulatory changes in UAE healthcare businesses over the last 2 years, have hampered focussed efforts to develop integrated group IT systems. Whilst this is still the case, the manual processes, supported by legacy IT systems in many of the Group's businesses, continues to provide a robust level of control.

PRINCIPAL RISKS

A new approach to the monitoring and control of risks within the Group has now been operating for two years.

The various layers of corporate, healthcare and distribution division management were involved in a program under which the Group's key risks were developed through a bottom up process and then reviewed alongside the macro-economic environment within which the Group operates through a top down review process to establish a Strategic Risk Register. In Q1, 2016, assisted by an independent review of the Strategic Risk Register, when the Board undertook a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

This Strategic Risk Register is reviewed and updated regularly. A review in August 2016 led to a number of changes to the Strategic Risk Register including recognising the risks of integration and consolidation of group businesses during significant growth periods and also the effects of material regulatory or cultural changes in elements of healthcare provision.

Further details on the approach taken to assess risks, and of the Group's strategic risks, are set out on pages 30 to 33. The board's appetite for risk, the internal controls and processes in place to mitigate business risks and the Board's review of the effectiveness of the control environment are set out below.

Corporate Governance Report continued

BOARD OVERSIGHT OF SYSTEM OF INTERNAL CONTROL AND RISK CONTINUED

CONTROLS AND RISK MITIGATION

Financial and operational controls

The Group has, for over 40 years, grown into a substantial business and a leader in the provision of private healthcare, as well as operating a substantial distribution business, in the United Arab Emirates. The Group is a regulated business operating many regulatory, financial, clinical and quality control procedures.

In the past two years, the Group has expanded operations to a number of countries in Europe, South America and the GCC. During this period of growth, the Group looks to integrate and structure financial and operational controls across all of its businesses.

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

- An annual budget and updated long-term forecasts for the Group that identifies risks and opportunities which are reviewed and approved by the Board. As part of these reviews, management and the Board have processes in place to consider appropriate risks faced by the Group and also a formal review which considers the Group long term viability.
- As part of the annual budget process, budgetary goals are set by the corporate office and these goals are monitored on an ongoing basis within each subsidiary by their accounting and finance teams. MIS teams monitor business performance. Within each subsidiary, these teams provide relevant analyses to operational management which assists in prudent decision making. Such information is also periodically reported to, and consolidated by, the corporate office teams, which analyses consolidated performance against budget.
- Monthly meetings at which the Senior Management Team review Group financial and operational performance, progress on capital projects and other principal functional areas of the business.
- A system of internal monthly operational and financial reporting which includes monthly comparison of results and against budget and forecast, a review of KPIs, each discussed with additional management commentary and the reporting of key matters arising within the business during the month under review. The Group has a very flat organisational hierarchy resulting in an easy flow of information throughout the organisational structure. Communication of exceptional items happens naturally.
- A defined process for controlling capital expenditure, including appropriate authorisation levels, which is monitored and approved by the Board as appropriate.
- The financial statements of each subsidiary are drawn up by relevant accounting departments, which ensure compliance with local tax and regulatory requirements. These subsidiary company financial statements are subjected to a limited review for the Group's interim financial statements and a complete audit carried out by the auditors of significant subsidiaries for the Group's year-end financial statements.
- Reporting of accounting information, in standardised monthly reports, is carried out on the basis of a schedule established by the Corporate Accounts department. Each subsidiary applies Group procedures for the recording of accounting data for inclusion in the interim and annual financial statements.
- The reporting of subsidiaries is established according to the accounting policies of the Group, which are formalized in a Group policies manual given to all the subsidiaries.
- A formal process through which approval for organic and inorganic expansion projects is given. A formal transaction request paper is produced including details of the proposed transaction, how the transaction will be financed, market studies, strategic benefits and longer term effects on the Group, due diligence and key transaction risks are considered.
- Medical Directors' meetings to monitor clinical governance procedures.
- The production of quarterly and annual Quality reports.
- An appropriate approach to decentralisation and internal oversight within the Group.
 - Each NMC healthcare facility has a Medical Director and Head of Administration who are accountable for the operation of the facility. In relation to facilities in other Group businesses, or other business streams created as part of the Group's growth strategy, these are generally either smaller facilities and therefore managed by the lead clinician, or larger businesses having their own management structure. Therefore both our larger and smaller facilities have an appropriate organisation to provide effective and efficient management of both clinical and non-clinical areas.
 - Within the Healthcare division structure, a number of multidisciplinary committees are in place to monitor guidelines in respect of patient safety and quality, medication management, infection prevention and control, medical record documentation and facility management.
 - Both Healthcare and Distribution divisions have Financial Controllers and a finance team and are managed through fundamental activities of planning, executing and checking. The strategic direction of all operations is governed by the corporate office. With the exception of certain operations in some of the acquired businesses, which are in the process of being integrated into group procedures, all banking, treasury, procurement and payment processing is centralised within Group functions, but accounting for payments is decentralised.
 - The Senior Management Team believes that these divisions of responsibility at both facility and corporate levels provide a natural check and balance across all internal control areas.
- A delegation of authority which provides that very few individuals within the organisation have significant payment approval authority. Access to cash is also restricted to very few individuals. All material payments, including within the acquired businesses, are restricted to the senior management team.
- Group businesses hold very sensitive as well as personal information and data as part of their operations. To guard against the material risk of a cyber threat, the Group businesses having varying controls and procedures in place to control such threats and monitors developments in this area closely and makes adjustments and improvements in security as necessary.
- Specifically in relation to acquired businesses, initial primary controls are implemented following completion of each transaction. The Group's policies and procedures, covering both operational and financial aspects of each business, are incorporated into each acquired business over an appropriate timeframe.

Independent and regulatory controls

As a regulated business, the Group operates within a framework of managing all elements of risk which arise within the Group. As a result there are a number of ways in which the Company both internally and independently monitors its key risks.

Internal Audit

An effective externally provided Internal Audit program independently assists management in identifying key risks to business operations and monitors those risks through an Internal Audit program agreed with both management and the Audit Committee.

The Internal Auditors report directly to the Chairman of the Audit Committee but work in conjunction with the CFO. Their reports to the Audit Committee are received and discussed at Audit Committee meetings twice a year, usually in June and December.

Following the completion of each review, the internal auditors identify areas for remedial action and the required action plans are discussed and agreed with management. All areas requiring remedial action are highlighted as high, medium or low risk areas. The internal auditors present the reviews and the agreed management action plans for any remedies to the Audit Committee and then monitor the implementation of any required changes on behalf of the Audit Committee.

The consideration by management of the key risks faced by the Group is crucial to the work to be undertaken by the Internal Auditors. Management consider such risks before discussing with the internal auditors their planned areas of focus for reviews in each financial year. The Internal Audit plan for each year is agreed with the Audit Committee.

Crowe Horwath have provided internal audit services to the Group for a number of years. Their program has been extended to, and indeed focussed on, the acquired businesses in the non-IVF sectors of the Group. Deloitte were appointed in 2016 to provide internal audit services in relation to the Group's IVF businesses. They have commenced work within these facilities and will undertake a full internal audit program in 2017. The internal audit services provided by external firms focus on key strategic areas of risk and this program works alongside operational internal audit functions in place within Group businesses.

Quality and Regulatory oversight

Aside of financial risks, the Board is aware that as a significant healthcare and distribution business it is subject to a range of risks related to clinical care, quality and product safety.

The Healthcare division, and elements of the Distribution division, are regulated by governmental and non-governmental organisations. In summary:

- Each UAE Healthcare facility is licensed by one of four regulatory bodies which exist in the UAE. The regulatory bodies monitor performance and clinical procedures against its regulations, key metrics and guidelines;
- Clinica Eugin is subject to local regulatory standards and laws applicable in each jurisdiction in which they operate;
- Each of the Group's three Specialty Hospitals, as well as Brightpoint Royal Women's Hospital, NMC Hospital DIP, the Sheikh Khalifa Hospital in Umm al Quwain which is managed by the Group, and the clinical laboratory of Dr Sunny Medical Centres are accredited by Joint Commission International, an internationally renowned organisation monitoring clinical metrics and quality of patient care;
- The distribution of pharmaceuticals is controlled through the UAE Ministry of Health;
- The majority of the Group's healthcare revenue results from medical insurance arrangements. The Group's contractual arrangements with insurance providers include the monitoring of claims processing and clinical outcomes.

The Group has a Quality Team which operates in both the Healthcare and Distribution divisions. Quarterly and annual Quality reports monitor performance against a range of key KPIs based on clinical quality and safety metrics.

Board Committees

The Board and its committees provide independent oversight of management's control systems, in particular the Audit Committee in relation to finance related matters and the Clinical Governance Committee in relation to clinical matters. The work and oversight of the board committees is set out on pages 43 to 50.

RISK APPETITE

As there are multiple risks associated with the healthcare and distribution sectors, the process of risk management is an essential mechanism to enable risk based decision making process. The Board recognizes that complete risk control/avoidance is impossible, but that risks can be reduced by putting the right controls and mitigations in place as well as agreeing on a threshold for risk taking (risk appetite).

Risk appetite provides a structure within which opportunities can be pursued by setting out which, why and how much risk the Group is willing to take. The Senior Management Team has approved a set of risk appetite statements covering different views on the risk landscape surrounding NMC's business environment whilst addressing various risk classes. For each risk class, Key Risk Indicators (KRIs) were articulated to alert against unacceptable loss events.

The purpose of setting limits and triggers is to avoid concentrations of risk which would be out of line with internal or external expectations and to:

- keep business activities aligned to the strategic goals of the Group;
- ensure activities remain of an appropriate scale relative to the underlying risk and reward;
- ensure risk-taking is supported by appropriate expertise and capabilities.

Corporate Governance Report continued

BOARD OVERSIGHT OF SYSTEM OF INTERNAL CONTROL AND RISK CONTINUED

RISK APPETITE CONTINUED

General Risk Appetite Statement

The Company will not accept any risks that would cause losses due to:

- malpractice,
- significant decline in patient satisfaction rate,
- brand damages,
- hospital acquired infections,
- decrease in the utilization rate for outpatient clinics,
- uncontrolled discharge for inpatients,
- downtime of life saving/ sustaining systems,
- inaccuracy of patients' records,
- non-compliance with internal and/or external controls and standards/ regulatory bodies,
- sensitive information/ patient record confidentiality breach/ loss,
- loss of sole distribution partnership agreement,
- loss of key staff/ key specialities,
- acquisitions, which are expected to be accretive and not dilutive.

NMC Board of Directors has approved a set of thresholds presented by management which relate to multiple business dimensions in the Healthcare and Distribution divisions to protect shareholders' value. Any areas falling short of the agreed indicators will be highlighted by management for action.

Effectiveness of Internal Controls

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

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

In reviewing the effectiveness of the internal controls in place during the year, the Audit Committee considered, amongst other matters, manual controls in place, the independence of the separate operating units, the delegation of authority, the balance of centralised and decentralised systems and the reporting process in relation to exceptional items.

The Audit Committee has noted that the Group does not operate under a fully integrated high end IT environment and therefore an element of manual intervention is prevalent within the Group, including the businesses acquired in the last two financial years. The Board has approved the implementation of a new Hospital Information System which, together with the implementation of the new ERP financial system, will result in a new integrated IT system becoming fully functional across the Group.

The Board notes that the implementation of new IT systems will not change the level of controls inherent in the business, but they will remove elements of manual intervention from financial and operational processes. Management have taken time to ensure that all previous business processes are captured within the new IT systems. The roll out of the new ERP system into the Healthcare division, whilst delayed during the initial execution of the Group's strategic growth plan due to the challenges faced by the group in the initial testing phase, and as a result of significant regulatory changes over the last two years, remains underway and a focus across the Group. In addition to the growing nature and structure of the Group, there have also been challenges in relation to the roll out of the ERP system into the Distribution division, and this has also been delayed.

The Audit Committee have also noted the challenges faced as the acquired businesses are integrated into the Group. Such acquired businesses have differing levels of controls within their businesses. The Audit Committee have noted the initial primary and delegated authority controls which are put in place in the acquired businesses following completion as well as the roll out of financial and operational reporting requirements. The Committee has noted that some elements of the Group's policies and procedures have also been implemented in these businesses over a timescale appropriate to each acquired business, and this will continue into 2017.

The Board has reviewed the effectiveness of the Group's systems of internal controls for the 2016 financial year, in light of the key elements of the Group's internal controls outlined above. Given the additional internal controls that have been incorporated into the Group's financial and operational reporting process, such that sufficient internal controls were in place to monitor the Group's key risks, the Board believes, having evaluated the effectiveness of the internal controls and procedures, that these were effective during the period covered by this report. The Board also believes that the process undertaken by the Board and its Committees to monitor the internal control environment, accords with the guidance provided in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

SHAREHOLDER ENGAGEMENT

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

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

During 2016, the Company has continued to focus on its formal program of investor interaction including one-to-one meetings with institutional investors and attendance at investor conferences. Mr Roy Cherry, who is the Head of Strategy & Investor Relations and a member of the Senior Management Team, leads these efforts.

During the financial year ended 31 December 2016, the Company issued its 2015 audited results and its 2016 half year unaudited results. In addition, given the significant strategic activities during the year, the Company kept shareholders updated regularly with regards to its long term financing and its material acquisitions, and the effect that these have on the Group.

Aside from direct shareholder meetings, the principal ongoing communication with shareholders will be through the publication of the Company's Annual report and audited financial statements and Interim Results as well as the opportunity to question the Board and Committees at General Meetings. Shareholders are encouraged to attend General Meetings and if unable to do so are encouraged to vote by proxy.

The Company has an investor relations section on its corporate website, www.nmchealth.com. This has been updated regularly with information that the Company considers relevant to its investors. Additionally, the number of analysts monitoring the Company and issuing notes in relation to their forecasts and expectations for the group continues to increase.

ETHICS

WHISTLEBLOWING POLICY

A confidential whistleblowing procedure is in operation to allow employees to raise concerns of possible improprieties in relation to either operational or financial conduct.

BRIBERY ACT 2010

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

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

The Corporate Governance Report set out on pages 35 to 55 has been approved by the Board and is signed on its behalf by:

H. J. MARK TOMPKINS

Chairman

Directors' Remuneration Report 2016

Letter from the Remuneration Committee Chairman

Dear Shareholder,

I am writing to you this year following a period of further growth and continued excellent performance by management during a period of significant change for the Company. I also write on the back of the approval of a new Remuneration Policy which shareholders approved at a General Meeting of the Company held on 29 December 2016.

TRANSFORMATION AND GROWTH

As I stated in my letter to you on 14 December 2016 setting out the new remuneration policy and the background to the changes made, NMC Health plc has continued its journey of extraordinary growth since our IPO in 2012. During this time, our shareholders have seen a six times increase in market capitalisation. More importantly, shareholders have also seen an increase in total shareholder return of over 600 per cent. over the same period. This value creation has been achieved through organic and acquisitive growth as well as significant improvements in operational efficiency across our business.

The Board and the Remuneration Committee recognise that management has achieved this growth and value accretion despite the challenges associated with building and opening new facilities, including consequential pre-breakeven operating periods during new facility ramp-up phases, and the commencement of integrating newly acquired businesses into the Group.

NEW DIRECTORS' REMUNERATION POLICY AND INCREASES IN EXECUTIVE REMUNERATION

In this period of exceptional growth, we are aware of having to play 'catch-up' in terms of rewarding our key executives. The Remuneration Committee believe that pay should be strongly linked to performance and had a number of ways in which to approach Executive remuneration and reward. The Committee could have, as some companies do, pay significant salaries and increase remuneration potential through incentives in advance of the delivery of growth and increase in shareholder value. This approach was not taken. However, in light of the exceptional performance delivered by the executive team since the IPO and the current size and growth profile of the Company, the Committee felt that it was appropriate to review the remuneration arrangements during the course of 2016.

As set out in my letter on 14 December 2016, following the review, we proposed a number of changes to the remuneration policy, which were underpinned by three key principles:

1. alignment between executives and long-term shareholders;
2. focus on long-term value creation; and
3. transparency in our approach to remuneration.

In line with these principles, the Committee presented a new remuneration policy for shareholder approval at the General Meeting held on 29 December 2016, which included the following key changes for executive directors:

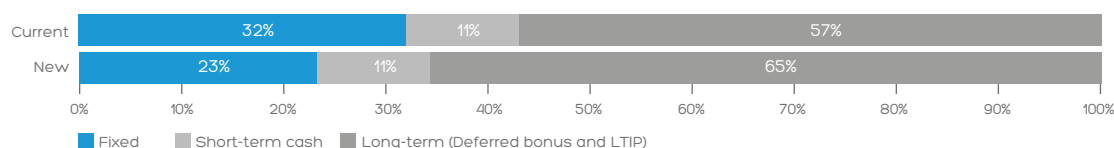
- increase in the short-term incentive opportunity in normal circumstances from 150% of salary to 200% of salary (250% of salary in exceptional circumstances);
- increase in the long-term incentive opportunity in normal circumstances from 150% of salary to 250% of salary (300% of salary in exceptional circumstances); and
- increase in the shareholding requirement from 200% of salary to 300% of salary.

Adjustments were also made to the base salaries for the Executive directors.

Our new remuneration policy was approved by just over 70% of the 92% of shareholders who voted on our proposals.

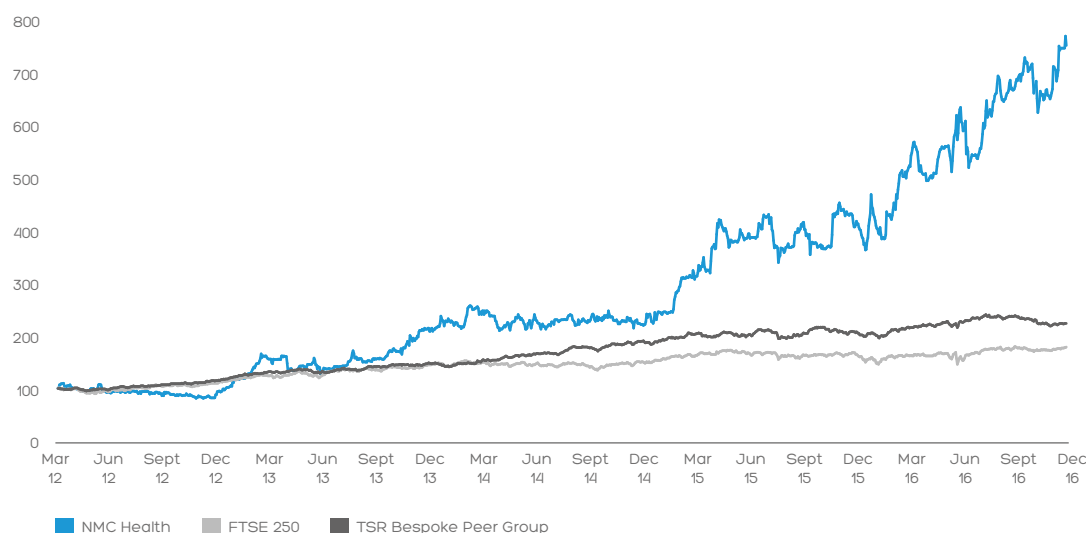
In discussions with shareholders and Institutional shareholder bodies, questions have rightly been raised in relation to the phasing of the increases we have made, given that the increases have been substantial. Whilst the Committee understands the feedback that has been received, we believe that the arrangements going forward are appropriate for the following reasons:

- adjustments to salaries in the years following the IPO, during which our shareholders have seen a significant increase in profitability and shareholder value, still resulted in total remuneration levels that lagged competitive practice given the size and complexity of the Group;
- phasing the increases towards a competitive level of overall remuneration over an even longer period would not have been creating the correct environment to motivate and reward management; and
- a significantly larger proportion of the package going forward is to be delivered through incentive based remuneration, as shown in the following table, ensuring that the executives are only rewarded where strong operational performance and shareholder returns continue to be delivered.



OUR PERFORMANCE IN 2016

2016 was another strong year for your Company. This is seen in our TSR performance against the broader market, our direct competitors, as well as performance against our operational objectives. We completed the acquisition of the Al Zahra hospital, continued the focus on ramping up of new facilities which has a direct impact on our profitability, at the same time as expanding our geographic presence.



We have successfully delivered EBITDA of US\$246.1m, a key focus for the Board and management team, with is particularly challenging given the Company's recent acquisitions.

Quality measures are also key to a healthcare business, and we are proud that our performance in 2016 for the Group's three speciality hospitals achieved excellent ratings against JCI performance measures. The NMC Royal Hospital is the Group's newest and largest facility. The operational ramp-up of this facility has exceeded our expectations in terms of occupancy levels in 2016. Finally, the Group has also been careful to ensure efficiencies through the ramp-up of a central laboratory for laboratory testing requirements. We are pleased to report that significant progress has been made here as well.

Given the very strong performance delivered in 2016, further details of which are provided in the business overview and financial review sections on pages 20 to 25 of this annual report, the Remuneration Committee has approved a bonus of 100% of the maximum opportunity (150% of salary) for both Dr Shetty and Prasanth Manghat. The actual 2016 STIP targets are considered commercially sensitive and therefore have not been disclosed in this report. They will be disclosed when they are no longer considered commercially sensitive, which will be, at the earliest, in the Directors' Remuneration Report following the year in which the bonus is paid.

In light of our commitment to increased transparency, we have, however, disclosed the targets and our performance against the targets for the 2015 STIP on page 70.

In respect of vesting under the 2014 LTIP, the first grant made to management under the LTIP, performance is assessed against three-year relative TSR and three-year compound annual growth in EPS. Our TSR for this period was 281% (against a peer group median of 47%) with compound annual growth in EPS of 24.8%. This strong level of performance will result in 100% of the 2014 LTIP awards vesting in October 2017.

LOOKING FORWARD

The Committee is satisfied that we have, under the new Remuneration Policy, the right structure in place to reward the level of outstanding performance shareholders expect of the Company.

The Committee does not subscribe to a generic approach to remuneration and believe that our remuneration structure is appropriate for your Company. We hope shareholders will support our approach to Executive remuneration and our desire to incentivise management now to produce stellar performance in the future.

In accordance with normal practice, our Annual Remuneration Report will be put to an advisory vote at the forthcoming Annual General Meeting. I very much hope you will support our Annual Remuneration Report. I am, of course, available at any time to answer any questions you may have on the Company's approach to remuneration.

LORD CLANWILLIAM

Chairman of the Remuneration Committee

Directors' Remuneration Report 2016

Directors' Remuneration Policy

INTRODUCTION

This Directors' Remuneration Report is divided into two sections.

The first section relates to the Remuneration Policy which was approved by shareholders at the Company's General Meeting held on 29 December 2016. As this is the first Annual Report published since shareholder approval of the new policy table, we set out the policy in full below. Explanatory notes used to explain aspects of the new policy, and the changes made from the previous Directors' remuneration policy, can be found in the shareholder circular dated 14 December 2016 which can be viewed on the Company's investor relations website.

Secondly, the Annual Remuneration Report section details how our previous remuneration policy (approved by shareholders in June 2014) was implemented in the year ended 31 December 2016, and what remuneration was paid to the Directors for that period. The Annual Remuneration Report then sets out how we intend for the new policy to apply for the year ending 31 December 2017.

The Annual Remuneration Report will be subject to an advisory shareholder vote at the 2017 AGM.

Where the information is subject to audit in this Directors' Remuneration Report this is identified in the relevant heading.

DIRECTORS' REMUNERATION POLICY

In this remuneration policy section, we set out the remuneration policy for the Board which shareholders approved at the Company's General Meeting held on 29 December 2016.

EXECUTIVE DIRECTOR POLICY TABLE

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
To attract and retain management of the calibre required to deliver the Group's strategy without paying more than is necessary.	Salaries are normally reviewed annually, with increases taking effect following the review.	There is no maximum salary level.	Individual performance will be considered when reviewing base salary levels.
To reward executives for the performance of their role.	Salaries may be reviewed at different intervals if the Committee considers it appropriate.	Increases may be made above this level at the Committee's discretion to take account of individual circumstances, for example: (i) An increase in scope / responsibilities; (ii) To reflect the individual's development in the role (e.g. for a new appointment where the salary may be increased over time rather than set directly at the level of the previous incumbent / market); (iii) Alignment to market level.	
	When setting base salaries, consideration is given to: (i) Remuneration levels at companies of a comparable size and complexity in the FTSE, other similar UAE companies and other international healthcare companies; (ii) Salary increases elsewhere in the Group; (iii) Business and individual performance; (iv) The experience of the individual; (v) The external economic climate and market conditions; and (vi) Local market practice.		
	The Committee can also take into account the tax treatment of salaries for UAE based management in setting base salary levels.		

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits			
To provide benefits that are competitive relative to the employee's local market.	<p>Benefits are set at a level which the Committee considers is appropriate taking into account: (i) Local market practice; (ii) Practice at companies of a similar size and complexity, other UAE companies and other international healthcare companies; and (iii) The role and the individual's circumstances.</p> <p>The Group provides a range of benefits which reflect typical benefits offered in the UAE including, but not limited to: (i) Employee / family accommodation; (ii) Private Medical Insurance (including family cover); (iii) Company provided transport facility (iv) Annual family return flight to home country; (v) 30 days' holiday; (vi) End of service benefit; (vii) Reimbursement of reasonable personal accommodation and travel costs including any related tax liability.</p> <p>In the event that an Executive is required to re-locate to undertake their role, the Committee may provide additional benefits to reflect the relevant circumstances (on a one off or on-going basis). Other benefits may be offered if considered appropriate and reasonable by the Committee.</p>	The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances and therefore there is no maximum value.	None.
Retirement benefits			
To provide a market competitive retirement benefits and fixed pay package to recruit and retain executive talent.	<p>Unlike its peer companies, the Company does not currently operate any pension arrangements, but an end of service benefit, payable to the employee when he leaves the Group, is accrued annually in accordance with local UAE laws.</p> <p>We would continue to honour any legacy arrangements agreed with an individual prior to them being promoted to an executive director role.</p>	Whilst the Committee has not set an absolute maximum opportunity, the Committee will determine the level of benefit based on what is appropriate taking into account: (i) Local market practice; (ii) Practice at companies of a comparable size and complexity, other UAE companies and other international healthcare companies; and (iii) The role and the individual's circumstances.	None.

Directors' Remuneration Report 2016 continued

Directors' Remuneration Policy continued

EXECUTIVE DIRECTOR POLICY TABLE CONTINUED

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Short-Term Incentive Plan ("Bonus plan")			
<p>To provide a structure to attract, retain and motivate senior executives of the calibre required to manage the business and to deliver annual strategic objectives.</p> <p>To provide an incentive arrangement which is clearly structured and transparent for senior executives and shareholders.</p>	<p>Bonus measures and targets are set annually dependent on the deemed strategic priorities for that year.</p>	<p>The maximum bonus opportunity in respect of a financial year is 200% of base salary. In exceptional circumstances, the Committee may increase the maximum limit to 250% of salary.</p> <p>Normally, up to 50% of the bonus pays-out for target performance.</p>	<p>The specific measures may vary from year to year in order to remain focussed on key drivers of our strategy.</p> <p>Our business profitability is closely aligned to operational efficiencies across our facilities. As such performance is measured against a range of key financial, operational/ strategic metrics and individual key performance indicators measured over one year.</p> <p>The actual performance targets set are not disclosed prospectively as they are commercially sensitive.</p> <p>Where no longer commercially sensitive, the measures and the outcomes against these measures will be disclosed retrospectively.</p>
	<p>Performance is determined by the Committee after the year-end based on performance against targets.</p> <p>The Committee has the discretion to amend the bonus pay-out should the formulaic output not produce a result which in the view of the Committee fairly reflects overall performance or individual contribution.</p> <p>Any annual bonus achieved for a financial year is normally delivered one-third in cash and two-thirds in deferred shares. Normally, 50% of the deferred element vests one year from award and the rest vests two years from award subject to continued employment. There are no further performance conditions or other conditions which will apply to any deferred shares awarded (with the exception of continued employment).</p> <p>The Committee shall have the discretion to determine that a different balance of cash and shares and / or a different time horizon may apply.</p> <p>Malus provisions apply. Awards may be reduced, cancelled or have further conditions applied in certain circumstances prior to vesting. These include but are not limited to, mis-statement of financial results, a material failure of risk management or serious reputational damage to the Company.</p>		

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long-Term Incentive Plan ("LTIP")			
<p>To incentivise the delivery of long-term growth and returns for shareholders.</p> <p>To attract and retain executives of the calibre required to drive the long-term strategy.</p>	<p>Awards vest based on performance measured over a three year period. The Committee has the discretion to apply a longer performance period or to introduce a holding period at the end of a performance period.</p> <p>Performance targets are set annually for each three-year cycle.</p> <p>The Committee has the discretion to amend the final level of vesting of awards if it does not consider that it reflects the underlying performance of the Group.</p> <p>Awards are subject to malus provisions. Awards may be reduced, cancelled or have further conditions applied in certain circumstances prior to vesting. These include but are not limited to mis-statement of results, a material failure of risk management or serious reputational damage to the Company.</p>	<p>The maximum award opportunity in respect of a financial year is 250% of base salary. In exceptional circumstances, the Committee may grant awards of up to 300% of salary.</p> <p>Up to 25% of the award pays out for threshold performance. Awards vest on a straight-line between threshold and maximum performance.</p>	<p>Performance measures are determined by the Committee and are chosen to be aligned with the long-term success of the business.</p> <p>The Committee believes a measure linked to profitability (e.g. earnings per share) and a share price related measure (e.g total shareholder return) remain appropriate.</p> <p>Accordingly, LTIP awards for 2017 will be based on:</p> <ul style="list-style-type: none"> • Earnings Per Share (50%); and • Relative Total Shareholder Return measured against the 150 largest companies within the FTSE 350 (50%). <p>The performance measures for the LTIP focus management on the delivery of strong profit growth (through the profitability measure) and the delivery of strong shareholder returns (through the share price related measure).</p> <p>EPS has been chosen as the profitability performance measure for awards to be made in 2017 to ensure that pay-outs reflect the overall shareholder experience.</p> <p>The performance measures selected by the Committee may change from time to time to reflect any change in the Group strategy.</p> <p>The Committee has the discretion to:</p> <ul style="list-style-type: none"> • Change the overall weighting of the performance measures; • Vary the measures and their respective weightings within each category. <p>The performance measures will be disclosed in the directors' remuneration report for the relevant year.</p>

Directors' Remuneration Report 2016 continued

Directors' Remuneration Policy continued

EXECUTIVE DIRECTOR POLICY TABLE CONTINUED

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Share option plan ("SOP")			
To incentivise executive directors to increase the share price and deliver value for shareholders.	<p>It is intended that awards would only be made under this plan in exceptional circumstances.</p> <p>Awards are granted in the form of market value options. Awards vest based on performance measured over a three year period. Options may be exercised until the 10th anniversary of the date of grant.</p> <p>Awards are subject to malus provisions. Awards may be reduced, cancelled or have further conditions applied in certain circumstances prior to vesting. These include but are not limited to mis-statement of results, a material failure of risk management or serious reputational damage to the Company.</p>	The maximum award opportunity in respect of a financial year is 200% of base salary.	In the event that an award was to be granted under this plan in exceptional circumstances the Committee would determine appropriate performance conditions at that time.

Shareholding guidelines

To align the interests of the management team with shareholders, the company operates a shareholding guideline for Executive directors of 300% of salary.

Remuneration policy on recruitment

Area	Policy and operation
Principles	<p>The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.</p> <p>The structure of the on-going remuneration package would normally include the components set out in the policy table for Executive directors.</p> <p>In the event that an internal candidate was promoted to the Board legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.</p>
Base salary	Set at a level to recruit the candidate with the required calibre, skills and experience to deliver the Group's strategy without paying more than is necessary.
Benefits and pension	<p>To be provided in line with normal policy.</p> <p>In the event that an Executive is required to re-locate to undertake the role, the Committee may provide additional benefits to reflect the relevant circumstances (on a one off or on-going basis).</p>
Incentive awards	<p>Incentive awards would normally be made under the STIP, LTIP or SOP.</p> <p>In addition, the Committee has the discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific commercial circumstances, and subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be appropriately disclosed.</p> <p>In line with our policy, the maximum level of variable remuneration which may be awarded (excluding any compensatory payments or awards referred to below) is 550% of salary.</p>

Area	Policy and operation
Compensatory awards	<p>Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities.</p> <p>When determining such a 'buy-out' the guiding principle would be that awards would generally be on a 'like for like' basis to those forfeited, unless this was not considered appropriate in the particular circumstances.</p> <p>To facilitate awards outlined above, the Committee may make awards under company incentive plans or other available structures as appropriate, including using listing rule 9.4.2 for the purpose of making 'buy-out' awards.</p>
Non-executive directors	The remuneration package for a newly appointed non-executive director would normally be in line with the structure set out in the policy table for Non-executive directors. Remuneration for new hires may be paid in the form of cash or shares.
Treatment of incentives on cessation of employment	
STIP	<p>There is no automatic entitlement to a bonus.</p> <p>In the case of ill-health, injury, disability, death, sale of the employing company or business from the Group or any other reason at the Committee's discretion, executive directors may receive a bonus in respect of the financial year of cessation. This payment will normally be pro-rated for time and subject to performance, however the Committee retains the discretion to review overall business and individual performance and determine that a different level of bonus payment is appropriate. This payment may be paid in such proportions of cash or shares as the Committee considers appropriate.</p> <p>In other circumstances the Committee may determine that a bonus payment may be due to reflect performance and contribution to the point of cessation.</p>
Unvested deferred STIP awards	<p>In the case of ill-health, injury, disability, death, sale of the employing company or business from the Group or any other reason at the Committee discretion, unvested awards would normally continue to vest at the end of the normal deferral period. The Committee may determine, in appropriate circumstances that awards should vest at cessation of employment.</p> <p>In other circumstances, awards would normally lapse.</p>
LTIP	<p>In the case of ill-health, injury, disability, death, sale of the employing company or business from the Group or any other reason at the Committee's discretion, awards may vest at a level determined by the Committee taking into account the extent to which the performance conditions have been met and, unless the Committee determine otherwise, the time elapsed since grant.</p> <p>Awards will normally carry on to the normal vesting date except in the case of death where awards may vest immediately. The Committee may determine that awards should vest at cessation of employment.</p> <p>Awards in the form of nil cost options may be exercised for a period of 6 months from vesting (12 months in the cases of death). Participants have 6 months from cessation to exercise vested awards (12 months in the case of death). The Committee may allow alternative exercise windows if it considers it appropriate.</p> <p>In other circumstances, awards would normally lapse.</p>
SOP	<p>In the case of ill-health, injury, disability, death, sale of the employing company or business from the Group or any other reason at the Committee's discretion, options may vest at a level determined by the Committee taking into account the extent to which the performance conditions have been met and, unless the Committee determines otherwise, the time elapsed since grant.</p> <p>Options vesting will normally carry on to the normal vesting date except in the case of death where awards may vest immediately. The Committee may determine that awards should vest at cessation of employment.</p> <p>Options may be exercised for a period of 6 months from vesting (12 months in the case of death). Participants have 6 months from cessation to exercise vested awards (12 months in the case of death).</p> <p>In other circumstances, unvested awards would normally lapse. Vested options may be exercised for 6 months from cessation.</p>
Other information	The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with his cessation of office or employment.

Directors' Remuneration Report 2016 continued

Directors' Remuneration Policy continued

EXECUTIVE DIRECTOR POLICY TABLE CONTINUED

Treatment on a change of control

On a change of control, awards under the LTIP and SOP would normally vest to the extent determined by the Committee taking into account the extent to which any performance conditions are satisfied at the date of the event, the time that has elapsed since the grant of an award and any other factors it considers appropriate.

The executive directors may exchange their awards over Company shares for awards in shares of the acquiring company if the terms of the offer allow this.

Any deferred STIP shares will normally vest in full upon a change of control.

In the event of a winding-up of the Company, demerger, delisting, special dividend or other event which in the opinion of the Committee may affect the current or future share price, the Committee may allow LTIP, SOP and any deferred STIP awards to vest on the same basis as set out above.

Non-Executive Director Policy table

Purpose and link to strategy	Operation	Maximum opportunity
To provide an appropriate reward to attract and retain high-calibre individuals.	<p>The remuneration of non-executive directors is approved by the executive directors following recommendations and discussions with the Chairman of the Company and the Chairman of the Remuneration Committee, as appropriate.</p> <p>Fees are structured as follows:</p> <ul style="list-style-type: none"> • The Non-Executive Chairman and Non-Executive directors are paid a basic fee. • Additional fees are also paid for additional responsibilities (including the Senior Independent Director and Chairmanship of a Committee). • Intercontinental travel allowances are paid, where such travel is required. <p>Fees will be paid in an appropriate mix of cash and shares.</p> <p>Non-executive directors are also reimbursed for travel and reasonable personal expenses (including any related tax liability on such expenses).</p> <p>Non-executive directors are eligible to receive annual health checks. No other benefits are currently provided. Other ad hoc benefits may be provided in the future if this was considered appropriate.</p>	<p>The maximum level of non-executive director remuneration is set out in the Company's articles of association. This may be amended from time to time subject to shareholder approval.</p> <p>Fees are set at a level which reflect the commitment and contribution that is expected from the Chairman and non-executive directors and that are appropriately positioned against comparable roles in companies of a similar size and complexity.</p> <p>Fee levels are disclosed in the Directors' remuneration report for the relevant financial year.</p> <p>Additional fees may be payable to non-executive directors from time to time for additional board responsibilities. Additional fees may also be paid where the time commitment in a particular year was significantly more than anticipated.</p>

Directors' Remuneration Report 2016 continued

Annual Remuneration Report

THE REMUNERATION COMMITTEE IN 2016

Details of the members of the Committee during the 2016 financial year, and its role and responsibility within the Group's Board and governance structure, is set out on page 49 of the Governance report.

Principal matters considered in 2016

The Committee met formally five times during a busy year. Principal items discussed by the Committee included:

- Reviewed and approved the targets for incentive awards to be made in the year;
- A tender process in relation to the Committee's independent external adviser. This process resulted in a number of meetings and discussions leading to the decision set out below;
- A review and discussion in relation to the new Directors' Remuneration policy which was put to, and approved by, shareholders on 29 December 2016; and
- The review and setting of base salaries and maximum share plan incentive levels that will operate for Executive Directors in 2017.

Support and External Advice

The Remuneration Committee seeks and considers advice from independent remuneration advisers when discussing and setting Executive Director and Senior Management salary levels. Deloitte was appointed by the Remuneration Committee and acted as advisors to the Company since 2012. During the year, the Committee undertook a tender process with regards to the appointment of this adviser.

The objective of the tender for this position was to ensure that, in advance of the renewal of the Directors' Remuneration Policy, the Committee was receiving advice and to have a new remuneration policy which is appropriate to the Group's changing circumstances and sufficient for the Group's continuing growth strategy in the coming years. In addition to Deloitte re-tendering for the role, represented by a new partner at the firm, the Committee also received presentations and formal tender submissions from two other firms.

In addition to an initial presentation, a formal tender process was conducted. In addition to outlining how they would work with the committee on an ongoing basis and a discussion on potential remuneration structures that the Group could employ, work undertaken for similar structured organisations and potential fee levels of each firm were considered as part of the presentation and tender process.

Following extensive discussions, it was agreed that Deloitte would be re-appointed as the Committee's advisers on remuneration. Deloitte then assisted the Committee in finalising the new remuneration policy approved by shareholders on 29 December 2017, setting new base salary and maximum incentive levels for Executive Directors for 2017.

The Committee have reviewed and considered Deloitte's independence, and consider them to be independent advisers to the committee notwithstanding that Deloitte, as an international firm, provide the following services to the group:

- Some tax advisory services to the Group in Spain;
- Internal Auditors to our IVF businesses, Clinica Eugin and Fakh IVF; and
- transaction services and accounting advice to the Group in the UAE, both before and after some of the Group's acquisitions.

It was noted that none of this advice has related to remuneration matters in the Group, all teams providing these services are based in countries other than the UK where the remuneration advisory team are based and none of these teams have any connection with the engagement partner and team advising the Remuneration Committee.

The Committee is satisfied that the advice they have received from Deloitte during the year has been objective and independent and that the Deloitte LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with NMC that might impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Deloitte are signatories to the remuneration consultants' group code of conduct in relation to executive remuneration consulting in the UK.

The Remuneration Committee has direct access to Deloitte as and when required. The Group Company Secretary liaises with Deloitte where necessary to ensure that all Committee requests and decisions are dealt with and implemented, but does so under the guidance of the Remuneration Committee Chairman. Deloitte attend meetings of the Committee as required.

Deloitte received fees of £31,000 (charged on a time plus expenses basis) for advice received during the year.

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

THE REMUNERATION COMMITTEE IN 2016 CONTINUED

Results of voting on Remuneration matters at General Meetings of the Company

The following summarises voting at the two General Meetings in 2016 at which resolutions relating to Directors remuneration were put to shareholders:

Meeting Date	Resolution	Resolution type	For	Against	Number of votes withheld
3 June 2016	To approve the Directors' Remuneration Report	Advisory	69.38%	30.62%	280,673
29 December 2016	To approve the New Directors' Remuneration Policy	Binding	70.24%	29.76%	618
	To approve Amendment to LTIP rules	N/A	74.56%	25.44%	618

The Committee takes note of the views of shareholders when reviewing Directors remuneration and appreciates that some shareholders have a differing view of the correct approach to incentivise management. Whilst the Committee understands that a number of shareholders were not supportive of the proposed changes to remuneration made in 2016, the Committee believes that the arrangements going forward are appropriate for the following reasons:

- adjustments to salaries in the years following the IPO, during which our shareholders have seen a significant increase in profitability and shareholder value, still resulted in total remuneration levels that lagged competitive practice given the size and complexity of the Group;
- phasing the increases towards a competitive level of overall remuneration over an even longer period would not have been creating the correct environment to motivate and reward management; and
- a significant proportion of the package going forward is to be delivered through incentive based remuneration, ensuring that the executives are only rewarded where strong operational performance and shareholder returns continue to be delivered.

As always, the Committee is appreciative of the support which shareholders have given in relation to Directors remuneration matters.

Remuneration arrangements throughout the Group

The remuneration philosophy is the same throughout NMC - that individuals should be remunerated based on their role, responsibilities, experiences and market practice. NMC has a variety of different roles from senior executives, to doctors and nurses and to administrators and support staff, and therefore remuneration levels and structures vary to reflect the different requirements, expectations and locations of these roles.

The Committee does consider that it is important, however, that Executive Directors and senior executives as a group are remunerated in a similar way to ensure that they are incentivised to collectively deliver the Group's strategy and create long term value for shareholders. Executive Directors and senior management therefore all participated in the STIP and LTIP arrangements in 2016.

Shareholder views and consideration of employment conditions elsewhere in the Group

Communication with our Shareholders

The Committee is available to discuss remuneration matters concerning shareholders at any time and management and the Chairman of the Committee have discussed remuneration changes with shareholders and institutional bodies during the year.

Consideration of pay and conditions of employees

The Committee considers the correlation between Executive Director remuneration and that of Senior Management, as well as pay levels externally for similar roles, when determining individual remuneration levels. However, given the Group's wide geographic reach in relation to both its business interests and shareholders, and the significant corporate and public company responsibilities which are not reflected in roles in the rest of the Group, the Committee do not feel that Executive Director and Senior Management remuneration needs to be aligned with other remuneration within the business. The Committee did not consult with employees when setting Executive Director pay.

2016 REMUNERATION - THIS SECTION IS SUBJECT TO AUDIT

This section outlines how the remuneration policy was applied in 2016, together with the outcomes for actual remuneration paid in relation to the financial year under review. This is shown in two parts - Remuneration paid to Executive Directors and a separate section in relation to Non-Executive Directors.

Executive Director Remuneration 2016

Remuneration paid in 2016 (single pay figure)

The table below sets out the remuneration paid to or received by each Executive Director of the Company who served during the financial year ended 31 December 2016.

Executive Director	Salary \$'000		Benefits \$'000		STIP \$'000		LTIP awards \$'000		Pension \$'000		Total \$'000	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Dr B R Shetty	1,061.8	544.5	173.4	165.3	1,592.7	544.5	0.0	0.0	212.4	0.0	3,040.3	1,254.3
Prasanth Manghat	898.4	473.7	19.6	20.2	1,347.6	473.7	0.0	0.0	179.7	0.0	2,445.3	967.6

Base salaries

The base salaries of the Executive Vice Chairman and CEO, AED 3.9m (US\$1.1m) per annum, and the Deputy CEO, AED 3.3m (US\$0.9m) per annum, were set effective from 1 January 2016. There were no changes to base salaries during the 2016 financial year.

Benefits

There was no change to the structure of benefits available to the Executive Directors during the year. The Benefits paid included the following items:

Executive Director	Provision of family accommodation \$'000		Private medical insurance \$'000		Life insurance cover \$'000		Annual family return flights to home country \$'000	
	2016	2015	2016	2015	2016	2015	2016	2015
Dr B R Shetty	168.7	160.6	2.2	2.2	0.0	0.0	2.5	2.5
Prasanth Manghat	0.0	0.0	4.4	4.4	0.0	0.6	15.2	15.2

Outcome of 2016 STIP

The Group once again made significant progress during the year. In addition to the continued execution of the Group's strategic plan through the opening and ramp-up of new facilities, the Group continued its acquisition program during 2016. In setting targets for the 2016 STIP, the Committee considered the key focus required of management for the financial year, which of course continued to be required alongside the significant proportion of time and commitment of the Executive Directors and Senior Management in relation to the acquisition program (including the acquisition of Al Zahra hospital in Sharjah as announced in December 2016, which is not directly included as a target for the STIP).

In addition to EBITDA achievement, one of the primary targets set was in relation to the ramp-up of NMC Royal Hospital, Khalifa City. Although this is not directly a financial target, an accelerated ramp-up of new facilities provides better than expected EBITDA performance in the medium term. In relation to NMC Royal Hospital, Khalifa City, which is the Group's largest hospital, a focus on an accelerated ramp-up provides strong financial benefits to the Group in the medium term. Other targets include the expansion into new geographies, a link to the Group's expansion program and operational targets relating to quality and efficiency.

The outcome of each target for the 2016 STIP is shown in the table below. The Executive Vice Chairman and CEO and the Deputy CEO each received 150% of base salary as their annual bonus in respect of the 2016 financial year. As stated in the 2015 Directors' Remuneration Report, the way in which the 2016 STIP Award is delivered to the executive team changed from previous years, with a lower percentage of cash being delivered on granting of an award. For the 2016 STIP, one-third of the award achieved is being paid in cash with two-thirds delivered in the form of a deferred share award, which vests equally after periods of one year and two years.

The actual financial performance targets used for the determination of the 2016 STIP have not been disclosed in the Directors' Remuneration Report as the Board deems that the disclosure of the targets could prejudice the Group's business. The financial targets will be disclosed as soon as they are no longer deemed commercially sensitive, which will be, at the earliest, in the Directors' Remuneration Report for the financial year following the year in which the bonus is paid.

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

2016 REMUNERATION - THIS SECTION IS SUBJECT TO AUDIT CONTINUED

Outcome of 2016 STIP continued

Measure	Purpose and link to remuneration strategy	Description of measure	Target and performance	Weighting		Outcome (percentage of maximum)
				Executive Vice Chairman and CEO	Deputy CEO	
EBITDA	Optimize cost of services	<p>Achieve minimum levels of EBITDA set by the Committee (including EBITDA from all Group businesses as at 1 January 2016 plus Fakih IVF).</p> <p>This target recognises that minimum levels of EBITDA must be achieved for the financial year, ensuring that new acquisitions in FY2015 and Q1, 2016 perform well and that the new facilities opened by the Company, including NMC Royal Hospital, Khalifa City, ramp-up well after opening.</p> <p>Additionally, a targeted level of EBITDA must be achieved before any STIP entitlement is earned in relation to FY2016.</p>	<p>The maintenance of good levels of EBITDA are also a key focus for the Board and the management team during a continuing period of significant acquisitive growth. Business operations collectively performed above expectation, including a better than expected performance by NMC Royal Hospital following its opening for inpatient services.</p> <p>This strong performance, detailed in the Business overview and Financial review sections on pages 20 to 25 of this annual report, with EBITDA of US\$246.1m, resulted in a maximum achievement level for this measure being achieved.</p>	25%	25%	100%
JCI Accreditation	Strengthen and maintain NMC's corporate image	<p>NMC seeks to achieve a high quality standard in each of its facilities. Quality standards are seen as a key component in relation to customer service and monitoring of such standards a key clinical risk mitigation factor and component of the Group's internal control mechanism.</p> <p>Achievement of set targets in relation to the monitoring of those clinical and quality indicators which are required to reach a certain standard under the Joint Commission International accreditations for the Group's three Specialty Hospitals having JCI accreditation for the whole of 2016.</p>	<p>The Group's three Specialty Hospitals once again achieved excellent quality performance against set JCI performance measures.</p> <p>The Board has determined that performance against the JCI metrics is commercially sensitive, and will continue to be so, and as such the detailed performance against this measure is not disclosed. However, the Board can confirm that the stretch target was exceeded across all individual facilities.</p>	25%		100%

Measure	Purpose and link to remuneration strategy	Description of measure	Target and performance	Weighting		Outcome (percentage of maximum)
				Executive Chairman and CEO	Vice Deputy CEO	
Expansion into new geographies	Strategic growth	<p>Part of the Strategic growth plan agreed by the Board includes the expansion of the Healthcare division into new geographic locations, principally other GCC countries outside of the UAE.</p> <p>The Remuneration Committee set targets related to this geographic expansion.</p>	<p>The Group continued execution of its strategic growth plan, including plans to widen the Group's geographic reach outside the previous focus on the UAE.</p> <p>The targets related to this geographic expansion, with acquisitions in Saudi Arabia, Europe and South America announced in the year, were met at maximum achievement level.</p>	25%	25%	100%
Ramp-up of NMC Royal Hospital, Khalifa City	New facility performance and EBITDA improvement	NMC Royal Hospital, Khalifa City, is the Group's newest and largest facility, and will be a regional flagship hub for the Group's Healthcare division. The Committee has set targets relating to the number of operational beds in this facility, and average occupancy of those beds, by the end of 2016 as this will have a direct impact on both future revenue and EBITDA levels for the Group.	The initial ramp-up of this facility following the commencement of inpatient services in 2016, has exceeded expectations. By the end of the 2016 financial year, the number of beds, and occupancy of those beds, exceeded the Committee's set target for maximum achievement required for this measure.	25%	25%	100%
Establishment of Central Laboratory	Group efficiencies	<p>This measure related to plans to open a centralised laboratory structure within the Group's Healthcare division. This target was set to ensure as many facilities as possible are using the central laboratory for their laboratory testing requirements in the short term.</p> <p>This target specifically ensures that, during this period of significant acquisitive growth, there is a continuing focus on efficiencies within the Healthcare division and assists in maintaining high laboratory standards.</p>	Central Laboratories have been set up in the key hubs across the Company's key markets in the UAE, with these hubs servicing other Group operating facilities in those markets.		25%	100%

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

2016 REMUNERATION - THIS SECTION IS SUBJECT TO AUDIT CONTINUED

Outcome of 2015 STIP

Consistent with one of our core principles, transparency, we have provided detailed disclosure against our 2015 performance for the first time below, where such measures are not held to be commercially sensitive.

Measure	Weighting		Description of 2015 Measures, Target and Performance
	Executive Vice Chairman and CEO	Deputy CEO	
Healthcare revenues	33.3%	20%	<p>Achievement of a minimum level of healthcare revenues set by the Committee (including revenues from existing facilities, Clinica Eugin and new facilities opened in 2014).</p> <p>Threshold US\$400m Stretch US\$450m</p> <p>Revenues of US\$473.8m were achieved, in excess of the stretch target.</p>
Healthcare EBITDA target and gateway hurdle	33.3%	35%	<p>Achievement of minimum levels of EBITDA set by the Committee (including EBITDA from existing facilities, Clinica Eugin and new facilities opened in 2014). Additionally, this targeted level of EBITDA had to be achieved before any STIP entitlement could be earned in relation to FY2015.</p> <p>EBITDA Threshold US\$100m Stretch US\$110m</p> <p>EBITDA of US\$127.4m was achieved, in excess of the stretch target.</p>
JCI Accreditation	33.3%	-	<p>The Board has determined that performance against the JCI metrics is commercially sensitive, and will continue to be so, and as such the detailed performance against this measure is not disclosed. However, the Board can confirm that the stretch target was exceeded across all individual facilities.</p>
Revenue per Patient	-	10%	<p>Revenue per patient is a principal financial driver for the Group. The Committee set a stretch target of US\$121 revenue per patient. Actual performance was US\$121.1 in revenue per patient.</p> <p>This target was therefore met at the stretch level.</p>
Patient Occupancy Levels	-	10%	<p>Utilisation of assets is key to performance and therefore achieving efficient patient occupancy levels represents a continuing target for the business. Target performance was set at 74% or greater with a stretch target of 75% or greater. This target excludes any new facilities opened in 2014 as they were considered to be in ramp-up phase with expected abnormally low occupancy levels.</p> <p>Occupancy achieved under this measure was 76% which the Committee determined fulfilled the target at the stretch level.</p>
Organisational Capability	-	15%	<p>Specific targeted milestones set by the Committee for capital and technology enablement programs to be met.</p> <p>This Committee determined that this measure was met at its stretch level in light of the Group's flagship NMC Royal Hospital Khalifa City opening in 2015, and given the excellent ramp-up performance of other new facilities opened.</p>
Human Capital	-	10%	<p>Targets set by the Committee in relation to the enhancement of succession planning capabilities within the Group given the Company's growth and acquisition plans for 2015.</p> <p>The Committee wanted to ensure that up to five key management positions had succession plans in place during 2015 and this was achieved.</p>

Long Term Incentive Plan

Performance in relation to LTIP Awards made in 2014

Awards for Executive Directors under the LTIP were granted for the first time in 2014 and therefore, to date, no LTIP grants have yet reached their 3 year vesting point. However, the performance period in relation to the 2014 LTIP award (being the three financial years 2014, 2015 and 2016) has now ended, and therefore the Committee is in a position to confirm the level of vesting which will apply when the third anniversary of the date of grant of the award is reached on 29 October 2017.

50% of the award was subject to an Earnings Per Share (EPS) growth performance condition, whilst the remaining 50% of the award was based on the Company's Total Shareholder Return relative to a bespoke peer group.

Measure	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Level of vesting
Earnings Per Share ¹	6% p.a. growth	15% p.a. growth	24.84% p.a. growth	100%
Total Shareholder Return ^{2,3}	Median	Upper quartile	280.95% (100th percentile)	100%

1 Straight line vesting between threshold and maximum.

2 Pro-rata vesting between median and lower quartile on a ranking basis.

3 Peer group - Korian Medica (France); Al Noor Hospitals GP (UK); Spire Healthcare GP (UK); Raffles Medical GP (Singapore); Banmedica (Chile); Synergy Health (UK); KPJ Healthcare (Malaysia); NIB Holdings (Australia) Al-Maidan DNL Clinic (Kuwait).

Given the strong level of relative TSR and EPS performance delivered over the three-year performance period, the Committee determined that 100% of the awards will vest on 29 October 2017.

As the share price at the date of vesting was not known at the date of publication of this report, no value has been included within the single figure table. This will be included in the following years report, based on the number of shares that vested multiplied by the average share price over the quarter ending 31 December 2016, which is £14.23.

Awards made in 2016

During 2016, LTIP grants were made to the Executive Directors at 150% of base salary, in line with our approved Policy applying during the 2016 financial year.

Performance targets

The following performance targets were used in relation to all LTIP awards granted in 2016.

Company's Earnings per Share (EPS) growth

This measures the Company's annual compound growth in EPS and represents 50% of the total award. The table below sets out the EPS targets for the 2016 award and the corresponding level of vesting:

Annual compound growth in EPS over the three-year Performance Period	Vesting percentage of target
15% or more	100%
Between 6% and 15%	On a straight-line basis between 25% and 100%
6%	25%
Less than 6%	0%

Total Shareholder Return (TSR) growth

This measures the Company's TSR compared against a comparator group of companies and represents 50% of the total award. The table below sets out the TSR targets for the 2016 award and the corresponding level of vesting:

Company's TSR over three-year performance period compared to the FTSE 250 (excluding investment trusts)	Vesting percentage of target
Upper quartile	100%
Between median and upper quartile	Pro-rata between 25% and 100% on a ranking basis
Median	25%
Below Median	0%

Pension contributions

There were no pension contributions in 2015. During 2016, the Committee considered its current policy not to provide executive directors with a pension arrangement. The Committee considered that a one-off payment of 20% of salary for 2016 in lieu of pension contributions was appropriate to compensate for a lack of an ongoing pension arrangement. The Committee considered this appropriate in light of the normal practice of other UK listed companies of comparable size and scope.

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

2016 REMUNERATION - THIS SECTION IS SUBJECT TO AUDIT CONTINUED

Non-Executive Director Remuneration 2016

Remuneration paid in 2016 (single pay figure)

The fee paid in cash to each Non-Executive Director during the year ended 31 December 2016 is set out in the following table:

Director	Position	FY2016 (£'000)	FY2015 ¹ (£'000)
H. J. Mark Tompkins	Independent Non-Executive Chairman	215	215.0
Dr Ayesha Abdullah	Independent Non-Executive Director	95	85.0
Abdulrahman Basaddiq	Non-Executive Director	95	85.0
Jonathan Bomford	Senior Independent Non-Executive Director	100	100.0
Lord Clanwilliam	Independent Non-Executive Director	90	85.0
Salma Hareb	Independent Non-Executive Director	95	85.0
Keyur Nagori	Non-Executive Director	90	85.0
Binay Shetty	Non-Executive Director	90	85.0
Dr Nandini Tandon	Independent Non-Executive Director	100	85.0

1 As reported in the 2015 Directors' Remuneration Report, given the extension of the Company's growth strategy in 2015 and the complexity of business challenges faced during the year, there was a significant increase in the time commitment required from our Non-Executive Directors. To reflect this increase in the provision of services to the Group, each of the Non-Executive Directors received additional payments to reflect the time commitment required. These amounts are included in the FY2015 Remuneration in the table above.

None of the Non-Executive directors received any benefits, pension, STIP or LTIP entitlements or payments during FY2015 and FY2016.

In 2016, the Executive Directors decided to re-base the fees of the Non-Executive Directors to take account of the continuing increase in commitment encountered in 2016 and expected in future financial years. Therefore, with effective from 1 January 2016, the annual fees of the Non-Executive Directors have been structured as follows:

- Base fees: Chairman - £200k
Senior Independent Director - £85k
Non-Executive Director - £75k
- An additional fee of £5k per annum is paid to the Chair of each board committee.
- A fee of £5k is paid to each Non-Executive Director who attends meetings of the Board, in person, in a country which is not their primary residence.

The above fee structure is reflected in the fees paid to each NED during 2016.

Payments to past directors

There were no payments made to past directors during the 2016 financial year.

Payments for loss of office

There were no payments made for loss of office to past directors during the 2016 financial year.

2017 REMUNERATION

EXECUTIVE REMUNERATION IN 2017

This section summarises the expected implementation of the Company's new remuneration policy in 2017.

The approach to Executive Director Remuneration which the Remuneration Committee intends to take for 2017 was set out in the circular to shareholders dated 14 December 2016, setting out details of the Company's new Remuneration Policy. This is summarised below:

Base salaries for 2017

Annual base salaries payable with effect from 1 January 2017 are as follows:

Executive Vice Chairman and CEO	AED 4.485m
Deputy CEO	AED 3.795m

Benefits

There is no intended change to the structure of benefits in 2017 which will be paid in line with the arrangements in place for the 2016 financial year.

Operation of the STIP for 2016

In line with the structure set out in the Company's Directors' Remuneration policy approved by shareholders on 29 December 2016, the maximum STIP opportunity for the Executive Directors in 2017 will be 200% of base salary. The way in which any award from the 2017 STIP will be delivered will be one-third of any STIP award being made in cash and two-thirds deferred into shares, half of which will vest one year after any award is made and the other half two years after any award.

The performance targets that will apply for the 2017 financial year have been set after considering the Group's priorities for the year. The Remuneration Committee considers that the specific targets are commercially sensitive at this stage as they could disclose details of budgeting and strategy for 2017 to the Company's competitors. The Remuneration Committee will disclose details in respect of the targets when it is satisfied that these are no longer commercially sensitive.

2017 STIP Targets

Targets for the 2017 STIP are outlined below. The specific targets are considered commercially sensitive. We will, however, disclose the 2017 target and performance against target for measures the Board consider to be no longer commercially sensitive. This is anticipated to be included in the 2018 annual report.

Measure	Purpose and link to remuneration strategy	Weighting for Executive Directors (% of STIP Opportunity)
EBITDA	The maintenance of healthy levels of EBITDA will remain a key focus for the Board and the management team in 2017. Maintaining a focus on profitability as the Company continues its organic and acquisitive growth has always been a key consideration for the Company and as such EBITDA targets will be included in the 2017 STIP.	25%
EBITDA Margin	Group EBITDA margin is a key metric in the Healthcare sector. The Company is committed to delivering a competitive margin for shareholders and as such this metric is being introduced into the STIP.	25%
JCI Accreditation	Performance against the JCI quality measures represent a key market indicator in relation to clinical quality performance and has a demonstrable link to value creation. As such this measure will continue to be included in the STIP for 2017.	25%
Facility Efficiency	Operational efficiency of our key facilities drives longer-term value creation. This metric will include indicators of the efficiency and ramp up of the NMC Royal Hospital and the Al Zahra Hospital.	25%

Operation of the LTIP for 2017

In line with the structure set out in the Company's Directors' Remuneration policy approved by shareholders on 29 December 2016, the LTIP award levels for the Executive Directors in respect of 2017 were granted at a level of 250% of base salary. The minimum vesting requirement under the EPS condition was increased to 8% compound annual growth while the comparator group for the TSR component was changed to the largest 150 companies on the London Stock Exchange. The net effect of these changes will ensure more challenging performance requirements for vesting.

The performance targets that apply for awards made under the plan in the 2017 financial year are as follows:

Measure	Purpose and link to remuneration strategy	Performance measure	Target	Percentage Weighting for relevant individuals
Total shareholder return (TSR)	To incentivise management to deliver long term returns to shareholders.	TSR growth compared to a comparator group of companies. The comparator group are the companies making up the 150 largest companies within the London Stock Exchange FTSE350 Index (excluding investment trusts and the Company).	25% of this element of the award will vest for performance equal to the median of the comparator group with 100% vesting for upper quartile performance or better. Vesting is on a straight line basis between these points.	50%
Earnings per share (EPS)	To incentivise management to deliver bottom line earnings growth.	Annual compound growth in EPS between the base year (i.e. 2016) and the end of the performance period.	25% of this element of the award vests for compound EPS growth of 8% per annum with 100% vesting for EPS growth of 15% per annum. Vesting is on a straight line basis between these points.	50%

Awards under the LTIP for 2017 and beyond will be subject to a clawback provision, on top of the existing malus provision.

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

2017 REMUNERATION CONTINUED

NON-EXECUTIVE DIRECTORS REMUNERATION IN 2017

The fees payable to the non-executive directors effective as at 1 January 2017 are as follows:

	(£'000)
Chairman	210
Senior Independent Director	85
Non-executive director	75
Chairman of a Board Committee	10

Additional fees are payable for attendance at Board meetings outside the country of residence for each Board member.

Details of the remuneration paid to each of the non-executive directors who served during the year are included in the table on page 72.

Non-executive directors do not participate in any bonus or incentive plan or other form or performance-related remuneration. The Company does not provide any contribution to their pension arrangements.

OTHER INFORMATION

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Executive Directors' service agreement and employment contracts

Each of the following served as Executive Directors for all of the 2016 financial year and were subject to service agreements entered into with NMC Healthcare LLC, one of the Company's subsidiaries.

	Date of agreement
Dr B R Shetty	19 March 2012
Prasanth Manghat	1 May 2011

Dr B R Shetty is employed by NMC Healthcare LLC pursuant to a service agreement dated 19 March 2012. The service agreement provides for an indefinite term of employment unless terminated earlier in accordance with the terms of the service agreement. The service agreement provided that, unless otherwise agreed between the parties, the service agreement can only be terminated on twelve months' prior written notice given by either Dr B R Shetty or NMC Healthcare LLC.

Mr Prasanth Manghat is employed by NMC Healthcare LLC pursuant to an employment contract dated 1 May 2011. The contract provides for a renewable two year term of employment unless terminated earlier in accordance with the terms of the contract. The Contract provides that, unless otherwise agreed between the parties, the contract can be terminated on one months' prior written notice given by either Prasanth Manghat or NMC Healthcare LLC.

Copies of the Service Agreement for Dr B R Shetty and employment contract for Mr Prasanth Manghat are available for inspection during normal business hours at the Company's Registered Office, and are available for inspection at the Company's annual general meeting.

For future executives the Committee policy is that notice periods will not exceed 12 months. There are no matters for which the Company requires approval of shareholders for the purposes of Chapter 4A of Part 10 of the Companies Act 2006.

Letters of appointment for Non-Executive Directors

The Non-Executive Directors do not have service agreements with the Company, but instead have letters of appointment. The appointment of each of the Non-Executive Directors is stated for an initial term until the next annual general meeting of the Company at which, and at subsequent annual general meetings, they need to submit themselves for re-election if they so wish. Each of the Non-Executive Directors have a minimum time commitment that they need to give to the Company in any year.

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

Director	Position	Date of appointment	Company and Director notice period
H. J. Mark Tompkins	Non-Executive Chairman	7 March 2012	3 months
Dr Ayesha Abdullah	Independent Non-Executive Director	26 June 2014	3 months
Abdulrahman Basaddiq	Non-Executive Director	24 February 2014	3 months
Jonathan Bomford	Senior Independent Director	27 June 2013	3 months
Lord Clanwilliam	Independent Non-Executive Director	7 March 2012	3 months
Salma Hareb	Independent Non-Executive Director	26 June 2014	3 months
Keyur Nagori	Non-Executive Director	26 June 2014	3 months
Binay Shetty	Non-Executive Director	1 January 2015	3 months
Dr Nandini Tandon	Independent Non-Executive Director	26 June 2014	3 months

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

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

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS - SUBJECT TO AUDIT

Directors' shareholdings and interests

The table below shows details of the Directors' holdings of Ordinary Shares and interests in the Company as at 1 January 2016 and at 31 December 2016.

Director	Ordinary shares of 10p each		Share options over Ordinary shares of 10p each	
	1 January 2016	31 December 2016	1 January 2016	31 December 2016
H. J. Mark Tompkins (note 1)	25,083	25,083	-	-
Dr B. R. Shetty (note 2)	47,749,250	51,756,893	259,833	444,671
Prasanth Manghat	8,308	8,308	139,859	217,130
Dr Ayesha Abdullah	-	-	-	-
Abdulrahman Basaddiq	-	-	-	-
Jonathan Bomford	12,000	17,000	-	-
Lord Clanwilliam	-	-	-	-
Salma Hareb	-	-	-	-
Keyur Nagori	-	-	-	-
Binay Shetty	6,842	6,842	21,464	21,464
Dr Nandini Tandon	-	-	-	-

Notes:

1. The interests of Mr H J Mark Tompkins in relation to the ordinary shares of the Company include the shares held in the name of his wife and by a family trust of which he is considered a beneficiary. Mr Tompkins sold 1,000 Ordinary shares of the Company on 12 January 2017.
2. The interests in relation to both ordinary shares and options over ordinary shares of the Company for Dr B. R. Shetty include the shares and options in the name of his wife, Dr C R Shetty. The interests over shares for Dr B. R. Shetty further changed on 26 January 2017, with the award of nil-cost options under the terms of the Company's LTIP to Dr B. R. Shetty and Dr C. R. Shetty totalling 230,358 options.

None of the Directors received any loans, advances or other form of credit granted by the Company, nor were any guarantees of any kind provided by the Company on behalf of any Directors during the year ended 31 December 2016.

Except as stated above, none of the Directors who held office during the year held any Ordinary Shares or options over Ordinary Shares of the Company during the year. Except as stated in the notes to the table above, there have been no changes in the above interests between 31 December 2016 and the date of this Directors' Remuneration Report.

Executive directors are expected to build a shareholding of 300% of base salary (increased from 200% as part of the new Directors' Remuneration policy approved by shareholders on 29 December 2016) over a 5-year period. The first share incentive awards granted to the Executive Directors do not vest until October 2017. The Executive Vice Chairman & CEO is a significant shareholder in the Company and therefore already meets this shareholding requirement. The Deputy CEO holds shares valued at £127.8k (based on the share price at 31 December 2016). These have a value of c. 23.2% of salary (based on salary at 31 December 2016).

Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

OTHER INFORMATION CONTINUED

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS - SUBJECT TO AUDIT CONTINUED

Directors' interests in shares

The following tables show details of the share awards made to Executive Directors that have not yet vested.

Long Term Incentive Plan

	Type of interest	Performance period ending	Award Date	Market Price at Date of Award	Exercise price	Shares Awarded	Face value of award	% vesting for minimum performance	Vesting Date
Dr B R Shetty	LTIP award subject to performance	31 December 2016	29 October 2014	494.9p	0p	50,923	£252,018	25% of award	29 October 2017
Dr B R Shetty	LTIP award subject to performance	31 December 2017	25 February 2015	520p	0p	57,692	£300,000	25% of award	25 February 2018
Dr B R Shetty	LTIP award subject to performance	31 December 2017	8 September 2015	760.5p	0p	26,298	£200,000	25% of award	8 September 2018
Dr B R Shetty	LTIP award subject to performance	31 December 2018	15 March 2016	967.5p	0p	100,775	£975,000	25% of award	15 March 2019
Dr B R Shetty	LTIP award subject to performance	31 December 2019	26 January 2017	1630.0p	0p	148,250	£2,416,487	25% of award	26 January 2020
Mr Prasanth Manghat	LTIP award subject to performance	31 December 2016	29 October 2014	494.9p	0p	40,738	£202,834	25% of award	29 October 2017
Mr Prasanth Manghat	LTIP award subject to performance	31 December 2017	25 February 2015	520p	0p	50,000	£260,000	25% of award	25 February 2018
Mr Prasanth Manghat	LTIP award subject to performance	31 December 2017	8 September 2015	760.5p	0p	23,011	£175,000	25% of award	8 September 2018
Mr Prasanth Manghat	LTIP award subject to performance	31 December 2018	15 March 2016	967.5p	0p	85,271	£825,000	25% of award	15 March 2019
Mr Prasanth Manghat	LTIP award subject to performance	31 December 2019	26 January 2017	1630.0p	0p	125,442	£2,044,720	25% of award	26 January 2020

Details of the performance measures attached to the LTIP awards, and performance to date against these measures, are set out on page 71.

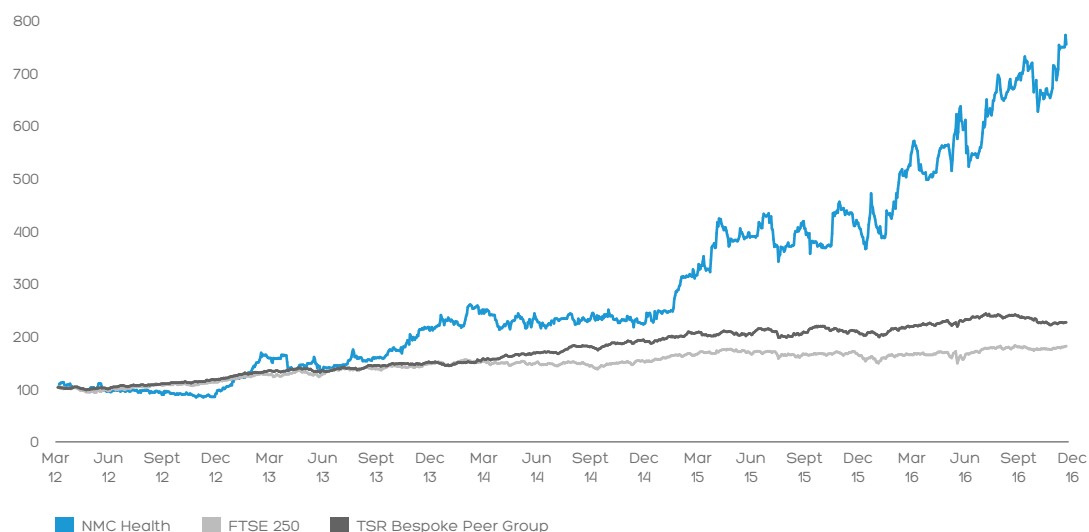
Deferred Share Bonus Plan

	Type of interest	Financial Year Share Award made in respect of	Award Date	Market Price at Date of Award	Exercise price	Shares Awarded	Face value of award	Vesting Date
Dr B R Shetty	Deferred shares subject to continued employment	2013	29 October 2014	494.9p	0p	15,510	£76,759	29 October 2017
Dr B R Shetty	Deferred shares subject to continued employment	2014	25 February 2015	520.0p	0p	17,470	£90,844	25 February 2018
Dr B R Shetty	Deferred shares subject to continued employment	2015	15 March 2016	967.5p	0p	17,226	£166,662	15 March 2019
Mr Prasanth Manghat	Deferred shares subject to continued employment	2013	29 October 2014	494.9p	0p	12,408	£61,407	29 October 2017
Mr Prasanth Manghat	Deferred shares subject to continued employment	2014	25 February 2015	520p	0p	13,702	£71,250	25 February 2018
Mr Prasanth Manghat	Deferred shares subject to continued employment	2015	15 March 2016	967.5p	0p	14,987	£145,000	15 March 2019
Mr Binay Shetty	Deferred shares subject to continued employment	2013	29 October 2014	494.9p	0p	9,926	£49,123	29 October 2017

No options vested or were exercised during the year.

PERFORMANCE GRAPH AND HISTORIC EXECUTIVE VICE CHAIRMAN & CEO REMUNERATION OUTCOMES

The following graph shows the Total Shareholder Return performance of NMC Health plc shares against the FTSE 250.



The Committee believes that the FTSE 250 Index is an appropriate comparator index used to compare performance given that the Company is a constituent of this Index and the lack of direct competitor comparators available in the London market.

The table below summarises the Executive Vice Chairman & CEO's single figure for total remuneration since listing. This table is also required to show the long-term incentive vesting as a percentage of the maximum for each year, however LTIP grants were made for the first time in 2014 and none have yet vested.

Executive Vice Chairman & CEO - Dr B R Shetty	2012 (US\$'000)	2013 (US\$'000)	2014 (US\$'000)	2015 (US\$'000)	2016 (US\$'000)
Single remuneration figure	550.6	787.4	849.7	1,254.3	3,040.3
STIP payout (% of maximum)	n/a	75%	95%	100%	100%
LTIP vesting (% of maximum)	n/a	n/a	n/a	n/a	n/a

The Company did not operate the STIP in respect of 2012.

PAY ACROSS THE GROUP

As required, the table below sets out the increase in total remuneration of the Executive Vice Chairman & CEO and that of all employees during the 2016 financial year. However, for the reasons stated on page 67 above, the Committee do not reference the salary or other elements of remuneration to all other employees of the Group.

%	Salary	Annual bonus	Benefits
Executive Vice Chairman & CEO	95.0%	192.5%	4.9%
All-employees	7.6%	n/a*	4.7%

*note: the Company does not operate bonus plans for all employees.

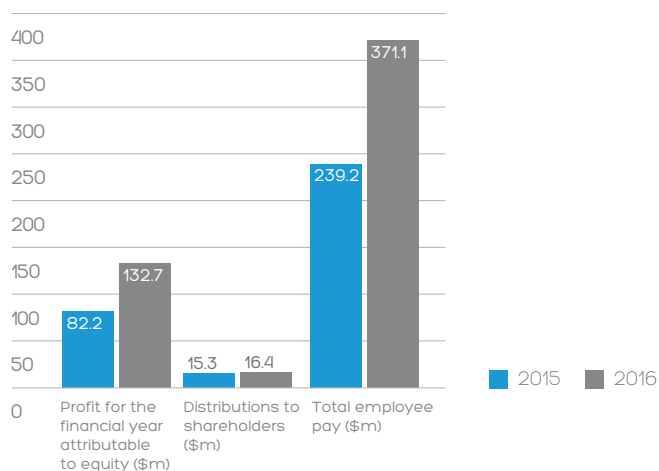
Directors' Remuneration Report 2016 continued

Annual Remuneration Report continued

OTHER INFORMATION CONTINUED

RELATIVE IMPORTANCE OF SPEND ON PAY

The graph below shows the total group-wide remuneration expenditure and dividends for the last two years.



It is my pleasure to submit this report to shareholders. The Directors' Remuneration Report has been approved by the Board and is signed on its behalf by:

LORD CLANWILLIAM

Chairman of the Remuneration Committee

Directors' Report

The Directors of NMC Health plc are pleased to present their Annual Report including the audited consolidated financial statements for the financial year ended 31 December 2016.

This report has been prepared in accordance with the requirements in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure & Transparency Rule 4. Certain information required to be set out in this Directors' Report can be found elsewhere in the 2016 Annual Report and is referenced below. This information is incorporated into this Directors' Report by reference.

DIRECTORS' STATEMENTS

The Directors are required to make a statement regarding the preparation of the financial statements and also to provide details regarding the disclosure of information to the Company's auditor. The Code also requires the Board to review and make statements in relation to management's report on internal controls, the adoption of the Going Concern method of accounting and the long term viability of the Group. All of these statements are set out on pages 82 to 84.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report set out on pages 35 to 55 is incorporated into this Directors' Report by reference.

BUSINESS MODEL AND STRATEGY

The Strategic Report set out on pages 6 to 33 includes the Company's business model and strategy.

DIRECTORS

The following served as directors of the Company during the 2016 financial year:

Director
H. J. Mark Tompkins
Dr B. R. Shetty
Prasanth Manghat
Dr Ayesha Abdullah
Abdulrahman Basaddiq
Jonathan Bomford
Lord Clanwilliam
Salma Hareb
Heather Lawrence (note 1)
Keyur Nagori
Binay Shetty
Dr Nandini Tandon

Mrs Lawrence resigned as a Director of the Company with effect from 12 January 2016.

CAPITAL STRUCTURE

All information relating to the Company's capital structure, including changes to the Company's share capital in the year, the rights attaching to shares, details of the Company's principal shareholders and other shareholder information is contained on the inside back cover.

DIVIDENDS

Details of the Company's dividend policy and proposed final dividend payment for the year ended 31 December 2016 is set out in the Financial Review on page 25.

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4 C

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report, where applicable, under LR 9.8.4, is set out in this Directors' Report, with the exception of transactions with controlling shareholders which is set out on pages 133 and 134 (note 31 to the Consolidated Financial Statements) and interest capitalised which is set out on pages 126 and 127 (note 17 to the Consolidated Financial Statements).

GREENHOUSE GAS EMISSIONS

The Company's disclosure in relation to its greenhouse gas emissions is included within the sustainability section of the Corporate Social Responsibility report on page 28.

POLITICAL DONATIONS

Neither the Company nor any subsidiary company in the Group made any political donations during the year ended 31 December 2016.

Whilst the Company has no intention of making formal political donations in the future, the Board acknowledge that given the wide interpretation of such donations, certain business events in which the Company or any of its subsidiaries, or the Board, may wish to participate may be caught under the formal definition of political donations. The Company will therefore again be seeking approval from shareholders at this year's annual general meeting, for a small approved limit for "political donations", for use in such circumstances. If this is approved by shareholders, the Board will provide full details of any such payments made in the next annual report.

Directors' Report continued

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Group, and the exposure of the Group to financial instruments, are included in note 36 to the financial statements on pages 138 and 139.

SUBSEQUENT EVENTS

Details of any important and material events affecting the Group which have occurred since the end of the 2016 financial year, are set out in note 40 to the consolidated financial statements on pages 141 to 143.

FUTURE DEVELOPMENTS

The Group's strategy and potential future development are outlined in the Group Strategic Report on pages 6 to 33.

RESEARCH AND DEVELOPMENT

The Eugin Foundation, part of the Clinica Eugin business, carries out research and development focused on fertility and human reproduction with particular regards to personal and social aspects as well as promotion of health.

BRANCHES

The Group normally operates across all jurisdictions where it has a business presence through the incorporation of registered entities, but also operates through a number of branches where this is considered appropriate from an operational or regulatory perspective. A detailed list of entities and branches in the Group is provided in section 2.2 of financial statements.

CONTRACTS OF SIGNIFICANCE AND CONTROLLING SHAREHOLDERS' AGREEMENT

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

The Company has an agreement with Dr B R Shetty, H.E. Saeed Bin Butti and Khalifa Bin Butti ("Controlling Shareholders") under which the Controlling Shareholders agree to comply with the independence provisions of the UKLA Listing Rules. The Company has complied with the independence provisions contained in that agreement and, as far as the Company are aware, the Controlling Shareholders and any of their associates have also complied with such provisions and the procurement obligations included in the agreement.

The Directors' Report was approved by the Board on 7 March 2017 and is signed on behalf of the Board by:

SIMON WATKINS

Group Company Secretary

NMC Health plc (registered in England and Wales, number 7712220)
Level 1, Devonshire House, One Mayfair Place, London W1J 8AJ

Financial Statements

Directors' Statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are required by Company Law to prepare financial statements for the Group and the Company in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial statements are required to present fairly for each financial period the Company's financial position, financial performance and cash flows. In preparing the Group and parent company financial statements the Directors are also required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors also confirm that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

We confirm to the best of our knowledge:

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

Directors' statement as to disclosure of information to auditors:

The Directors who were members of the Board at the time of approving the Directors' Report are set out on pages 79 and 80. Having made enquiries of fellow directors and of the Company's Auditor, each of these Directors confirms that:

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

EY have confirmed that they are willing to be reappointed as auditor for the financial year ending 31 December 2016.

GOING CONCERN AND VIABILITY

GOING CONCERN

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

Operating risk:

The management team prepare a Group budget for each financial year and a cashflow forecast for the following 18 months which allows the Board to monitor the financial position of the Group and to consider appropriate risks which the business may face from a financial perspective. Included in this review are future cashflow, both acquisition costs and subsequent cashflow generation, associated with acquisitions agreed but not completed at the end of the 2016 financial year. The Board receives monthly management reports covering key operational matters, monthly comparison to budget and updated forecasts on a half yearly basis for the full financial year to ensure that the business is trading in line with its expectations.

Financing risk:

The Company has worked to structure its financing facilities for the medium and long term as well as utilising short term facilities to meet the Group's working capital requirements. The syndicated loan facility of US\$825m entered into in 2015, comprising US\$350m of term debt and US\$475m of delayed drawdown acquisition facilities, had been drawn down to the extent of US\$350m and US\$464m respectively as at 31 December 2016. As part of the Al Zahra acquisition approved by shareholders on 29 December 2016, the Company finalised a new loan facility, amending and restating the existing syndicated facility, with JP Morgan Chase Bank and Standard Chartered Bank, of a total of US\$1.4bn, with US\$825m of this replacing the existing syndicated loan facility and the remainder available for the Al Zahra acquisition.

The Group has banking arrangements through a spread of local and international banking groups. Debt covenants are reviewed by the board each month. The Board believes that the level of cash in the Group and the spread of bankers providing these facilities mitigates the financing risks that the Group faces from both its acquisitive growth strategy and in relation to working capital requirements.

Customer and Supplier risk:

Both the Healthcare and the Distribution divisions, and hence the Group as a whole, have delivered a robust performance in 2016. All major financial and non-financial KPIs showed good improvement during the year. In the Healthcare division, trade receivables are monitored regularly, provisions made where necessary and the Group has no history of significant bad debts. In the Distribution division, the increase in revenue and product flow has again, as in prior years, had an adverse effect on the Group's working capital position, however the smaller percentage contribution of the division this year as part of the overall Group, lessens the effect of this on overall Group working capital. In any event, trade receivables are monitored regularly and management maintain a close working relationship with all major suppliers to monitor performance as well as signs of financial risk.

The Board has reviewed a high level budget for 2017 as well as considered growth forecasts for the healthcare sector in UAE, in particular the continued positive impact from the introduction of mandatory healthcare insurance in Dubai, and from the Group's newly opened and newly acquired businesses, and considers the Group's future forecasts to be reasonable.

Impairment risk:

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

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

The Board has reviewed and considered management's formal assessment of the going concern concept of accounting and the cash flow forecast that has been prepared for the period to 30 June 2018 and has concluded that this assessment and forecast indicates that the Group has positive cash flows with sufficient headroom and will comply with all debt covenants.

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

VIABILITY

In order to protect longer term shareholder value, the Board have always considered how Group performance and its strategic decisions will affect the financial and operational prospects of the Group in the longer term. This year, as recommended by provision C.2.2 of the UK Corporate Governance Code, the Directors have considered a formal assessment of the prospects of the Group over a longer period than the 12 months review period required under the 'Going Concern basis of accounting.

Management conducted a formal viability review looking forward for a period of three years. This period was selected as the most appropriate timeframe over which the future prospects of the Group should be considered given the Group's changing nature and significant growth, the time taken to fully integrate acquired businesses and ramp-up newly opened facilities and the maturity date of current debt obligations.

Directors' Statements continued

In its review, management considered the current position of the Group and the following principal financial risks associated with the business:

- Risks associated with investments.
- The impact of market competition.
- Potential instability associated with the macroeconomic environment in which the Company operates.

The three year review considered the Group's profitability, cash flows, banking covenants and other key financial ratios over the period. The plan makes certain assumptions about the ability to refinance debt as it falls due and the acceptable performance of the core revenue streams and market segments. The plan is stress tested using sensitivity analysis which reflects severe but plausible combinations of the principal financial risks of the business and then the potential impact of each scenario, using certain assumption on the following levers which were stress tested:

- reductions in revenue per patient;
- reduction in market share impacting the number of patients and occupancies;
- increase manpower cost due to shortage of talent;
- cost escalation due to inflation and new tax regime;
- impact on revenue due to currency fluctuation on overseas acquisition;
- increase in accounts receivable (debtor days) due to increase in insurance business;
- a larger increase in accounts receivable (debtor days) than expected; and
- increase in interest rate.

Where appropriate, an analysis was carried out to evaluate the potential impact of any of these principal risks actually occurring.

Based on the results of this formal assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

By Order of the Board

SIMON WATKINS

Group Company Secretary

Independent Auditor’s Report

To the Members of NMC Health Plc

OUR OPINION ON THE FINANCIAL STATEMENTS

- In our opinion:
- NMC Health plc’s Group financial statements and Parent company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2016 and of the group’s profit for the year then ended;
 - the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
 - the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
 - the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

NMC Health plc’s financial statements comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2016	Statement of financial position as at 31 December 2016
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 15 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 40 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	<ul style="list-style-type: none"> Revenue recognition, including the timing of revenue recognition and the determination of whether the Group is acting in the capacity of an agent rather than principal. Accounting for major complex transactions primarily relating to acquisitions.
Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of eighteen components and audit procedures on specific balances for a further four components. The components where we performed full or specific audit procedures including consolidation adjustments accounted for 97% of adjusted Profit before tax, 96% of Revenue and 98% of Total assets. Adjusted Profit before tax excludes one-off costs in respect of acquisitions.
Materiality	<ul style="list-style-type: none"> Overall Group materiality of US\$7.8m which represents 5% of adjusted Profit before tax.

OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Independent Auditor's Report continued

To the Members of NMC Health Plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition, including the timing of revenue recognition and the determination of whether the Group is acting in the capacity of an agent rather than principal</p> <p>The Group has revenue of US\$1,220.8m (2015: US\$880.9m).</p> <p>The Group has a number of revenue streams relating to its Healthcare and Distribution segments including pharmacy sales and sales of goods, hospital and clinic revenues, over the counter sales and In Vitro Fertilisation (IVF). There is a risk of improper revenue recognition, particularly with regard to cut-off at period end dates, in the healthcare business, given the diversity of the Group's healthcare operations, and in the distribution business.</p> <p>We note a potential risk with respect to material supplier agreements and accounting for the supplier income including fees and discounts.</p> <p>Furthermore, there is a risk that management may incorrectly determine whether the Group is acting as principal or agent in certain arrangements such as distribution agreements with key suppliers and revenue sharing agreements with doctors.</p> <p>There is also a risk that revenue recognition is impacted through accounts receivable processing as insurance providers may reject the claims made which requires management to assess the need for a provision.</p> <p>The risk has increased in the current year due to acquisitions which require alignment to group revenue recognition policies.</p>	<p>We relied upon the controls tested over revenue recognition, including the timing of revenue recognition. Where we relied on the controls tested by internal audit we satisfied ourselves about their objectivity, independence and professional skills. We discussed the audit plan and audit program with the internal auditors, reviewed their testing of controls and re-performed a sample of their work. We also independently tested an additional sample.</p> <p>We performed substantive audit procedures including testing a sample of transactions, analytical review procedures including developments in patient numbers per facility and cut-off tests (by selecting a sample of transactions either side of year-end) to check that revenue had been recognised in the appropriate accounting period. For IVF revenues we tested management's estimate as to cut off of completed IVF phases. We also reviewed material supplier agreements and accounting for the supplier income including fees and discounts.</p> <p>We obtained independent confirmation letters from key customers including health insurance providers as well as an additional representative sample. Reconciling items were traced back to original documentation or corroborated to resubmissions made by the company.</p> <p>We obtained assurance over the recognition of revenue through audit work on accounts receivable specifically by reviewing the rejection rates based on historical experience and have verified that receivable balances as at year end are presented at their recoverable amount.</p> <p>We inspected contractual arrangements to support the recognition of fee income and considered the appropriateness of the accounting through verification to legal agreements and vouching the amounts recognised to invoices and cash receipts.</p> <p>We reviewed a sample of new distribution agreements entered into during the year and revenue sharing contracts with doctors in newly acquired businesses to verify that the Group's determination that they are acting in a capacity of a principal rather than an agent is appropriate considering the balance of risk and rewards.</p> <p>We checked the Group's adherence to their revenue recognition policies and we agreed that these policies are in accordance with IFRSs as adopted by the European Union.</p> <p>We performed full and specific scope audit procedures over this risk area in 22 locations, which covered 96% of the risk amount after consolidation eliminations.</p>	<p>Based on the audit procedures performed, we are satisfied that revenue recognition is appropriate and that the Group has appropriately adhered to their revenue recognition policies, including the determination of whether the Group is acting as agent rather than as principal.</p> <p>The upcoming implementation of a new reporting standard on revenue recognition IFRS 15, will allow the company to review existing accounting policies on revenue recognition and achieve a greater consistency across geographies and similar business lines as immaterial inconsistencies were noted.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Accounting for major complex transactions</p> <p>The Group recognised goodwill of US\$233.9m (2015: US\$345.1m) and intangible assets of US\$25.2m (2015: US\$74.8m) in respect of the acquisitions made in the current year.</p> <p>The Group made a number of acquisitions during the year including Fakh IVF LLC (UAE), Copenhagen Fertility Center (Denmark) and Huntington Centro Medicina Reproductiva S.A. (Brazil) which are included as full audit scope. The contractual arrangements for such transactions can be complex and require management to apply judgement in determining whether a transaction represents an acquisition of an asset or a business combination in accordance with IFRS 3.</p> <p>There is a risk that the estimates and judgements made in the recognition of an acquisition as a business combination may be inappropriate and the valuation of the assets and liabilities acquired may be misstated.</p> <p>The complexity of the multiple contractual arrangements in respect of certain acquisitions and related services, and the different legal environments in which acquisitions have been undertaken, may lead to inappropriate judgements as to the basis of accounting.</p> <p>Furthermore, there is a risk that these acquisitions may be recognised before the Group 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.</p> <p>The risk has remained stable in the current year due to acquisitions occurring both last year and in the current year.</p>	<p>We obtained and reviewed the sale and purchase agreements entered into for the acquisitions which took place in the year and other relevant documentation to understand the terms and conditions of the agreements.</p> <p>We assessed the judgements applied in determining whether acquisitions in the year represented an acquisition of an asset or a business combination. This involved assessing whether or not the entities and the assets acquired constitute the carrying on of a business, i.e., whether there are inputs and processes applied to those inputs that have the ability to create outputs.</p> <p>Where transactions met the definition of a business combination we audited the Group's assessment of the assets and liabilities acquired and the allocation of the purchase consideration to these and the resultant goodwill or gain on bargain purchase recognised by performing the following procedures:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the recognition of intangible assets and consideration of their valuation inputs and have used a valuation specialist for assessing the appropriateness of the valuation inputs and the valuation methodology. • We verified that the consideration transferred, and where relevant contingent consideration, in respect of each transaction was appropriately calculated in accordance with contractual arrangements. • We assessed management's judgements in respect of what arrangements should be accounted for as part of the business combination and those that should be accounted for separately from the business combination. <p>We assessed whether the Group 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 as at the date upon which the acquisitions were recognised.</p> <p>We verified the appropriateness of the consolidation adjustments in respect of accounting for these transactions.</p> <p>We assessed the accounting for the acquisitions to verify that they were appropriately accounted for. Also we verified where appropriate, that disclosures in the financial statements are in accordance with IFRS as adopted by the European Union.</p> <p>The Group completed 6 acquisitions out of which 1 is de minimis. For significant complex transactions in the current year including Fakh IVF LLC, Copenhagen Fertility Center and Huntington Centro Medicina Reproductiva S.A., the Group audit team reviewed the Share Purchase Agreement, verified consideration payable, audited the opening balance sheet, read the due diligence reports and identified and addressed any divergence in the accounting principles.</p> <p>The Group audit team also performed audit procedures on the purchase price allocation in respect of 3 out of 6 acquisitions completed in 2016 which covered 90% of the goodwill and intangible assets recognised. For the remaining goodwill and intangible additions the Purchase price allocation is being completed and will be audited in the following year.</p>	<p>Based upon the procedures we have performed, we concur with the Group's accounting for all acquisitions above our performance materiality including Fakh IVF LLC, Copenhagen Fertility Center and Huntington Centro Medicina Reproductiva S.A. as at 31 December 2016.</p> <p>We have reviewed the business combinations disclosures in respect of the acquisitions which completed in 2016 and we believe that these are appropriate and in compliance with the requirements of IFRS 3 Business combinations.</p> <p>We have also verified that the business combinations, notably Fakh, have been recognised in the period in which the Group obtained control of the acquired entities and where applicable regulatory approvals were obtained which allows the Group to obtain rights for variable returns from the investee and has the ability to affect those returns through its power over the investee.</p>

In the prior year, our auditor's report included the same risks of material misstatement as noted above.

Independent Auditor's Report continued

To the Members of NMC Health Plc

THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 34 reporting components of the Group, we selected 22 components covering entities within the United Arab Emirates (UAE), Denmark, Brazil, Italy and Spain, which represent the principal business units within the Group.

Of the 22 components selected, we performed an audit of the complete financial information of 18 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 4 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures presented excluding consolidation adjustments accounted for 171% (2015: 139%) of the Group's adjusted Profit before tax, 98% (2015: 97%) of the Group's Revenue and 163% (2015: 154%) of the Group's Total assets.

For the current year, the full scope components excluding consolidation adjustments contributed 167% (2015: 139%) of the Group's adjusted Profit before tax, 92% (2015: 85%) of the Group's Revenue and 160% (2015: 140%) of the Group's Total assets.

The specific scope component excluding consolidation adjustments contributed 4% (2015: 0%) of the Group's Adjusted Profit before tax, 6% (2015: 12%) of the Group's Revenue and 3% (2015: 14%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. Specific scope component testing is primarily focused on the significant risk in relation to revenue recognition however it also included procedures on property and equipment balances.

Of the remaining 12 components, which are primarily located in the UAE, that together represent 3% of the Group's adjusted Profit before tax, none are individually greater than 2% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The Group audit team also performed audit procedures over consolidation and foreign exchange adjustments, which were net negative to Revenue and adjusted Profit before tax of 2% and 74%, respectively (2015: net negative to Revenue and adjusted Profit before tax of 3% and 39% respectively), and reduced the calculated total overall percentage coverage to 96% (2015: 97%) and 97% (2015: 100%) respectively.

The table below illustrates the coverage obtained from the work performed by our audit teams.

Group audit scope	Number of locations	% of adjusted PBT	% of Revenue	% of Total assets
Full	18	167%	92%	160%
Specific	4	4%	6%	3%
Remaining components (other procedures)	12	3%	4%	2%
Consolidation adjustments audited by Group audit team		(74%)	(2%)	(65%)
Total coverage		100%	100%	100%

CHANGES FROM THE PRIOR YEAR

During the year the Group acquired six entities out of which Fakh IVF LLC, Copenhagen Fertility Center and Huntington Centro Medicina Reproductiva S.A. were identified as full scope components. The other three acquired entities were not in scope this year based on their respective size and risk characteristics. Furthermore, one component which was not in scope in the prior year was a specific scope component this year and another component which was a specific scope component in the prior year was not in scope this year based on their respective size and risk characteristics.

INTEGRATED TEAM STRUCTURE AND INVOLVEMENT WITH COMPONENT TEAMS

The overall audit strategy is determined by the Senior Statutory Auditor. The senior statutory auditor is based in the UK however, since Group management and the majority of the operations reside in the UAE, the Group audit team includes members from both the UK and the UAE. The Group audit team members from the UAE are also members of selected component teams.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 18 full scope components, audit procedures were performed on one of these directly by the Group audit team and audit procedures were performed on the remaining 17 by the component audit teams. For these components, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Given that the Group operates predominantly in the UAE the Senior Statutory Auditor with his UK based audit team members travelled to the UAE for two periods to work in an integrated manner with the EY UAE audit team members. Members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. During the current year end audit process the Senior partner also visited Spain, where the Luarmia S.L group of companies are based. Since the Senior audit partner rotated on this audit cycle various introductory visits to both UAE and Spain were made during the prior year audit cycle.

Visits in the 2016 audit cycle involved discussing the audit approach with the component teams and any issues arising from their work, meeting with local management attending planning and closing meetings, performing site visits to medical facilities, reviewing key audit working papers on risk areas. The Group audit team also was involved in the audit procedures on significant risk areas, primarily revenue recognition and accounting for major complex transactions. The Group audit team interacted regularly with the component teams in the UAE and Spain as appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level by the Group audit team, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We initially determined materiality for the Group to be US\$8.7m (2015: US\$4.6m), which is 5% of forecast adjusted Profit before tax (2015: 5% of adjusted Profit before tax). We believe that it is appropriate to use adjusted Profit before tax in order to exclude the effects of non-recurring items. These related to the costs of US\$4.6m in respect of the acquisitions which took place during the year. We note that management have excluded these one-off items when assessing the performance of the Group, consistent with prior year. We used a profit based measure for determining materiality as profit is one of the key performance indicators of the business and a focus of users of the financial statements.

The increase in materiality from the prior year predominantly reflects the impact of the newly acquired entities on the Group's profit.

During the course of our audit, we reassessed initial materiality and, as the actual adjusted profit before tax figure was lower than that which we had used as the basis for determining materiality, we revised our materiality threshold to US\$7.8m, which is 5% of adjusted profit before tax.

Starting basis	Profit before tax - US\$151.6m
Adjustments	One-off costs in respect of acquisitions - US\$4.6m
Materiality	Adjusted Profit before tax US\$156.2m Materiality of US\$7.8m (5% of adjusted Profit before tax)

Independent Auditor's Report continued

To the Members of NMC Health Plc

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2015: 50%) of our planning materiality, namely US\$4.4m (2015: US\$2.8m). We have set performance materiality at this percentage due to our expectation of potential misstatements, our risk assessment and changes in the organisation, particularly given the acquisitions which took place during the year. During the course of the audit, we revised our performance materiality threshold to US\$3.9m, which is 50% of our revised materiality threshold.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US\$0.78m to US\$2.34m (2015: US\$0.46m to US\$1.50m).

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$0.44m (2015: US\$0.28m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Given the revision of materiality we reported all uncorrected audit differences in excess of US\$0.39m.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 82, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading. <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.</p>	We have no exceptions to report.
Companies Act 2006 reporting	<p>In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.</p> <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit. 	We have no exceptions to report.
Listing Rules review requirements	<p>We are required to review:</p> <ul style="list-style-type: none"> the directors' statement in relation to going concern, set out on page 83 and longer-term viability, set out on pages 83 and 84; and the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. 	We have no exceptions to report.

STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

ISAs (UK and Ireland) reporting	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	We have nothing material to add or to draw attention to.
--	--	--

VICTOR VEGER (SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

7 March 2017

Notes:

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

Consolidated Income Statement

For the Year Ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Revenue	7	1,220,835	880,870
Direct costs	8	(753,325)	(575,926)
GROSS PROFIT		467,510	304,944
General and administrative expenses	8	(267,895)	(191,247)
Other income	9	46,466	36,649
PROFIT FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION AND TRANSACTION COSTS		246,081	150,346
Transaction costs in respect of business combinations	5	(4,603)	(4,131)
Depreciation	17	(45,010)	(29,851)
Amortisation	18	(10,989)	(5,475)
Impairment of property and equipment	17	(1,376)	-
PROFIT FROM OPERATIONS		184,103	110,889
Finance costs	10	(41,684)	(23,845)
Finance income	11	9,157	925
Unamortised finance fees written off		-	(2,612)
PROFIT FOR THE YEAR BEFORE TAX	12	151,576	85,357
Tax	15	(174)	403
PROFIT FOR THE YEAR		151,402	85,760
Profit for the year attributable to:			
Equity holders of the Parent		132,689	82,215
Non-controlling interests		18,713	3,545
Profit for the year		151,402	85,760
Earnings per share for profit attributable to the equity holders of the Parent:			
Basic EPS (US\$)	16	0.711	0.443
Diluted EPS (US\$)	16	0.707	0.442

Consolidated Statement of Other Comprehensive Income

For the Year Ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
PROFIT FOR THE YEAR		151,402	85,760
Other comprehensive income			
<i>Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax)</i>			
Exchange difference on translation of foreign operations		(4,050)	(5,342)
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax)</i>			
Re-measurement (loss)/gains on defined benefit plans	28	(147)	260
Other comprehensive income for the year (net of tax)		(4,197)	(5,082)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		147,205	80,678
Total comprehensive income attributable to:			
Equity holders of the Parent		129,030	77,859
Non-controlling interests		18,175	2,819
Total comprehensive income		147,205	80,678

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 40 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
ASSETS			
Non-current assets			
Property and equipment	17	459,338	433,524
Intangible assets	18	652,983	413,059
Investment in Joint Venture	39	834	-
Deferred tax assets	15	2,135	1,316
Loan receivable	19	9,129	1,725
Advances paid for acquisitions	5	1,614	-
Other non-current assets	5	43,053	-
		1,169,086	849,624
Current assets			
Inventories	20	144,387	134,788
Accounts receivable and prepayments	21	374,457	282,475
Loan receivable	19	5,387	2,670
Amounts due from related parties	31	3,628	4,116
Income tax receivable		2,208	2,810
Bank deposits	22	137,900	58,886
Bank balances and cash	22	479,940	118,511
		1,147,907	604,256
TOTAL ASSETS		2,316,993	1,453,880
EQUITY AND LIABILITIES			
Equity			
Share capital	23	31,910	29,566
Share premium	23	491,778	179,152
Group restructuring reserve	24	(10,001)	(10,001)
Foreign currency translation reserve		(8,128)	(4,616)
Option redemption reserves	37	(35,027)	(24,496)
Retained earnings	25	436,337	318,092
Equity attributable to equity holders of the Parent		906,869	487,697
Non-controlling interests		42,002	11,968
Total equity		948,871	499,665
Non-current liabilities			
Term loans	27	594,780	483,725
Employees' end of service benefits	28	26,648	19,284
Other payables	30	40,792	14,024
Option redemption payable	37	37,500	25,084
Deferred tax liabilities	15	8,245	9,761
		707,965	551,878
Current liabilities			
Accounts payable and accruals	29	158,812	123,511
Other payables	30	26,827	11,150
Amounts due to related parties	31	14,876	17,419
Bank overdrafts and other short term borrowings	22	219,851	154,962
Term loans	27	234,519	91,621
Employees' end of service benefits	28	3,560	3,206
Income tax payable		1,712	468
		660,157	402,337
Total liabilities		1,368,122	954,215
TOTAL EQUITY AND LIABILITIES		2,316,993	1,453,880

The consolidated financial statements were authorised for issue by the board of directors on 7 March 2017 and were signed on its behalf by

DR B. R. SHETTY

Executive Vice Chairman & Chief Executive Officer

MR. SURESH KRISHNAMOORTHY

Chief Financial Officer

The attached notes 1 to 40 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	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	Foreign currency translation reserve US\$ '000	Option redemption reserves US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance as at 1 January 2016	29,566	179,152	(10,001)	318,092	(4,616)	(24,496)	487,697	11,968	499,665
Profit for the period	-	-	-	132,689	-	-	132,689	18,713	151,402
Other comprehensive income	-	-	-	(147)	(3,512)	-	(3,659)	(538)	(4,197)
Total comprehensive income for the period	-	-	-	132,542	(3,512)	-	129,030	18,175	147,205
Dividend (note 26)	-	-	-	(16,350)	-	-	(16,350)	(5,300)	(21,650)
Option redemption reserve (note 37)	-	-	-	-	-	(12,801)	(12,801)	-	(12,801)
Issue of shares - new (note 23)	2,344	319,970	-	-	-	-	322,314	-	322,314
Shares issue costs (note 23)	-	(7,344)	-	-	-	-	(7,344)	-	(7,344)
Acquisition of non-controlling interest (note 2.2)	-	-	-	(587)	-	-	(587)	(1,365)	(1,952)
Settlement of put option (note 37)	-	-	-	-	-	2,270	2,270	-	2,270
Acquisition of subsidiaries (note 5)	-	-	-	-	-	-	-	18,524	18,524
Share based payments (note 32)	-	-	-	2,640	-	-	2,640	-	2,640
Balance as at 31 December 2016	31,910	491,778	(10,001)	436,337	(8,128)	(35,027)	906,869	42,002	948,871
Balance as at 1 January 2015	29,566	179,152	(10,001)	250,306	-	-	449,023	4,004	453,027
Profit for the period	-	-	-	82,215	-	-	82,215	3,545	85,760
Other comprehensive income	-	-	-	260	(4,616)	-	(4,356)	(726)	(5,082)
Total comprehensive income for the period	-	-	-	82,475	(4,616)	-	77,859	2,819	80,678
Dividend (note 26)	-	-	-	(15,866)	-	-	(15,866)	-	(15,866)
Option redemption reserve	-	-	-	-	-	(24,496)	(24,496)	-	(24,496)
Acquisition of subsidiaries	-	-	-	-	-	-	-	5,145	5,145
Share based payments (note 32)	-	-	-	1,177	-	-	1,177	-	1,177
Balance as at 31 December 2015	29,566	179,152	(10,001)	318,092	(4,616)	(24,496)	487,697	11,968	499,665

The attached notes 1 to 40 form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
OPERATING ACTIVITIES			
Profit for the year before tax		151,576	85,357
Adjustments for:			
Depreciation	17	45,010	29,851
Employees' end of service benefits	28	7,246	4,869
Amortisation of intangible assets	18	10,989	5,475
Finance income	11	(9,157)	(925)
Finance costs	10	41,684	23,845
Loss on disposal of property and equipment		31	185
Foreign exchange loss/(gain)		358	(536)
Non cash other income		626	(418)
Unamortised finance fees written off	8	-	2,612
Impairment of property and equipment	17	1,376	-
Share based payments expense	32	2,640	1,177
		252,379	151,492
Working capital changes:			
Inventories		(8,630)	(19,139)
Accounts receivable and prepayments		(78,638)	(59,969)
Amounts due from related parties		487	3,869
Accounts payable and accruals		15,524	1,292
Amounts due to related parties		(2,539)	9,039
Net cash from operations		178,583	86,584
Employees' end of service benefits paid	28	(1,546)	(1,133)
Income tax paid		(666)	(1,367)
Net cash from operating activities		176,371	84,084
INVESTING ACTIVITIES			
Purchase of property and equipment		(59,571)	(79,281)
Purchase of intangible assets	18	(473)	(561)
Proceeds from disposal of property and equipment		1,574	85
Acquisition of subsidiaries, net of cash acquired	5	(236,328)	(375,505)
Investment in Joint venture		(928)	-
Bank deposits maturing in over 3 months		26,764	27,115
Restricted cash		(84,473)	6,498
Finance income received		6,529	1,533
Advances paid for acquisitions	5	(1,614)	-
Loan receivable	19	(10,505)	(4,395)
Other non-current assets		(1,768)	-
Contingent consideration paid for acquisition	36	(9,567)	-
Net cash used in investing activities		(370,360)	(424,511)
FINANCING ACTIVITIES			
New term loans and draw-downs	27	631,548	822,698
Repayment of term loans	27	(378,660)	(472,796)
Transaction cost of term loan		-	(10,789)
Receipts of short term borrowings		351,089	407,849
Repayment of short term borrowings		(319,556)	(422,629)
Dividend paid to shareholders	26	(16,350)	(15,866)
Dividend paid to non controlling interest	26	(5,300)	-
Finance costs paid		(32,421)	(20,335)
Acquisition of non-controlling interest		(1,952)	-
Proceed from new share issue - net		314,970	-
Net cash from financing activities		543,368	288,132
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		84,024	136,319
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	433,403	84,024

The attached notes 1 to 40 form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2016

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 in the United Arab Emirates ("UAE"), Spain, Colombia, Italy and Denmark and Brazil. The address of the registered office of the Company is Level 1, Devonshire House, One Mayfair Place, London, W1J 8AJ. The registered number of the Company is 7712220. The Company's immediate and ultimate controlling party is a group of three individuals (H.E. Saeed Mohamed Butti Mohamed Al Qebaisi (H.E. Saeed Bin Butti), Dr BR Shetty and Mr Khalifa Butti Omair Yousif Ahmad Al Muhairi (Mr. Khalifa Bin Butti) who are all shareholders and of whom one is a director of the Company and who together have the ability to control the Company.

The Parent and its subsidiaries (collectively the "Group") are engaged in providing professional medical services, home care services, long term care services and the provision of all types of research and medical services in the field of gynaecology, obstetrics and human reproduction, and the rendering of business management services to companies in the health care and hospital sector. The Group is also engaged in wholesale of pharmaceutical goods, medical equipment, cosmetics, food, IT products and services.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue by the board of directors on 7 March 2017 and the consolidated statement of financial position was signed on the Board's behalf by Dr BR Shetty and Mr Suresh Krishnamoorthy.

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 2016 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 and contingent consideration payable which 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 in the UAE is the UAE Dirham and the functional currency of the subsidiaries operating outside UAE is the currency of those respective countries. The reporting currency of the Group is United States of America Dollar (US\$) as this is a more globally recognized currency. The UAE Dirham is pegged against the US Dollar at a rate of 3.673 per US Dollar.

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

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 24 to 25.

The Group has two diverse operating divisions, Healthcare and Distribution, both of which operate in a growing market.

The directors have undertaken an assessment of the future prospects of the Group and the wider risks that the Group is exposed to. In its assessment of whether the Group should adopt the going concern basis in preparing its financial statements, the directors have considered the adequacy of financial resources in order to manage its business risks successfully, together with other areas of potential risk such as regulatory, insurance and legal risks.

The Group has considerable financial resources including 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 expansion through acquisitions and in relation to working capital requirements.

The Group delivered a strong performance in 2016. Both the Healthcare and Distribution divisions have continued their positive growth in revenue during 2016. Net profit and EBITDA of both healthcare and distribution divisions have increased in 2016. EBITDA margin of Distribution is almost the same as last year whereas for Healthcare it increased slightly which is due to opening of new facilities during the year. The directors have reviewed the business plan for 2017 and the five year cash flow, together with growth forecasts for the healthcare sector in the 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

	Country of incorporation	Percentage of holdings	
		31 December 2016	31 December 2015
Direct subsidiaries:			
NMC Holding Co LLC	UAE	100%	100%
NMC Health Holdco Limited	UK	100%	100%
Indirect subsidiaries:			
NMC Healthcare LLC	UAE	100%	100%
New Pharmacy Company Limited	UAE	100%	99%
New Medical Centre LLC-Dubai	UAE	100%	99%
NMC Specialty Hospital LLC-Abu Dhabi	UAE	100%	99%
NMC Specialty Hospital LLC-Dubai	UAE	100%	99%
New Medical Centre Trading LLC-Abu Dhabi	UAE	100%	99%
NMC Trading LLC-Dubai	UAE	100%	99%
Bait Al Shifaa Pharmacy LLC-Dubai	UAE	100%	99%
New Medical Centre LLC-Sharjah	UAE	100%	99%
New Medical Centre Specialty Hospital LLC-Ai Ain	UAE	100%	99%
Reliance Information Technology LLC	UAE	100%	99%
BR Medical Suites FZ LLC	UAE	100%	100%
Brightpoint Royal Womens Hospital LLC	UAE	100%	99%
NMC Day Surgery Centre LLC	UAE	100%	99%
NMC Hospital LLC (DIP Hospital)	UAE	100%	99%
Medifertil, S.A	Columbia	61.90%	60.50%
Centro de infertilidad y Reproduccion Humana SLU (CIRH)	Spain	88.40%	86.40%
Centro de Medicina della Riproduzione (Biogenesi)	Italy	53.00%	51.80%
EUVITRO, S.L.U	Spain	88.40%	86.40%
Copenhagen Fertility Center Holding Aps (DK)	Denmark	79.60%	-
Huntington Centro de Medicina Reproductive, S/A (BR)	Brazil	53%	-
ProVita International Medical Center LLC	UAE	100%	100%
Lifewise Home Healthcare LLC	UAE	100%	-
NMC Royal Hospital LLC	UAE	100%	99%

2.2 BASIS OF CONSOLIDATION CONTINUED

	Country of incorporation	Percentage of holdings	
		31 December 2016	31 December 2015
<i>The American Surgecenter Pharmacy LLC</i>	UAE	90%	90%
<i>The American Surgecenter LLC</i>	UAE	90%	90%
<i>Americare LLC</i>	UAE	90%	90%
<i>Trans Arabia Drug Store LLC</i>	UAE	75%	75%
<i>Sunny Specialty Medical Centre LLC</i>	UAE	100%	100%
<i>Sunny Medical Centre LLC</i>	UAE	100%	100%
<i>New Sunny Medical Centre LLC</i>	UAE	100%	100%
<i>Sunny Al Buhairah Medical Centre LLC</i>	UAE	100%	100%
<i>Sunny Al Nadha Medical Centre LLC</i>	UAE	100%	100%
<i>Sunny Dental Care LLC</i>	UAE	100%	100%
<i>Grand Hamad Pharmacy LLC</i>	UAE	100%	100%
<i>Hamad Pharmacy LLC</i>	UAE	100%	100%
<i>Sharjah Pharmacy L.L.C</i>	UAE	100%	100%
<i>*Sunny Sharqan Medical Centre LLC</i>	UAE	100%	-
<i>*NMC Royal Medical Centre LLC</i>	UAE	100%	-
<i>*NMC Healthcare LLC</i>	Oman	100%	-
<i>*Fulfil Trading LLC</i>	UAE	100%	-
<i>Nadia Medical Centre LLC</i>	UAE	100%	-
<i>Cooper Dermatology and Dentistry Clinic</i>	UAE	100%	-
<i>Cooper Health Clinic</i>	UAE	100%	-
<i>Fakih IVF Fertility Centre LLC</i>	UAE	51%	-
<i>Fakih IVF LLC</i>	UAE	51%	-
<i>Beiersdorf Cosmetics Trading LLC - Abu Dhabi branch</i>	UAE	100%	99%
<i>New Marketing & Trading Co. LLC</i>	UAE	100%	99%
<i>Beiersdorf Cosmetics Trading LLC - Al Ain branch</i>	UAE	100%	99%
<i>New Marketing & Trading Co LLC - Al Ain branch</i>	UAE	100%	99%
<i>New Medical Centre Trading LLC - branch 2</i>	UAE	100%	99%
<i>New Medical Centre Trading LLC - branch 3</i>	UAE	100%	99%
<i>Beiersdorf Cosmetics Trading LLC - branch</i>	UAE	100%	99%
<i>National Marketing & Trading Co. LLC</i>	UAE	100%	99%
<i>New Marketing & Trading Company LLC - branch</i>	UAE	100%	99%
<i>NMC Trading LLC-branch</i>	UAE	100%	99%
<i>Beiersdorf Cosmetics Trading Co. LLC</i>	UAE	100%	99%
<i>National Marketing & Trading Co. LLC - Dubai branch</i>	UAE	100%	99%
<i>New Marketing & Trading Co. LLC - Dubai branch</i>	UAE	100%	99%
<i>New Medical Centre Trading (Store) LLC</i>	UAE	100%	99%
<i>New Medical Centre Veterinary Medicine & Equipment Trading Co LLC</i>	UAE	100%	99%
<i>NMC Trading LLC branch</i>	UAE	100%	99%
<i>NMC Trading LLC - Fujairah branch</i>	UAE	100%	99%
<i>NMC Trading RAK - branch LLC</i>	UAE	100%	99%
<i>New Medical Centre</i>	UAE	100%	100%
<i>New Medical Centre LLC - branch (Al-Ain, Al wadi)</i>	UAE	100%	100%
<i>NMC Pharmacy</i>	UAE	100%	100%
<i>NMC Pharmacy - Branch</i>	UAE	100%	100%
<i>*PVHC KSA</i>	KSA	100%	-
<i>*TVM KSA Acquisition 2 Ltd</i>	Cyprus	100%	-
<i>*NMC Royal Medical Centre LLC - Branch</i>	UAE	100%	-
<i>*Muscat Central Healthcare LLC</i>	Oman	100%	-
<i>*NMC Healthcare India Pvt. Ltd</i>	India	100%	-
<i>*NMC International Trading LLC</i>	UAE	100%	-
<i>*Cooper Health Clinic - Branch</i>	UAE	100%	-
<i>*New Reproductive Care Ltd</i>	Cayman	51%	-

* These entities are established by NMC during the current year and accordingly are not disclosed as acquired entities in note 5.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

2.2 BASIS OF CONSOLIDATION CONTINUED

During the current period, the Group acquired 1% beneficial interest in certain subsidiaries, as listed below, for a consideration of US\$419,000. These subsidiaries are registered in the UAE. The Group previously had 99% shareholding in these entities. The Group recorded a gain of US\$536,000 on this in retained earnings.

NMC Specialty Hospital LLC - Abu Dhabi
 NMC Specialty Hospital LLC - Dubai
 New Medical Centre Specialty Hospital LLC - Al Ain
 New Pharmacy Company Limited
 Bait Al Shifaa Pharmacy LLC - Dubai
 Reliance Information Technology LLC
 New Medical Centre Hospital LLC - Dubai
 New Medical Centre LLC - Sharjah
 NMC Day Surgery Centre LLC
 NMC Hospital LLC (DIP Hospital)
 Bright point Hospital LLC
 New Medical Centre Trading LLC - Abu Dhabi
 NMC Trading LLC - Dubai

In addition, the Group acquired an additional 2.0% interest in Luarmia SL ("Luarmia"), increasing its ownership interest to 88.4%. Cash consideration of US\$1,533,000 was paid to the non-controlling shareholders. The Group recorded a loss of US\$1,123,000 on this in retained earnings.

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 2016 was US\$145,565,000 (2015: US\$136,176,000) and the provision for old and obsolete items at 31 December 2016 was US\$1,178,000 (2015: US\$1,388,000) (note 20).

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 or claims which can potentially be rejected, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

A majority of the receivables that are past due but not impaired pertains to Group's operations in UAE, these receivables 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 2016 were US\$326,480,000 (2015: US\$255,038,000) and the provision for doubtful debts at 31 December 2016 was US\$12,129,000 (2015: US\$13,022,000) (note 21). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 18.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

SIGNIFICANT ESTIMATES CONTINUED

Impairment of Non-Financial Assets continued

In addition, the Group has work in progress in respect of Hospital Information System (HIS) and ERP amounting to US\$4,345,000 (2015:US\$3,991,000). This amount is included in capital work in progress in property and equipment and in software in intangible assets (note 17 and note 18). As required by IAS 36 an impairment test is performed and no impairment was identified.

Valuation of intangibles assets

The Group measures its intangible assets acquired in a business combination as follows:

Brand	Relief from royalty
Database and software	Replacement cost
Patient relationships	Multi period excess earning method
Non-compete agreements	Income approach-with or without method
Rental and private contracts	Multi period excess earning method

Estimating the fair value of the brand requires determination of the most appropriate valuation method. This estimate also requires determination of the most appropriate inputs to the valuation method including the base revenue, expected life of the intangible assets, selecting an arm's length royalty rate, discount rate and making assumptions about them. Similarly, estimating the replacement cost of the database requires an estimate of the number of cycles that are recorded in the database along with the best estimate of the hours dedicated by the staff (such as doctors, nurses, biologists, and other specialist technicians) to collect the data, the useful life of the database, discount rate and an estimate of tax saving.

Estimating the fair value of patient relationships and the non-compete agreements requires an estimate of the expected revenue over an appropriate period of time, a churn rate to account for the reduction in the number of patients over the years, discount rate, rate of inflation and the useful life and the risk inherent in ownership of the asset or security interest being valued.

Useful economic lives of property and equipment and depreciation method

Depreciation is calculated on all property and equipment other than land and capital work in progress, at the following rates calculated to write off the cost of each asset on a straight line basis over its expected useful life. Management has re-assessed the useful economic lives of all asset categories with effect from 1 January 2016, following a review of the useful economic lives of the Group's assets and market research conducted on depreciation rates and methods in the industry:

	Rate applied from 1 January 2016	Rate applied up to 31 December 2015
Hospital building	2%-6%	6%
Buildings	6%	6%
Leasehold improvements	5.88%-20%	10%-20%
Motor vehicles	20%	20%
Furniture, fixtures and fittings	12.5%-20%	12.5%-20%
Medical equipment	10%-25%	10%-25%

The impact of the re-assessment of useful economic lives and depreciation method is an increase in reported profit of US\$2,562,000 in the current year.

Useful economic lives of intangible assets and amortisation method

The useful lives of intangible assets are assessed as either finite or indefinite. Intangibles assets are amortised on straight line basis over their useful life. The following useful lives have been determined for acquired intangible assets:

Brands - 5-20 years
Software - 5 years
Database - 15 years
Patient relationships - 7 years
Non-compete agreement - 3-4 years
Rental contracts - 7 years
Private contracts - 3 years

Contingent consideration on acquisitions

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The change in the fair value at each reporting date is recorded in the consolidated income statement. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration in determining the fair value are the probability of meeting relevant performance targets, securing certain agreements, completing certain acquisitions and the discount factor (note 5).

Notes to the Consolidated Financial Statements continued

At 31 December 2016

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

Valuation of put option

The accounting for put options requires significant management judgment and is driven by the specific contract terms. Put options were issued as part of the Luarmia SL, CFC and HCMR acquisitions. On the basis of the contract terms and interpretation of relevant accounting standards and guidance, the judgment is that the Group does not have present ownership of the non-controlling interest (NCI) on account of Luarmia SL, CFC and HCMR as at the date of acquisition. This judgment leads to the next stage of the accounting decisions required. The Group has concluded that IFRS 10 takes precedence over IAS 32, and the permitted policy choice is that there should be full recognition of NCI using the proportionate method.

The financial liability that is payable under put option is measured at fair value at each reporting date. The key assumptions taken into consideration in determining the fair value are the probability of meeting relevant reproductive cycles, EBITDA and net debt targets (note 37).

SIGNIFICANT JUDGEMENTS

Business combinations and goodwill

Management judgement is applied in determining whether the acquisition represents an acquisition of an asset or a business combination. This involves assessing whether or not the entities and the assets acquired constitute the carrying on of a business, i.e., whether there are inputs and processes applied to those inputs that have the ability to create outputs. When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired, then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the consolidated income statement. Allocation of the purchase price between finite lived assets and indefinite lived assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised. The key judgements in respect of the contingent consideration recognised as part of a business combination relate to the performance of the business, the discount rates used and the contractual arrangements of ownership.

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 Companies local environment is limited to expenses incurred within the UK. The ability of the Company to meet its obligations and pay dividends to its shareholders is dependent on the economy of, and the operation of its subsidiaries in, the UAE.

Assets held in the name of the previous shareholder

In accordance with local laws, 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 2016 certain land with a carrying amount of US\$4,144,000 (2015: US\$4,144,000) 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 (note 17).

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 2016, the majority of the lease periods range from five to twenty seven years apart from the leases for New Medical Centre Hospital LLC-Dubai ('Dubai General Hospital) and the warehouse facilities, which had leases which are renewable on an annual basis with a total value of US\$801,000 (2015: US\$778,000) included within property, and equipment as at 31 December 2016 (note 17). 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 over 43 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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

SIGNIFICANT JUDGEMENTS CONTINUED

Leases for Building and Land continued

- 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 16 years and each year these leases have been automatically renewed.
- The warehouse facilities have been built by the Group 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.

Lease for NMC Royal Hospital LLC

NMC Royal Hospital LLC is constructed from land leased from Municipality of Abu Dhabi. Remaining period of lease as of 31 December 2016 is 24 years expiring in 2040. Management has determined the useful life of NMC Royal Hospital LLC building 50 years. Carrying amount of NMC Royal Hospital LLC building included in property and equipment as of 31 December 2016 is US\$122,463,000. Management believe that lease will be renewed for the full useful life of the building. The directors have considered the facts that throughout the Group's 43 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 lessor in determining the likelihood that lease will be renewed.

2.4 CHANGES IN ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2016.

The new standards, amendments to IFRS, which are effective as of 1 January 2016 are listed below, have no impact on the Group.

- FRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements 2012-2014 Cycle
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - i. Servicing contracts
 - ii. Applicability of the amendments to IFRS 7 to condensed interim financial statements
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting
 - Amendments to IAS 1 Disclosure Initiative
 - Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

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

Revenue streams include clinic service revenues, sale of goods - Pharmacy, sale of goods -Distribution, Healthcare management fees and revenue sharing arrangement with doctors.

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, homecare and long term care service revenues

Clinic, homecare and long term care service revenues represent the revenue which NMC generates from the provision of either inpatient or outpatient medical services, homecare services or long term care services. The group primarily receives these revenues from patients' private /medical insurance schemes. 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 services which are provided, it bears the credit risk and it bears the risk of providing the medical service.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REVENUE RECOGNITION CONTINUED

Gynaecology, obstetrics and human reproduction

Revenue in respect of the different types of gynaecology, obstetrics and human reproduction services is recognized as follows:

Donor IVF and Own IVF sales (In Vitro Fecundation)

Revenue in respect of gynaecology, obstetrics and human reproduction is mainly from In Vitro Fertilization (IVF) treatment.

Revenue from IVF treatment is recognized based on the stage of the treatment. The treatment is divided into three stages. Each stage takes about 20 days. 24%-25% of revenue is booked in the first stage (at the beginning of the treatment), 50%-65% of revenue is booked in the middle stage (at patient's egg extraction in the case of the use of the patient's own egg or in the case of the use of a donor egg at the fertilization date) and 11%-25% of revenue is booked at the final stage (embryo implantation). These percentages are based on an internal study of the costs incurred in the different streams performed in prior years.

Cryo transfer sales

Total cost of the treatment is split in two phases in terms of revenue recognition. 25% is recorded when the doctor agrees with the patient to initialize the treatment and 75% at the embryo implantation. The time between both phases is about 2-3 weeks.

Intrauterine insemination

Revenue is recognized in full at the insemination date.

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, UAE. 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.

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 sharing arrangements with doctors

The Group enters into contracts with doctors whereby these doctors are employed to perform certain procedures or run outpatient services using the facilities. 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 income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REBATES 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.

CURRENT INCOME TAX

Current income tax assets and liabilities arising from overseas operations for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities in the respective overseas jurisdictions. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and disclosed separately in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the consolidated income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, 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 Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then 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 acquiree 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.

RESTRUCTURING RESERVE

The group restructuring reserve arises on consolidation under the pooling of interest 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.

DEFERRED CONSIDERATION

Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within finance costs. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus unwinding of interest imputed on such amounts from acquisition to the balance sheet date.

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	2%-6%
Buildings	6%
Leasehold improvements	5.88%-20%
Motor vehicles	20%
Furniture, fixtures and fittings	12.5%-20%
Medical equipment	10%-25%

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PROPERTY AND EQUIPMENT CONTINUED

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.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The following useful lives have been determined for acquired intangible assets:

- Brands - 5-20 years
- Software - 5 years
- Database - 15 years
- Patient relationships - 7 years
- Non-compete agreement - 3-4 years
- Rental contracts - 7 years
- Private contracts - 3 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

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 income statement 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

ACCOUNTS RECEIVABLE

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. Accounts receivable with no stated interest rates are measured at invoiced amounts when the effect of discounting is immaterial. 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.

LOANS RECEIVABLES

Loans receivables are initially recognised at fair value. After initial measurement, such financial assets are subsequently measured at amortised cost using effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

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.

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'.

PUT OPTION - NON CONTROLLING INTEREST

In circumstances where the Group has determined that they do not have the present ownership interest in the shares subject to a put option, the Group has concluded that IFRS 10 takes precedence over IAS 32 and accordingly a non-controlling interest (NCI) is fully recognised at the date of acquisition. The Group recognises the full NCI using the proportionate share of net assets method. The financial liability that may become payable under a put option in respect of the NCI is recognised at fair value within liabilities, with the liability being treated as an immediate reduction to equity attributable to the parent (other reserves). The financial liability is subsequently re-measured to fair value at each reporting date and the change in the fair value at each reporting date is recorded in the consolidated income statement.

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 consolidated income statement.

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 the 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEES' END OF SERVICE BENEFITS CONTINUED

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

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.

SHARE BASED PAYMENTS

Equity-settled share-based payments to employees (including executive directors) are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves/other payables.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 16).

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 income statement.

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 average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). All resulting currency translation differences are recognised as a separate component of equity.

The Group's principal geographical segment is the United Arab Emirates. The UAE Dirham is pegged against the US Dollar so a single rate of 3.673 per US Dollar is used to translate those assets and liabilities and balances in the consolidated income statement.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments such as forward exchange contracts, put options and contingent consideration. 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. Derivatives with positive market values (unrealised gains) are recognised as assets and derivatives with negative market values (unrealised losses) are recognised as 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 income statement. 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 consolidated income statement on a straight line basis. Lease incentives are recorded as a reduction of rental expense over the lease term, on a straight-line basis.

JOINT VENTURE

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

4 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 listed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

4 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE CONTINUED

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the Modified retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group is a leading Healthcare service provider in UAE, Europe and South America and also a leading supplier of products and consumables across several key market segments in UAE, through its distribution division.

i) Sale of goods

In distribution business, the Group doesn't expect to have any impact on the Group's profit or loss on adoption of IFRS 15, as the Group recognizes the revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Sale of goods has only one performance obligation.

In Healthcare business, the Group is considering the following in order to assess the potential impact of IFRS 15, if any:

ii) Various health packages:

All Healthcare packages except some gynaecology packages referred below have very short length of service. Services are rendered within 1 to 7 days and therefore revenues recognized at a point in time services are rendered. Management is therefore not expecting IFRS 15 implementation to have an impact on the revenue recognized during a period.

Two healthcare gynaecology packages i) Basic antenatal and ii) IVF business consist of several stages or cycles and hence services are rendered over a longer period of time which varies from 1 month to 9 month. Management is currently assessing the contractual conditions and its implication regarding the period when performance obligation is met. Revenue from basic antenatal and IVF business in 2016 was less than 3% of healthcare revenue.

The Group continues to assess individual contracts to determine the final impact, if any of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

iii) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements.

IFRS 16 LEASES

IFRS 16 was issued in January 2016, and specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

In addition, the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that are not expected to have any material impact on the Group are as follows:

- IFRS 9 Financial Instruments
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 7 Disclosure Initiative - Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

Notes to the Consolidated Financial Statements continued

At 31 December 2016

5 BUSINESS COMBINATIONS

The fair value of the identifiable assets and liabilities of entities acquired as at the date of acquisition are as follows:

Particulars	Fakih IVF US\$'000	CFC US\$'000	HCMR US\$'000	Nadia US\$'000	Cooper US\$'000	Lifewise US\$'000	Total US\$'000
Assets							
Intangible assets	25,324	-	149	-	1	-	25,474
Property and equipment	4,309	99	2,404	316	343	14	7,485
Inventories	613	-	356	-	-	-	969
Accounts receivable	8,579	811	2,553	1,102	181	38	13,264
Other receivables	41,436	101	109	101	591	8	42,346
Deferred tax asset	-	48	-	-	-	-	48
Cash and bank balances	3,395	163	346	134	835	-	4,873
	83,656	1,222	5,917	1,653	1,951	60	94,459
Liabilities							
Borrowings	-	-	855	-	-	-	855
Accounts payable	4,788	340	2,032	297	1,137	38	8,632
Other payable	43,001	-	760	23	103	17	43,904
Tax payable	-	113	136	-	-	-	249
	47,789	453	3,783	320	1,240	55	53,640
Total identified net assets at fair value	35,867	769	2,134	1,333	711	5	40,819
Non-controlling interest	(17,575)	(77)	(872)	-	-	-	(18,524)
Goodwill arising on acquisition	186,616	14,404	8,574	13,787	10,258	267	233,906
Purchase consideration	204,908	15,096	9,836	15,120	10,969	272	256,201
Purchase consideration:							
Payable in cash	190,446	13,582	9,836	12,251	9,502	272	235,889
Contingent consideration	8,128	1,514	-	-	-	-	9,642
Deferred consideration	7,051	-	-	2,869	1,467	-	11,387
Fair value measurement	(717)	-	-	-	-	-	(717)
Total consideration	204,908	15,096	9,836	15,120	10,969	272	256,201

Analysis of cash flows on acquisitions is as follows:

Particulars	Fakih IVF US\$'000	CFC US\$'000	HCMR US\$'000	Nadia US\$'000	Cooper US\$'000	Lifewise US\$'000	Total US\$'000
Cash paid	(190,446)	(13,582)	(9,836)	(12,251)	(9,502)	(272)	(235,889)
Deferred consideration paid	(3,410)	-	-	(435)	(1,467)	-	(5,312)
Net cash acquired with the subsidiaries	3,395	163	346	134	835	-	4,873
Transaction costs	-	(744)	(259)	(106)	(136)	(14)	(1,259)
Net cash flow on acquisition	(190,461)	(14,163)	(9,749)	(12,658)	(10,270)	(286)	(237,587)

The transaction costs reported in the consolidated income statement comprise of the following:

	2016 US\$'000	2015 US\$'000
Transaction costs for Fakih IVF	-	750
Transaction costs for the acquired entities	1,259	3,304
Transaction costs for acquisitions in progress	3,344	77
	4,603	4,131

The fair value assessment of identifiable net assets is final except for CFC and HCMR.

The non-controlling interest in all acquired entities is measured at the proportionate share of net assets of subsidiaries.

5 BUSINESS COMBINATIONS CONTINUED

Other financial information with respect to acquired entities is as follows:

Particulars	Fakih IVF US\$'000	CFC US\$'000	HCMR US\$'000	Nadia US\$'000	Cooper US\$'000	Lifewise US\$'000	Total US\$'000
Revenue from the date of acquisition	65,171	3,133	6,058	7,211	3,441	38	85,052
Profit after tax from the date of acquisition	35,293	1,284	376	3,036	430	(87)	40,332
Revenue from 1 January to 31 December 2016 (unaudited)	70,600	5,589	15,575	7,211	4,268	174	103,417
Profit after tax from 1 January to 31 December 2016 (unaudited)	38,101	1,506	794	3,036	626	(125)	43,938
Trade receivables gross value as of acquisition date	8,579	951	2,657	1,102	181	38	13,508
Trade receivables fair value as of acquisition date	8,579	811	2,553	1,102	181	38	13,264

ACQUISITION OF FAKIH IVF

On 24 November 2015, the Group agreed, subject to regulatory approval and legal formalities, to acquire a 51% controlling stake in the voting shares of Fakih IVF, an unlisted group registered in Cayman Islands and operationally headquartered in Abu Dhabi, UAE, which is the Middle East's leader in the provision of IVF and fertility services. All controlling rights (i.e. voting, appointment and removal of directors, dividend rights) vest with NMC. These rights cannot be relinquished.

The Group acquired the control of Fakih IVF on 8 February 2016, date on which regulatory approvals and legal formalities were completed. The consolidated financial statements include the results of Fakih IVF for 11 month period from the acquisition date.

The goodwill recognised is attributable to the expected synergies and other benefits from combining the assets and activities of Fakih IVF with those of the Group. Goodwill is allocated to the healthcare segment. None of the recognised goodwill is expected to be deductible for income tax purposes as there is no corporation tax in the UAE. Synergistic benefits will arise in the following ways:

- Fakih is recognized as a leading Middle East market leader for IVF treatment. NMC plan to set up an IVF clinic in Brightpoint Hospital and NMC Royal, Abu Dhabi will benefit directly from set-up, training and efficiency cost savings as a result of utilising Fakih-IVF processes and procedures.
- NMC patients in UAE can be referred to Fakih clinics in UAE for IVF related treatments.
- The successful and swift launch of IVF clinics in the UAE under the NMC umbrella, and using proven Fakih technologies, is expected to attract additional patients from within the UAE and the wider GCC area. There are only a small number of IVF clinics in the UAE at present. This is a key growth area in the healthcare sector where NMC can use its substantial brand strength, together with Fakih own specialised brand, to attract new customers that may previously have chosen alternative clinic.

At the date of the acquisition, the fair value assessment of identifiable net assets included brands amounting to US\$25,214,000. No deferred tax liability has been recognised as there is no corporation tax in UAE.

Deferred consideration is payable in three unequal instalments in a period of two years with last instalment due in 2017.

Purchase consideration includes contingent consideration of US\$8,128,000. The full value of the contingent consideration is US\$9,030,000 and the present value as at 31 December 2016 is US\$8,128,000. The contingent consideration relates to amounts payable in the event that licenses to operate in certain other GCC countries are obtained. As of 31 December 2016, contingent consideration remains payable and is included in other payables. Contingent consideration is expected to be payable by end of 2017.

The Group has incurred a contractual obligation to deliver cash or another financial asset by issuing the Post-dated cheques (those were issued by a company prior to our acquisition and not connected to the unit acquired) and have met the definition of financial liability, present value of such Post-dated cheques of US\$38,029,000 was recorded as liability as of acquisition date. Further, the Group has a contractual right to be compensated from the Seller by way of cash or other financial asset in case it suffers any loss on account of those Post-dated cheques as the Group is indemnified by the Seller for any loss that may arise on account of encashment of such issued Post-dated cheques before their replacement. Accordingly, a contra financial asset has been recorded of the above same amount as of acquisition date.

As of 31 December 2016, present value of Post-dated cheques issued and corresponding receivable is US\$36,929,000 and have been recorded under non-current other payables (note 30) and other non-current financial assets.

ACQUISITION OF COPENHAGEN FERTILITY CENTER ("CFC")

On 10 June 2016, the Group acquired 90% of the voting shares of CFC, an unlisted company based in Denmark and specialising in research and medical services in the fields of gynaecology, obstetrics and human reproduction. The consolidated financial statements include the results of CFC for 7 month period from the acquisition date.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

5 BUSINESS COMBINATIONS CONTINUED

ACQUISITION OF COPENHAGEN FERTILITY CENTER ("CFC") CONTINUED

The Group entered into separate shareholder agreement dated 10 June 2016 with the sellers relating to a put option on the minority 10% shareholdings that remains with the previous owner's post-acquisition. The Group does not have 'present ownership' of this 10% minority shareholding due to the terms of the option agreements and will continue to account for the acquisition of CFC on the basis of 90% equity stake, with full recognition of the 10% non-controlling interest. The put options are exercisable from the fifth anniversary of the shareholder agreement. On exercise of the put options, cash will be paid. The value of the put option is calculated based on the EBITDA multiple. A redemption liability for the value of the options at the acquisition date has been created amounting to US\$1,585,000 (being the present value of the redemption liability at the acquisition date), with an equal amount being treated as a reduction in equity. As at 31 December 2016, the present value of the redemption liability is US\$1,541,000 (Note 37).

The Group acquired CFC to enable Clinica Eugin to reinforce its presence in Europe and strengthen its brand and positioning at the forefront of its market. All controlling rights (i.e. voting, appointment and removal of directors, dividend rights) vest with NMC. These rights cannot be relinquished.

Goodwill represents future business potential and profit growth of CFC and it comprises all intangibles that cannot be individually recognised such as the assembled workforce, customer service, future client relationships and presence in the geographical market. Goodwill is allocated to the healthcare segment. None of the recognised goodwill is expected to be deductible for income tax purposes.

ACQUISITION OF HUNTINGTON CENTRO DE MEDICINA REPRODUCTIVA S/A ("HCMR")

On 12 September 2016, the Group acquired 60% of the voting shares of HCMR, an unlisted company based in Sao Paulo, Brazil and specialising in research and medical services in the fields of gynaecology, obstetrics and human reproduction. The consolidated financial statements include the results of HCMR for 4 month period from the acquisition date.

The Group entered into separate shareholder agreement dated 12 September 2016 with the sellers relating to put option on the minority 40% shareholdings that remains with the previous owners post-acquisition. The Group does not have 'present ownership' of this 40% minority shareholding due to the terms of the option agreements and will continue to account for the acquisition of HCMR on the basis of 60% equity stake, with full recognition of the 40% non-controlling interest. The put options are exercisable at any time between the lock up period and 36 months thereafter (Liquidity period). Lock Up period is 3 years. On exercise of the put options, cash will be paid. The value of the put option is calculated based on the EBITDA multiple. A redemption liability for the value of the options at the acquisition date has been created amounting to US\$11,216,000 (being the present value of the redemption liability at the acquisition date), with an equal amount being treated as a reduction in equity. As at 31 December 2016, the present value of the redemption liability is US\$10,707,000 (Note 37).

The Group acquired HCMR to enable Clinica Eugin to reinforce its presence in South America and strengthen its brand and positioning at the forefront of its market. All controlling rights (i.e. voting, appointment and removal of directors, dividend rights) vest with NMC. These rights cannot be relinquished.

Goodwill represents future business potential and profit growth of HCMR and it comprises all intangibles that cannot be individually recognised such as the assembled workforce, customer service, future client relationships and presence in the geographical market. Goodwill is allocated to the healthcare segment. None of the recognised goodwill is expected to be deductible for income tax purposes.

Purchase price allocation is not yet finalized. Goodwill has been recognized based on currently available information and is subject to further adjustments as and if new information comes to managements awareness.

ACQUISITION OF NADIA MEDICAL CENTRE LLC ("NADIA")

The Group acquired 100% of Nadia because this acquisition extends gynaecology and paediatric service offerings to complement NMC's growing IVF/women's health franchise including Fakihi, Clinica Eugin and Bright Point Royal. This medical centre is expected to contribute to the patient cross-referral capabilities of NMC's nation-wide and multi-specialty hub-and-spoke healthcare services network. All controlling rights (i.e. voting, appointment and removal of directors, dividend rights) vest with NMC. These rights cannot be relinquished.

The Group acquired the control of Nadia on 7 January 2016, date on which regulatory approvals and legal formalities were completed. The consolidated financial statements include the results of Nadia for 12 month period from the acquisition date.

The goodwill recognised is attributable to the expected synergies and other benefits from combining the assets and activities of Nadia with those of the Group. Goodwill is allocated to the healthcare segment. None of the recognised goodwill is expected to be deductible for income tax purposes as there is no corporation tax in the UAE. Synergistic benefits will arise in the following ways:

- The ability to cross refer patients from Nadia to the nearby NMC Specialty Hospital and Bright Point Royal in Abu Dhabi.
- Nadia can utilise In Patient and Out Patient facilities at Bright point and NMC Royal for deliveries and other procedures.
- Synergies will arise from Nadia focus on gynaecology and paediatrics and NMC's growth in IVF & women health segments.

Deferred consideration is payable in three unequal instalments in a period of three years with last instalment due in 2018.

5 BUSINESS COMBINATIONS CONTINUED

ACQUISITION OF COOPER HEALTH CLINIC AND COOPER DERMATOLOGY & DENTAL CLINIC ("COOPER")

On 30 December 2015, the Group agreed to acquire 100% of the business of Cooper because this business extends the specialisation in the provision of obstetrics, gynaecology, paediatric and dental services in Dubai region. All controlling rights (i.e. voting, appointment and removal of directors, dividend rights) vest with NMC. These rights cannot be relinquished.

The Group acquired the control of Cooper on 8 March 2016, date on which regulatory approvals and legal formalities were completed. The consolidated financial statements include the results of Cooper for 10 month period from the acquisition date.

The goodwill recognised is attributable to the expected synergies and other benefits from combining the assets and activities of Cooper with those of the Group. Goodwill is allocated to the healthcare segment. None of the recognised goodwill is expected to be deductible for income tax purposes as there is no corporation tax in the UAE. Synergistic benefits will arise in the following ways:

- The acquisition of Cooper extends the healthcare segment's market position within Dubai and the UAE as a whole.
- The ability to cross refer patients from Cooper to the nearby NMC Specialty Hospital in Dubai.

Full and final deferred consideration payable was paid in August 2016.

The fair value of the identifiable assets and liabilities of entities acquired in previous year at the dates of acquisition were as follows:

Particulars	Luarmia SL US\$'000	CIRH US\$'000	Biogenesi US\$'000	TADS US\$'000	Americare US\$'000	Dr Sunny US\$'000	ProVita US\$'000	Total US\$'000
Assets								
Intangible assets	35,657	378	7,373	-	2,623	6,847	21,935	74,813
Property and equipment	1,932	73	645	30	1,158	1,219	8,635	13,692
Deferred tax asset	842	-	1	-	-	-	-	843
Inventories	3,521	-	-	362	85	810	662	5,440
Accounts receivable	678	174	-	851	2,724	5,372	9,881	19,680
Other receivables	3,821	41	-	172	350	2,880	2,386	9,650
Cash and bank balances	9,610	1,976	9	2,001	1,199	3,828	9,825	28,448
	56,061	2,642	8,028	3,416	8,139	20,956	53,324	152,566
Liabilities								
Current tax	-	35	-	-	-	-	-	35
Borrowings	25,006	-	-	-	39	1,566	54	26,665
Deferred tax	8,804	92	2,058	-	-	-	-	10,954
Accounts payable	2,887	382	2	922	1,016	3,865	3,066	12,140
Other payable	5,100	1,691	111	1,126	1,884	1,942	1,869	13,723
	41,797	2,200	2,171	2,048	2,939	7,373	4,989	63,517
Total identified net assets at fair value	14,264	442	5,857	1,368	5,200	13,583	48,335	89,049
Non-controlling interest	(1,940)	-	(2,343)	(342)	(520)	-	-	(5,145)
Goodwill arising on acquisition	117,059	13,622	8,329	4,879	26,763	53,838	120,582	345,072
Purchase consideration	129,383	14,064	11,843	5,905	31,443	67,421	168,917	428,976
Purchase consideration:								
Payable in cash	127,107	11,393	5,522	5,905	31,443	57,973	160,592	399,935
Contingent consideration	2,276	2,671	6,321	-	-	9,448	8,325	29,041
Total consideration	129,383	14,064	11,843	5,905	31,443	67,421	168,917	428,976

Purchase price allocation for Centro de Infertilidad y Reproduccion Humana SLU (CIRH), Centro de Medicina della Riproduzione (Biogenesi), Trans Arabia Drug Store LLC (TADS), Dr Sunny Healthcare (Dr. Sunny), ProVita International Medical Centre LLC (ProVita) were provisional as of 31 December 2015 and has been completed during the year. Purchase price allocation of all of these acquisitions remain same except for Dr. Sunny for which fair value of contingent consideration has been updated by an amount of US\$2,126,000 and accordingly purchase consideration and goodwill are reduced by same amount. On the grounds of materiality considerations the adjustment have been recorded in the current period.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

5 BUSINESS COMBINATIONS CONTINUED

ACQUISITION OF COOPER HEALTH CLINIC AND COOPER DERMATOLOGY & DENTAL CLINIC ("COOPER") CONTINUED

Analysis of cash flows for acquisitions done in previous year disclosed in 2015 consolidated financial statements was as follows:

Particulars	Luarmia SL US\$'000	CIRH US\$'000	Biogenesi US\$'000	TADS US\$'000	Americare US\$'000	Dr Sunny US\$'000	ProVita US\$'000	Total US\$'000
Cash paid	(127,107)	(11,393)	(5,522)	(5,905)	(31,443)	(57,973)	(160,592)	(399,935)
Contingent consideration paid	(2,276)	-	-	-	-	(1,742)	-	(4,018)
Net cash acquired with the subsidiaries	9,610	1,976	9	2,001	1,199	3,828	9,825	28,448
Transaction costs	(1,745)	(87)	(96)	(81)	(313)	(374)	(608)	(3,304)
Net cash flow on acquisition	(121,518)	(9,504)	(5,609)	(3,985)	(30,557)	(56,261)	(151,375)	(378,809)

Other financial information with respect to entities acquired in previous year disclosed in 2015 consolidated financial statements was as follows:

Particulars	Luarmia SL US\$'000	CIRH US\$'000	Biogenesi US\$'000	TADS US\$'000	Americare US\$'000	Dr Sunny US\$'000	ProVita US\$'000	Total US\$'000
Revenue from the date of acquisition	29,668	6,645	2,858	5,243	11,435	12,158	19,701	87,708
Profit after tax from the date of acquisition	6,708	1,660	819	2,485	2,126	1,192	5,033	20,023
Revenue from 1 January to 31 December 2015	36,063	8,804	5,990	5,841	16,601	36,357	54,007	163,663
Profit after tax from 1 January to 31 December 2015	6,010	2,631	2,312	2,656	3,143	2,588	9,298	28,638
Trade receivable's gross value as of acquisition date	858	174	-	851	2,724	6,510	12,451	23,568
Trade receivables fair value as of acquisition date	678	174	-	851	2,724	5,372	9,881	19,680

ADVANCES PAID FOR ACQUISITIONS

As of the reporting date, certain acquisitions are in progress for which the Group has paid an advance of US\$1,614,000 (2015: US\$ nil).

6 MATERIAL PARTLY-OWNED SUBSIDIARIES

The financial information in respect of subsidiaries that have material non-controlling interests is provided below:

PROPORTION OF EQUITY INTEREST HELD BY NMC

	Country of Incorporation	Percentage of holdings	
		31 December 2016	31 December 2015
Indirect subsidiaries			
Luarmia SL	Spain	88.4%*	86.4%*
Americare LLC	UAE	90%	90%
Fakih	UAE	51%	

* Shareholding disclosed is for Luarmia SL only. Within Luarmia SL there are certain other subsidiaries. The financial information provided below is for Luarmia SL and its subsidiaries.

ACCUMULATED BALANCES OF MATERIAL NON-CONTROLLING INTEREST

	2016 US\$'000	2015 US\$'000
Luarmia SL	5,836	4,298
Americare LLC	1,062	704
Fakih IVF LLC	34,160	-

PROFIT ALLOCATED TO MATERIAL NON-CONTROLLING INTEREST

	2016 US\$'000	2015 US\$'000
Luarmia SL	1,251	15
Americare LLC	357	184
Fakih IVF LLC	16,586	-

The summarised financial information of these subsidiaries is provided below. This information is stated before inter-company eliminations.

6 MATERIAL PARTLY-OWNED SUBSIDIARIES CONTINUED

PROFIT ALLOCATED TO MATERIAL NON-CONTROLLING INTEREST CONTINUED

Summarised statement of profit or loss for 2016	Luarmia US\$'000	Fakih US\$'000	Americare US\$'000
Revenue	66,078	65,171	17,044
Direct cost	(23,597)	(19,469)	(10,377)
Administrative and other expenses	(26,812)	(8,831)	(2,281)
Depreciation and amortisation	(6,000)	(3,022)	(813)
Profit before tax	9,669	33,849	3,573
Income tax	(174)	-	-
Profit for the year	9,495	33,849	3,573
Other comprehensive loss	(3,955)	-	-
Total comprehensive income	5,540	33,849	3,573
Attributable to non-controlling interests	1,251	16,586	357

Summarised statement of profit or loss for 2015	Luarmia US\$'000	Americare US\$'000
Revenue	39,020	11,435
Direct cost	(16,205)	(6,485)
Administrative and other expenses	(14,116)	(2,538)
Depreciation and amortisation	(3,823)	(570)
Profit before tax	4,876	1,842
Income tax	403	-
Profit for the year	5,279	1,842
Other comprehensive loss	(5,342)	-
Total comprehensive (loss) income	(63)	1,842
Attributable to non-controlling interests	15	184

Summarised statement of financial position as at 31 December 2016	Luarmia US\$'000	Fakih US\$'000	Americare US\$'000
Inventories and cash and bank balance (current)	17,449	13,861	363
Account receivable and prepayment (current)	8,934	31,615	9,298
Property, plant and equipment and other non-current assets (non-current)	135,570	68,454	3,236
Accounts payable and accruals (current)	(17,682)	(5,113)	(1,843)
Interest-bearing loans (current)	(10,704)	-	-
Interest-bearing loans and deferred tax liabilities (non-current)	(36,592)	-	-
Other payable (non-current)	(20,450)	(39,102)	(437)
Total Equity	76,525	69,715	10,617
Attributable to:			
Equity holders of parent	70,689	35,555	9,555
Non-controlling interest	5,836	34,160	1,062

Summarised statement of financial position as at 31 December 2015	Luarmia US\$'000	Americare US\$'000
Inventories & cash and bank balance (current)	17,831	1,180
Accounts receivable and prepayments (current)	5,163	4,194
Property and equipment and other non-current assets (non-current)	108,265	3,333
Accounts payable and accruals (current)	(9,026)	(1,350)
Interest-bearing loans (current)	(9,708)	-
Interest-bearing loans and deferred tax liabilities (non-current)	(35,524)	-
Other payable (non-current)	(12,801)	(313)
Total Equity	64,200	7,044
Attributable to:		
Equity holders of parent	59,902	6,339
Non-controlling interest	4,298	705

Notes to the Consolidated Financial Statements continued

At 31 December 2016

6 MATERIAL PARTLY-OWNED SUBSIDIARIES CONTINUED

PROFIT ALLOCATED TO MATERIAL NON-CONTROLLING INTEREST CONTINUED

Summarised cash flow information for period ended 31 December 2016	Luarmia US\$'000	Fakih US\$'000	Americare US\$'000
Operating	15,593	15,003	(98)
Investing	(26,607)	(4,914)	(716)
Financing	10,398	-	-
Net Increase/(decrease) in cash and cash equivalents	(616)	10,089	(814)

Summarised cash flow information for period ended 31 December 2015	Luarmia US\$'000	Americare US\$'000
Operating	5,324	1,611
Investing	(18,440)	(121)
Financing	16,312	(1,595)
Net Increase/(decrease) in cash and cash equivalents	3,196	(105)

7 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, provision of all types of research and medical services in the field of gynaecology, obstetrics and human reproduction 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.

The new acquired companies, Fakih IVF, Copenhagen Fertility Center, Huntington Centro de Medicina Reproductive, Nadia Medical Centre, Cooper Health and Lifewise Home Healthcare LLC comes under the healthcare segment.

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 EBITDA and profit or loss. These are measured consistently with EBITDA and profit or loss excluding finance income and group administrative expenses, unallocated depreciation and unallocated other income, in the consolidated financial statements.

Finance costs and finance income relating to UAE subsidiaries are not allocated to individual segments as they are managed on a group basis. In addition Group overheads are also not allocated to individual segments as these are managed on a Group basis.

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

7 SEGMENT INFORMATION CONTINUED

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 2016 and 2015.

	Healthcare US\$'000	Distribution and services US\$'000	Total segments US\$'000	Adjustments and eliminations US\$'000	Consolidated US\$'000
Year ended 31 December 2016					
Revenue					
External customers	816,314	404,521	1,220,835	-	1,220,835
Inter segment	7,001	27,406	34,407	(34,407)	-
Total	823,315	431,927	1,255,242	(34,407)	1,220,835
(Expenses)/Income					
Depreciation and amortisation	(43,320)	(3,248)	(46,568)	(9,431)	(55,999)
Finance costs	(5,834)	(9)	(5,843)	(35,841)	(41,684)
Segment EBITDA	241,115	47,113	288,228	(42,147)	246,081
Segment profit	192,932	43,565	236,497	(85,095)	151,402
Segment assets	1,454,767	265,194	1,719,961	597,032	2,316,993
Segment liabilities	256,613	72,405	329,018	1,039,104	1,368,122
Other disclosures					
Capital expenditure	61,483	4,171	65,654	1,751	67,405
Year ended 31 December 2015					
Revenue					
External customers	511,029	369,841	880,870	-	880,870
Inter segment	6,087	23,575	29,662	(29,662)	-
Total	517,116	393,416	910,532	(29,662)	880,870
(Expenses)/Income					
Depreciation and amortisation	(27,887)	(2,705)	(30,592)	(4,734)	(35,326)
Finance costs	(1,154)	(4)	(1,158)	(22,687)	(23,845)
Segment EBITDA	136,976	43,498	180,474	(30,128)	150,346
Segment profit	108,037	40,708	148,745	(62,985)	85,760
Segment assets	1,029,305	257,484	1,286,789	167,091	1,453,880
Segment liabilities	160,677	65,748	226,425	727,790	954,215
Other disclosures					
Capital expenditure	78,271	2,085	80,356	1,907	82,263

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.

ADJUSTMENTS AND ELIMINATIONS

Finance income and group overheads are not allocated to individual segments as they are managed on a group basis.

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

Capital expenditure consists of additions to property and equipment and intangible assets.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

7 SEGMENT INFORMATION CONTINUED

RECONCILIATION OF SEGMENT EBITDA TO GROUP PROFIT

	2016 US\$'000	2015 US\$'000
Segment EBITDA	288,228	180,474
Unallocated group administrative expenses	(42,202)	(31,153)
Unallocated other income	55	1,025
Unallocated finance income	9,157	925
Unallocated unamortised finance fees written off	-	(2,612)
Finance costs	(41,684)	(23,845)
Depreciation	(45,010)	(29,851)
Amortisation	(10,989)	(5,475)
Impairment of assets	(1,376)	-
Transaction costs related to business combination	(4,603)	(4,131)
Tax	(174)	403
Group Profit	151,402	85,760

RECONCILIATION OF SEGMENT PROFIT TO GROUP PROFIT

	2016 US\$'000	2015 US\$'000
Segment profit	236,497	148,745
Unallocated finance income	6,699	1,043
Unallocated finance costs	(35,841)	(22,687)
Unallocated group administrative expenses	(42,202)	(31,153)
Unallocated unamortised finance fees written off	-	(2,612)
Unallocated depreciation	(1,034)	(624)
Unallocated other income	55	1,025
Unallocated amortisation cost	(8,398)	(4,110)
Unallocated impairment of property and equipment	(1,030)	-
Unallocated transaction cost	(3,344)	(3,867)
Group Profit	151,402	85,760

RECONCILIATION OF GROUP ASSETS

	2016 US\$'000	2015 US\$'000
Segment assets	1,719,961	1,286,789
Unallocated property and equipment	10,710	10,290
Unallocated inventory	22	22
Unallocated accounts receivable and prepayments	8,656	8,913
Unallocated bank balances and cash	436,949	86,321
Unallocated bank deposits	137,869	58,858
Unallocated intangible assets	2,826	2,687
Group assets	2,316,993	1,453,880

RECONCILIATION OF GROUP LIABILITIES

	2016 US\$'000	2015 US\$'000
Segment liabilities	329,018	226,425
Unallocated term loans	782,624	539,875
Unallocated employees' end of service benefits	2,608	1,854
Unallocated accounts payable and accruals	8,281	5,837
Unallocated bank overdraft and other short term borrowings	219,851	154,962
Unallocated amounts due to related parties	488	178
Unallocated option redemption liability	25,252	25,084
Group liabilities	1,368,122	954,215

7 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 2016			
Customer 1	324,285	-	324,285
	324,285	-	324,285
Year ended 31 December 2015			
Customer 1	154,772	-	154,772
Customer 2	47,083	-	47,083
	201,855	-	201,855

GEOGRAPHICAL INFORMATION

	2016 US\$'000	2015 US\$'000
Revenue from external customers		
United Arab Emirates	1,154,757	841,851
Spain	55,361	34,994
Others	10,717	4,025
Total revenue as per consolidated income statement	1,220,835	880,870
Non-current assets		
United Arab Emirates	974,522	671,956
Spain	193,706	176,824
Others	859	844
Total non-current assets	1,169,087	849,624
Deferred tax assets		
United Arab Emirates	-	-
Spain	2,122	1,302
Others	13	14
Total Deferred tax assets	2,135	1,316

ANALYSIS OF REVENUE BY CATEGORY

	2016 US\$'000	2015 US\$'000
Revenue from services:		
Healthcare - clinic	720,051	410,408
Healthcare - management fees	10,135	7,280
	730,186	417,688
Sale of goods:		
Distribution	404,521	369,841
Healthcare	86,128	93,341
	490,649	463,182
Total	1,220,835	880,870

Notes to the Consolidated Financial Statements continued

At 31 December 2016

8 EXPENSES BY NATURE

	2016 US\$'000	2015 US\$'000
Cost of inventories recognised as an expense	457,276	389,702
Salary expenses	371,075	239,139
Rent expenses	65,549	44,859
Sales promotion expenses	50,695	43,882
Repair and maintenance expenses	13,408	9,891
Electricity expenses	6,652	4,927
Legal & licence fees	8,134	3,561
Motor vehicle expenses	3,773	3,292
Insurance expenses	8,338	2,688
Printing and stationery	3,169	2,560
Communication expenses	3,724	2,393
IT expenses	1,656	1,193
Others	27,771	19,086
	1,021,220	767,173
Allocated to:		
Direct costs	753,325	575,926
General and administrative expenses	267,895	191,247
	1,021,220	767,173

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

	2016 US\$'000	2015 US\$'000
Transaction costs in respect of business combinations	4,603	4,131
Depreciation	45,010	29,851
Amortisation	10,989	5,475
Finance costs	41,684	23,845
Impairment of property and equipment	1,376	-
Unamortised finance fees written off	-	2,612
	103,662	65,914

9 OTHER INCOME

Other income includes US\$43,644,000 (2015: US\$35,256,000) 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.

10 FINANCE COSTS

	2016 US\$'000	2015 US\$'000
Bank interest	31,648	18,106
Bank charges	3,594	2,489
Financial instruments fair value adjustments	4,282	1,793
Amortisation and re-measurement of option redemption liability (note 37)	2,160	1,457
	41,684	23,845

11 FINANCE INCOME

	2016 US\$'000	2015 US\$'000
Bank and other interest income	1,418	925
Financial instruments fair value adjustments	7,739	-
	9,157	925

12 PROFIT FOR THE YEAR BEFORE TAX

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

	2016 US\$'000	2015 US\$'000
Cost of inventories recognised as an expense	457,276	389,702
Cost of inventories written off and provided (note 20)	1,869	1,678
Minimum lease payments recognised as operating lease expense	65,549	44,859
Depreciation (note 17)	45,010	29,851
Amortisation (note 18)	10,989	5,475
Net Impairment of accounts receivable (note 21)	2,957	1,740
Employees' end of service benefits (note 28)	7,246	4,869
Net foreign exchange loss/(gain)	490	(593)
Loss on disposal of property and equipment	31	185
Share based payments expense (note 32)	2,640	1,177

13 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.

	2016 US\$'000	2015 US\$'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	984	1,300
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	727	453
- audit related assurance services	198	233
- other assurance services	11	-
- Tax compliances services	-	12
- Tax advisory services	-	-
- non audit services	1,960	115
	3,880	2,113

Included in the fees payable to the Company's auditor for the audit of the Company's annual accounts is US\$ nil (2015: US\$12,000) which was under-accrued in respect of the prior year audit of the Company's annual accounts.

The fees paid to the auditor includes US\$61,000 (2015: US\$115,000) in respect of out of pocket expenses. There were no benefits in kind provided to the auditor or its associates in either 2016 or 2015.

Non-audit services relate to a Class 1 transaction (significant acquisition) combined with an equity placement and are non-recurring in nature. This includes Reporting Accountants Report on the Historical financial information of the acquired company as well as working capital and Pro-forma financial information report, issuing of Comfort and Consent Letters and the Bring down Public Report.

14 STAFF COSTS AND DIRECTORS' EMOLUMENTS

(A) STAFF COSTS

	2016 US\$'000	2015 US\$'000
Wages and salaries	334,976	217,439
Employees' end of service benefits (note 28)	7,246	4,869
Share based payments expense (note 32)	2,640	1,177
Others	26,213	15,654
	371,075	239,139

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:

	2016	2015
Healthcare	7,392	5,495
Distribution & services	3,166	2,456
Administration	263	230
	10,821	8,181

Notes to the Consolidated Financial Statements continued

At 31 December 2016

14 STAFF COSTS AND DIRECTORS' EMOLUMENTS CONTINUED

(B) DIRECTORS' REMUNERATION

	2016 US\$'000	2015 US\$'000
Directors' remuneration	7,166	4,623

Some of the executive directors are entitled to end of service benefits and to participate in share option plans as disclosed in note 32. Further information in respect of this compensation paid to directors is disclosed in the Directors' Remuneration Report.

15 TAX

The Group operates in the United Arab Emirates and Spain and certain other countries. As there is no corporation tax in the United Arab Emirates, no taxes are recognised or payable on the operations in the UAE. There is no taxable income in the UK accordingly there is no tax liability arising in the UK. The unused tax losses amount to US\$25,549,000 as at 31 December 2016 (2015: US\$13,049,000).

With respect to Group operations in Europe and South America the tax disclosures are as follows:

Consolidated income statement	2016 US\$'000	2015 US\$'000
Current income tax:		
Charge for the year	2,305	753
Adjustment in respect of charge for the year	(5)	(163)
	2,300	590
Deferred tax:		
Charge on profit origination and reversal of temporary differences in the current year	(2,126)	(993)
Income tax charge/(credit) reported in the income statement	174	(403)

No tax is included in other comprehensive income (2015: US\$NIL).

Given that there is no tax payable in respect of operations in the UAE and no UK corporation tax payable, the Group has used the Spanish tax rate for the purpose of the preparation of the tax reconciliation presented below as all the taxable profits have been generated by Luarmia S.L. group of companies. The corporation tax rate in Spain is 25% (2015: 28%).

Reconciliation of tax expense and the accounting profit multiplied by the Spanish domestic tax rate of 25% (2015: 28%) is represented below:

	2016 US\$'000	2015 US\$'000
Group accounting profit before tax from continuing operations for the year	151,575	85,357
Less: Accounting profit before tax from continuing operations (not subject to tax)	139,594	78,558
Accounting profit before tax from continuing operations (subject to tax)	11,981	6,799
Tax at the rate of 25% (2015: 28%)	2,995	1,904
Non-taxable dividend income	(1,774)	(1,032)
Tax saved on amortisation of intangibles	(1,198)	(480)
Adjustment in respect of prior period income tax	(5)	(163)
Different tax rates on overseas earnings	233	16
Expenses not deductible for tax purposes and other permanent differences	72	-
Deductible expenses for tax purpose:		
R&D and IT	(382)	(609)
Accelerated depreciation	-	(39)
Other deductible expenses	233	-
Income tax charged/(credit) reported in the income statement	174	(403)

The effective tax rate of the Group is 0.11% (2015: -0.47%).

15 TAX CONTINUED**DEFERRED TAX ASSETS AND LIABILITIES COMPRISE OF:****Deferred tax assets:**

	2016 US\$'000	2015 US\$'000
Tax credit for R&D expenses	1,126	1,235
Limit on tax deductibility of depreciation and amortisation	1,009	81
Total deferred tax assets	2,135	1,316

Deferred tax liabilities:

	2016 US\$'000	2015 US\$'000
Depreciation and amortisation	8,245	9,761
Total deferred tax liabilities	8,245	9,761

	2016 US\$'000	2015 US\$'000
Reconciliation of deferred tax liabilities, net		
As of 1 January	8,445	-
Tax charge/(credit) for the year	(2,127)	(993)
Foreign exchange adjustments	(208)	(673)
Acquired with business during the year	-	10,111
As at 31 December	6,110	8,445

Deferred tax assets are recognised to the extent that it is probable as supported by forecasts that future taxable profits will be available against which the temporary differences can be utilised.

16 EARNINGS PER SHARE (EPS)

Basic EPS 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.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2016	2015
Profit attributable to equity holders of the Parent (US\$'000)	132,689	82,215
Weighted average number of ordinary shares in issue ('000) for basic EPS	186,627	185,714
Effect of dilution from share based payments ('000)	922	484
Weighted average number of ordinary shares ('000) for diluted EPS	187,549	186,198
Basic earnings per share (US\$)	0.711	0.443
Diluted earnings per share (US\$)	0.707	0.442

The table below reflects the income and share data used in the adjusted earnings per share computations. All one off expense and amortisation of acquired intangible assets, have been adjusted from the profit attributable to the equity holders of the parent to arrive at the adjusted earnings per share:

	2016 US\$'000	2015 US\$'000
Profit attributable to equity holders of the Parent	132,689	82,215
Unamortised finance fees written off	-	2,612
Transaction costs in respect of business combination	4,603	4,131
Amortisation of acquired intangible assets (net of tax)	7,819	4,995
Impairment of property and equipment	1,376	-
Adjusted profit attributable to equity holders of the Parent	146,487	93,953
Weighted average number of ordinary shares ('000)	187,549	186,198
Diluted adjusted earnings per share (US\$)	0.781	0.505

Notes to the Consolidated Financial Statements continued

At 31 December 2016

16 EARNINGS PER SHARE (EPS) CONTINUED

Adjusted profit for the year of the Group is calculated as follows:

	2016 US\$'000	2015 US\$'000
Profit for the year	151,402	85,760
Unamortised finance fees written off	-	2,612
Transaction costs in respect of business combination	4,603	4,131
Amortisation of acquired intangible assets (net of tax)	7,819	4,995
Impairment of property and equipment	1,376	-
Adjusted profit	165,200	97,498

17 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2016 US\$'000	2015 US\$'000
Property and equipment	459,338	433,524
	459,338	433,524

	Freehold land US\$'000	Hospital building US\$'000	Buildings US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Furniture, fixtures fittings and medical equipment US\$'000	Capital work in progress US\$'000	Total US\$'000
31 December 2016								
Cost:								
At 1 January 2016	19,206	12,343	26,300	157,888	9,322	180,342	161,744	567,145
Additions	-	970	-	4,072	1,751	21,190	38,949	66,932
Relating to acquisition of subsidiaries	-	-	-	2,228	35	5,222	-	7,485
Disposals	-	-	-	(498)	(370)	(2,239)	-	(3,107)
Transfer from CWIP	-	124,046	691	9,000	370	41,915	(176,022)	-
Reclassification	-	-	-	(78)	-	78	-	-
Transfer to Intangible	-	-	-	-	-	-	(318)	(318)
Impairments	-	-	-	-	-	-	(1,376)	(1,376)
Exchange difference	-	(38)	-	-	-	(395)	4	(429)
At 31 December 2016	19,206	137,321	26,991	172,612	11,108	246,113	22,981	636,332
Depreciation:								
At 1 January 2016	-	8,424	7,339	26,784	5,779	85,295	-	133,621
Charge for the year	-	2,032	1,454	17,429	1,345	22,750	-	45,010
Reclassification	-	-	-	(40)	-	40	-	-
Exchange difference	-	55	-	-	-	(190)	-	(135)
Relating to disposals	-	-	-	(80)	(369)	(1,053)	-	(1,502)
At 31 December 2016	-	10,511	8,793	44,093	6,755	106,842	-	176,994
Net carrying amount: At 31 December 2016	19,206	126,810	18,198	128,519	4,353	139,271	22,981	459,338

	Freehold land US\$'000	Hospital building US\$'000	Buildings US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Furniture, fixtures fittings and medical equipment US\$'000	Capital work in progress US\$'000	Total US\$'000
31 December 2015								
Cost:								
At 1 January 2015	19,206	12,343	26,300	51,859	7,421	143,488	213,758	474,375
Additions	-	-	-	2,317	1,564	14,088	63,733	81,702
Relating to acquisition of subsidiaries	-	-	-	2,268	571	7,222	3,631	13,692
Disposals	-	-	-	-	(234)	(2,231)	(33)	(2,498)
Transfer from CWIP	-	-	-	101,444	-	17,893	(119,337)	-
Exchange difference	-	-	-	-	-	(118)	(8)	(126)
At 31 December 2015	19,206	12,343	26,300	157,888	9,322	180,342	161,744	567,145
Depreciation:								
At 1 January 2015	-	8,114	5,920	13,730	5,185	73,069	-	106,018
Charge for the year	-	310	1,419	13,054	800	14,268	-	29,851
Exchange difference	-	-	-	-	-	(20)	-	(20)
Disposals	-	-	-	-	(206)	(2,022)	-	(2,228)
At 31 December 2015	-	8,424	7,339	26,784	5,779	85,295	-	133,621
Net carrying amount: At 31 December 2015	19,206	3,919	18,961	131,104	3,543	95,047	161,744	433,524

17 PROPERTY AND EQUIPMENT CONTINUED

As part of the Group's capital expenditure programme, borrowing costs of US\$357,000 (2015: US\$1,691,000) have been capitalised during the year. The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.9% (2015: 2.1%) which is the effective rate of the borrowings used to finance the capital expenditure. Companies in the UAE are not subject to taxation and as such there is no tax relief in respect of capitalised interest.

Total capital expenditure during the year ended 31 December 2016 was US\$66,932,000 (2015: US\$81,702,000). Of the total capital expenditure spend during the year, US\$38,949,000 (2015: US\$63,733,000) related to new capital projects and US\$27,983,000 (2015: US\$17,969,000) related to further capital investment in our existing facilities.

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 seven years apart from New Medical Centre Hospital LLC-Dubai ("Dubai General Hospital"), and the warehouse facilities which have leases renewable on an annual basis (note 2.3). As at 31 December 2016 US\$801,000 (2015: US\$778,000) of the amounts included in property and equipment related to assets with annually renewable leases.

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. Land with a carrying amount of US\$4,144,000 (31 December 2015: US\$4,144,000) 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.

18 INTANGIBLE ASSETS

	Software US\$'000	Brands US\$'000	Patient relationship and Database US\$'000	Goodwill US\$'000	Others US\$'000	Total US\$'000
31 December 2016						
Cost:						
At 1 January 2016	6,841	40,129	19,638	341,420	10,475	418,503
Additions	473	-	-	-	-	473
Relating to acquisition of subsidiaries	258	25,214	-	233,906	2	259,380
Transfer from tangible	318	-	-	-	-	318
PPA Adjustment Dr. Sunny (note 5)	-	-	-	(2,126)	-	(2,126)
Exchange difference	(167)	(630)	(356)	(5,862)	(308)	(7,323)
At 31 December 2016	7,723	64,713	19,282	567,338	10,169	669,225
Amortisation:						
At 1 January 2016	1,078	1,588	1,270	-	1,508	5,444
Charge for the year	819	4,614	2,681	-	2,875	10,989
Exchange difference	(39)	-	-	-	(152)	(191)
At 31 December 2016	1,858	6,202	3,951	-	4,231	16,242
Net carrying amount: At 31 December 2016	5,865	58,511	15,331	567,338	5,938	652,983
	Software US\$'000	Brands US\$'000	Patient relationship and Database US\$'000	Goodwill US\$'000	Others US\$'000	Total US\$'000
31 December 2015						
Cost:						
At 1 January 2015	3,220	-	-	1,016	-	4,236
Additions	548	-	-	-	13	561
Relating to acquisition of subsidiaries	3,217	40,914	20,098	345,072	10,584	419,885
Exchange difference	(144)	(785)	(460)	(4,668)	(122)	(6,179)
At 31 December 2015	6,841	40,129	19,638	341,420	10,475	418,503
Amortisation:						
At 1 January 2015	-	-	-	-	-	-
Charge for the year	1,099	1,588	1,270	-	1,518	5,475
Exchange difference	(21)	-	-	-	(10)	(31)
At 31 December 2015	1,078	1,588	1,270	-	1,508	5,444
Net carrying amount: At 31 December 2015	5,763	38,541	18,368	341,420	8,967	413,059

Others include intellectual property, rental contracts, private contracts and non-compete arrangements.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

18 INTANGIBLE ASSETS CONTINUED

GOODWILL

Additions to goodwill in the year relate to goodwill measured in respect of the acquisitions of Fakh IVF, Copenhagen Fertility Center Holding, Huntington Centro de Medicina Reproductive, Nadia Medical Centre, Cooper Health and Lifewise Home Healthcare LLC.

Goodwill is not amortised, but is reviewed annually for assessment of impairment in accordance with IAS 36. The Group performed its annual goodwill impairment test in December 2016 and 2015. Goodwill acquired through business combinations is allocated to the following operating segments representing a group of cash generating units (CGUs), which are also operating and reportable segments, for impairment testing:

- Healthcare
- Distribution and services

The healthcare CGU has goodwill allocated to it of US\$562,459,000 at the year-end (2015: US\$336,541,000). The distribution and services CGU has goodwill allocated to it of US\$4,879,000 at the year-end (2015: US\$4,879,000).

The recoverable amounts for both CGUs are based on value in use, which has been calculated using cash flow projections from financial budgets approved by senior management covering a five year period. Cash flows beyond the five year period are extrapolated using a 3% growth rate (2015: 3.0%) which is significantly lower than the current annual growth rate of both CGUs. The pre-tax discount rate applied to the cash flows of both CGUs is 8.45% (2015: 7.7%), which is based on the Group's weighted average cost of capital (WACC) and takes into account such measures as risk free rates of return, the Group's debt/equity ratio, cost of debt and local risk premiums specific to the CGUs. As a result of the analysis, there is headroom in both CGUs and no impairment has been identified. Reasonable sensitivities have been applied to each CGU's cash flows and the discount rates used, and in all cases the value in use continues to exceed the carrying amount of CGU goodwill.

The key assumptions on which management has based its cash flow projections for the five year period covered by the most recent forecasts are those related to growth in available beds, patient numbers for the healthcare segment and revenue from the distribution of products for the distribution and services segment. The assumptions made reflect past experience and are based on management's best estimate and judgment.

OTHER ACQUIRED INTANGIBLE ASSETS

Assets in this class are amortised over their estimated useful lives on a straight line basis. All amortisation charges for the year have been charged against operating profits.

Other than goodwill, the Group does not hold any intangible assets with an indefinite life.

Included in software are HIS and ERP projects amounting to US\$3,349,000 (2015: US\$2,995,000) which are work-in-progress as of year-end. Management is currently in the process of estimating the useful economic life of the HIS and ERP projects. Amortisation of the software will commence once it is implemented and goes live.

19 LOAN RECEIVABLE

	2016 US\$'000	2015 US\$'000
Loan receivable	14,516	4,395
	14,516	4,395
Classification of loan receivable into current and non-current is as follows:		
Current	5,387	2,670
Non-current	9,129	1,725
	14,516	4,395

In 2015, the Group entered into a loan arrangement, with a third party (Borrower), to finance certain payables in connection with a hospital facility, for an aggregate amount not to exceeding US\$8,848,000 with the repayment of the first tranche US\$2,720,000 on 10 November 2016, second tranche US\$2,720,000 on 10 November 2017 and the remaining final tranche payment by 10 November 2018.

During the year ended 31 December 2016, the loan agreement was amended in respect of first tranche repayment date and total loan facility amount. First tranche loan repayment date was revised as 10 April 2017 and the loan facility ceiling was increased to US\$18,513,000.

The Group believes that the amount is fully recoverable. Loan is secured by obtaining personal guarantees of shareholders of borrower. The fair value of the loan receivable as on 31 December 2016 was US\$14,516,000 (full value US\$14,900,000).

The loan is interest-free, however, any unpaid loan receivable as of due date shall bear commission at the rate of 15% per annum starting from due date till date of payment.

20 INVENTORIES

	2016 US\$'000	2015 US\$'000
Pharmaceuticals and cosmetics	75,657	65,166
Scientific equipment	13,404	14,093
Consumer products	42,568	40,766
Food	7,087	9,118
Egg bank	2,656	2,622
Consumables	855	783
Opticals	309	315
Goods in transit	1,636	2,087
Other	1,393	1,226
	145,565	136,176
Less: provision for slow moving and obsolete inventories	(1,178)	(1,388)
	144,387	134,788

The amount of write down of inventories recognised as an expense for the year ended 31 December 2016 is US\$1,869,000 (2015: US\$1,678,000). This is recognised in direct costs.

Trust receipts issued by banks amounting to US\$81,671,000 (2015: US\$21,370,000) are secured against the inventories.

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 US\$'000	2015 US\$'000
Accounts receivable	314,351	242,016
Receivable from suppliers for promotional expenses	13,164	10,690
Other receivables	27,179	12,225
Prepayments	19,763	17,544
	374,457	282,475

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\$12,129,000 (2015: US\$13,022,000). Movements in the provision for doubtful debts are as follows:

	2016 US\$'000	2015 US\$'000
At 1 January	13,022	8,996
Written off	(4,377)	(1,595)
Written back (note 12)	(1,843)	(1,295)
Charge for the year (note 12)	4,800	3,035
Addition from business combinations	549	3,888
Exchange difference	(22)	(7)
At 31 December	12,129	13,022

The ageing of unimpaired accounts receivable is as follows:

	Total US\$'000	Neither past due nor impaired US\$'000	Past due but not impaired			
			<90 days US\$'000	91-180 days US\$'000	181-365 days US\$'000	>365 days US\$'000
31 December 2016						
Accounts receivable	314,351	210,592	70,940	19,070	8,944	4,805
31 December 2015						
Accounts receivable	242,016	168,747	49,460	12,466	7,016	4,327

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 2016 accounts receivables of US\$12,129,000 (2015: US\$13,022,000) 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 33). 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS CONTINUED

Of the net trade receivables balance of US\$314,351,000 (2015: US\$242,016,000) amount of US\$159,922,000 is receivables from five customers (2015: US\$108,936,000 is receivables from 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.

Amounts due from related parties amounting to US\$3,628,000 (31 December 2015: US\$4,116,000) as disclosed on the face of the consolidated statement of financial position are trading in nature and arise in the normal course of business.

Included in other receivables is an amount of US\$7,679,000 (2015: US\$ nil) receivable from entities owned by a non-controlling interest.

22 CASH AND CASH EQUIVALENTS

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

	2016 US\$'000	2015 US\$'000
Bank deposits	137,900	58,886
Bank balances and cash	479,940	118,511
Bank overdrafts and other short term borrowings	(219,851)	(154,962)
	397,989	22,435
Adjustments for:		
Short term borrowings	160,628	129,095
Bank deposits maturing in over 3 months	(28,329)	(55,094)
Restricted cash	(96,885)	(12,412)
Cash and cash equivalents	433,403	84,024

Bank deposits of US\$137,900,000 (2015: US\$58,886,000) are with commercial banks in the United Arab Emirates and Spain. These are mainly denominated in the UAE Dirhams and Euro and earn interest at the respective deposit rates. These deposits have original maturity between 1 to 12 months (2015: 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 Bin Butti, Dr BR Shetty and Mr Khalifa Bin Butti) and carry interest at EIBOR plus margin rates ranging from 1% to 4% (2015: 1% to 4%) per annum.

At 31 December 2016, the Group had US\$59,715,000 (2015: US\$42,356,000) of undrawn bank overdraft facilities, which are renewable annually.

Restricted cash mainly represents funds held by a bank in respect of upcoming loan repayment and payment for acquisitions.

23 SHARE CAPITAL

31 DECEMBER 2016

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
Issued and fully paid (nominal value 10 pence sterling each)	204,285	31,910	491,778	523,688

31 DECEMBER 2015

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
Issued and fully paid (nominal value 10 pence sterling each)	185,714	29,566	179,152	208,718

Issued share capital and share premium movement

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
At 1 January 2016	185,714	29,566	179,152	208,718
Issue of new shares - IPO	18,571	2,344	319,970	322,314
Share issue costs	-	-	(7,344)	(7,344)
At 31 December 2016	204,285	31,910	491,778	523,688

23 SHARE CAPITAL CONTINUED

On 14 December 2016, NMC Health plc had public offering on the London Stock Exchange and raised US\$322,314,000, of which US\$170,000,000 (9,732,847 shares) was subscribed collectively by Dr. B R Shetty, H.E Saeed Bin Butti and Khalifa Bin Butti and Infinite Investment LLC. Infinite Investment LLC is an associate of H.E Saeed Bin Butti and Khalifa Bin Butti.

24 GROUP RESTRUCTURING RESERVE

The group restructuring reserve arises on consolidation under the pooling of interests method used for group restructuring, which took place on 28 March 2012 when the Company became the holding company of NMC Healthcare LLC through its wholly owned subsidiaries, NMC Holding LLC and NMC Health Holdco Limited. 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(debit), is recorded on consolidation as a group restructuring reserve. This reserve is non-distributable.

25 RETAINED EARNINGS

As at 31 December 2016, retained earnings of US\$18,009,000 (2015: US\$17,590,000) 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.

26 DIVIDEND

In the AGM on 3 June 2016 the shareholders approved a dividend of 6.2 pence per share, amounting to GBP 11,514,000 (US\$16,350,000) to be paid to shareholders on the Company's share register on 20 May 2016. The dividend amount was paid to the shareholders on 14 June 2016 (30 June 2015: a dividend of GBP 10,028,000 equivalent to US\$15,866,000 was approved on 16 June 2015 and paid on 18 June 2015). No interim dividend was declared during the year. Subject to shareholder approval at the Annual General Meeting on 23 May 2017, a final dividend of 10.6 pence per share, GBP 21,753,000 (US\$26,538,000) will be paid to shareholders on the Company's share register on 12 May 2017.

An amount of US\$5,300,000 (2015: US\$ nil) is paid as dividend to non-controlling interests during the year ended 31 December 2016.

27 TERM LOANS

	2016 US\$'000	2015 US\$'000
Current portion	234,519	91,621
Non-current portion	594,780	483,725
	829,299	575,346
Amounts are repayable as follows:		
Within 1 year	234,519	91,621
Between 1-2 years	243,115	98,355
Between 2-5 years	351,665	385,370
	829,299	575,346

During the year ended 31 December 2015, the Group agreed a syndicated loan facility, of US\$825,000,000 (US\$350,000,000 of term debt and US\$475,000,000 of delayed drawdown acquisition facility). The loan facility is repayable over 60 monthly instalments with a grace period of twelve months. The applicable interest rate is dependent upon the respective leverages. Based upon the leverage at the time of initial drawdown, the initial margin was 100bps/70bps over 1 month LIBOR/EIBOR per annum.

During the year ended 31 December 2016, the Group drew down term loans of US\$631,548,000 (2015: US\$822,698,000) and repaid term loans of US\$378,660,000 (2015: US\$472,796,000).

The Group has utilised an amount of US\$350,000,000 (2015: US\$350,000,000) against the syndicated loan facility as well as US\$463,527,000 (2015: US\$163,679,000) of the delayed drawdown acquisition finance as of 31 December 2016.

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

In addition to the syndicated loan facility, term loans also include other short term revolving loans which get drawn down and repaid over the period.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

28 EMPLOYEES' END OF SERVICE BENEFITS

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

	2016 US\$'000	2015 US\$'000
Balance at 1 January	22,490	14,934
Charge for the year	7,246	4,869
Actuarial loss/(gain)	147	(260)
Transfer from related party	4	-
Employees' end of service benefits paid	(1,546)	(1,133)
Addition from business combinations	1,867	4,080
Balance at 31 December	30,208	22,490
Current	3,560	3,206
Non-current	26,648	19,284
Balance at 31 December	30,208	22,490
Charge for the year comprise of the following:		
Current service cost	6,525	4,234
Interest cost	721	635
Balance at 31 December	7,246	4,869

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 2016 and 2015, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law.

During the current year, the Group has recognised an actuarial loss of US\$147,000 (31 December 2015: gain of US\$260,000) in other comprehensive income. Management has assumed an average length of service of 5 years (2015: 5 years) and increment/promotion costs of 1.5% (2015: 2.25%). The expected liability at the date of employees' leaving service has been discounted to its net present value using a discount rate of 2.5% (2015: 3.25%). 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.

29 ACCOUNTS PAYABLE AND ACCRUALS

	2016 US\$'000	2015 US\$'000
Trade accounts payable	108,202	87,029
Accrued interest	2,691	1,014
Accrued expenses	7,362	7,536
Others	40,557	27,932
	158,812	123,511

Trade and other payables are non-interest bearing and are normally settled on 50-60 day terms.

30 OTHER PAYABLES

	2016 US\$'000	2015 US\$'000
Contingent consideration payable for acquisitions (note 36)	24,139	25,016
Deferred consideration payable for acquisitions	6,551	-
Other payable (note 5)	36,929	158
	67,619	25,174
Classification of other payables into current and non-current is as follows:		
Current	26,827	11,150
Non-current	40,792	14,024
	67,619	25,174

31 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 of whom one is a director 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.

RELATIONSHIP AGREEMENT

The Controlling Shareholders and the Company have entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable of carrying out its business independently of the Controlling Shareholders and that transactions and relationships with the Controlling Shareholders are at arm's length and on a normal commercial basis.

In accordance with the terms of the relationship agreement, the Controlling Shareholders have a collective right to appoint a number of Directors to the Board depending upon the level of their respective shareholdings. This entitlement reduces or is removed as the collective shareholdings reduce. The relationship agreement includes provisions to ensure that the Board remains independent.

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

	2016 US\$'000	2015 US\$'000
Entities significantly influenced by a shareholder who is a key management personnel in NMC		
Sales	14	699
Purchases	59,370	54,252
Rent charged	451	440
Other income	1,435	1,195
Entities where a shareholder of NMC is a key member of management personnel of such entity		
Management fees received from such entity by NMC	6,303	6,003
Sales	296	438

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

	2016 US\$'000	2015 US\$'000
Entities significantly influenced by a shareholder who is a key management personnel in NMC		
Amounts due from related parties	-	328
Amounts due to related parties	14,876	17,419
Entities where a shareholder of NMC is a key member of management personnel of the entity		
Amounts due from related parties	3,628	3,788

Outstanding balances with related parties at 31 December 2016 and 31 December 2015 were unsecured, payable on 50-60 days term and carried interest at 0% (31 December 2015: 0%) per annum. Settlement occurs in cash. As at 31 December 2016 US\$1,576,000 of the amounts due from related parties were past due but not impaired (31 December 2015: US\$1,778,000).

The Group has incurred expenses and recharged back an amount of US\$2,097,000 (31 December 2015: US\$1,854,000) 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.

Out of total term loans outstanding as of 31 December 2016, term loans of US\$51,561,000 (2015: US\$28,372,000) are secured by joint and several personal guarantees of the Shareholders (HE Saeed Bin Butti, Dr BR Shetty and Mr Khalifa Bin Butti).

Pharmacy licenses in UAE 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.

During the current period, the Group acquired 1% beneficial interest in certain subsidiaries, as listed in note 2.2, for a consideration of US\$419,000. These subsidiaries are registered in the UAE. The Group previously had 99% shareholding in these entities. The Group recorded a gain of US\$536,000 on this in retained earnings.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

31 RELATED PARTY TRANSACTIONS CONTINUED

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2016 US\$'000	2015 US\$'000
Short term benefits	10,236	6,469
Employees' end of service benefits	16	16
	10,252	6,485

The key management personnel include all the Non-Executive Directors, the two (31 December 2015: two) Executive Directors and four (31 December 2015: four) senior management personnel.

During the year additional shares of 451,868 (2015: 345,649) were granted to Executive Directors and other senior management in the form of share options.

One individual (31 December 2015: One) who is a related party of one of the shareholders is employed by the Group. The total compensation for employment received by that related party in the year ended 31 December 2016 amounts to US\$1,303,000 (2015: US\$786,000).

32 SHARE BASED PAYMENTS

The Group currently operates two share option schemes:

LONG TERM INCENTIVE PLAN (LTIP)

Options awarded under the LTIP are made annually to Executive Directors and other senior management. The exercise prices are nil. Options have a life of ten years and a vesting period of three years. The LTIP is subject to performance conditions which can be found in the Directors' Remuneration Report on page 71.

SHORT TERM INCENTIVE PLAN (STIP)

Options awarded under the STIP are made annually to Executive Directors and other senior management. The exercise prices are nil. Options have a life of ten years and a vesting period of three years.

Fair values are determined using the Black-Scholes model. Expected volatility has been based on historical volatility over the period since the Company's shares have been publically traded.

Administrative expenses include a charge of US\$2,640,000 (2015: US\$1,177,000) in respect of the cost of providing share options. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

For options granted in the years ended 31 December 2015 and 2016, the fair value per option granted and the assumptions used in the calculation are as follows:

	2016 STIP	2015 STIP
Share price at grant date	£9.675	£5.200
Fair value at measurement date	£9.520	£5.060
Exercise price	£nil	£nil
Expected volatility	40%	40%
Expected option life	3 years	3 years
Expected dividend yield	0.54%	0.91%
Risk free interest rate	1.05%	0.98%

	2016 LTIP	2015 LTIP 1	2015 LTIP 2
Share price at grant date	£9.675	£5.200	£7.650
Fair value at measurement date	£9.520	£5.060	£7.377
Exercise price	£nil	£nil	£nil
Expected volatility	40%	40%	40%
Expected option life	3 years	3 years	3 years
Expected dividend yield	0.54%	0.91%	1.21%
Risk free interest rate	1.05%	0.98%	1.05%

LTIP represent long term incentive plans issued in March 2016.

32 SHARE BASED PAYMENTS CONTINUED**SHORT TERM INCENTIVE PLAN (STIP) CONTINUED**

The options existing at the year-end were as follows:

	Number of shares	2016 Exercise price	Period when exercisable	2015 Number of shares
Long term incentive plan (LTIP)				
October 2014	160,778	£nil	29/10/17 to 28/10/24	160,778
Short term incentive plan (STIP)				
October 2014	55,527	£nil	29/10/17 to 28/10/24	55,527
Long term incentive plan (LTIP)				
February 2015	221,539	£nil	25/02/18 to 24/02/25	221,539
Short term incentive plan (STIP)				
February 2015	74,801	£nil	25/02/18 to 24/02/25	74,801
Long term incentive plan (LTIP)				
September 2015	49,309	£nil	09/09/18 to 08/09/25	49,309
Long term incentive plan (LTIP)				
March 2016	383,717	£nil	15/03/19 to 14/03/26	-
Short term incentive plan (STIP)				
March 2016	68,151	£nil	15/03/19 to 14/03/26	-
Total options subsisting on existing ordinary shares	1,013,822			561,954
Percentage of issued share capital	0.5%			0.3%

Movement of share options during the year is as follows:

	2016	2015
At 1 January	561,954	216,305
Granted during the year	451,868	345,649
Outstanding at 31 December	1,013,822	561,954

No options expired, were exercised or forfeited during the year (2015: nil).

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, contingent consideration on acquisition of subsidiaries, put option redemption liability and trade and other payables. In addition to these financial liabilities the Group has forward exchange contract as of 31 December 2016. 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. These risks and the Group's financial risk management objectives and policies are consistent with last year. The Group's exposure to foreign currency risk includes risk on the Group's net investment in foreign subsidiaries in Spain and certain other countries.

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 is of the opinion that the Group's exposure to interest rate risk is limited.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for the year 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 2016 US\$'000	Effect on profit at 31 December 2015 US\$'000
100	(9,112)	(6,714)
(100)	9,112	6,714

Notes to the Consolidated Financial Statements continued

At 31 December 2016

33 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 in the UAE, the majority of the Group's customers are insurance companies. The largest insurance company in UAE is fully backed by Sovereign wealth funding from Abu Dhabi. All other insurance companies in the UAE are required to be listed on a stock exchange and therefore are governed by the regulations of their respective markets. The Group limits its credit risk with respect to healthcare customers in markets other than UAE by requesting certain percentage of advance payments from customers and obtaining final payments before completion of treatment. 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:

	2016 US\$'000	2015 US\$'000
AA-/A-1/Aa3	11,903	18,038
A+/A1	5,494	722
A/A2	219,787	19,426
A+/A-1	4,273	419
A3/A-	5,865	4,352
AA+	-	4
AAA/A-1+	6,164	-
A2/P-1	140	-
A3/P-2	19	-
B1	1,629	1,145
BB	4,196	2,496
BB+	562	812
Baa3	163,491	109,728
BBB	1,938	2,609
BBB-	42,172	7,941
BBB+/Baa1/Baa1/P-2	120,627	5,769
Without external credit rating	28,633	2,895
Total bank deposit and cash at bank	616,893	176,356

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.

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 50-60 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 2016					
Trade accounts payable	-	108,202	-	-	108,202
Amounts due to related parties	-	14,876	-	-	14,876
Other payables	-	-	28,391	81,592	109,983
Option redemption payable	-	-	-	42,605	42,605
Terms loans	-	79,560	174,085	615,769	869,414
Bank overdrafts and other short term borrowings	60,154	107,170	56,957	-	224,281
Financial guarantees	11,764	-	-	-	11,764
Total	71,918	309,808	259,433	739,966	1,381,125

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

LIQUIDITY RISK CONTINUED

	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 2015					
Trade accounts payable	-	87,029	-	-	87,029
Amounts due to related parties	-	17,419	-	-	17,419
Other payables	-	32,932	4,194	18,321	55,447
Option redemption payable	-	-	-	30,163	30,163
Terms loans	-	46,612	54,889	506,722	608,223
Bank overdrafts and other short term borrowings	26,325	58,350	74,189	-	158,864
Financial guarantees	9,069	-	-	-	9,069
Total	35,394	242,342	133,272	555,206	966,214

The Group also has future capital commitments for the completion of ongoing capital projects of US\$9,048,000 (2015: US\$30,230,000) (note 35). These are to be financed from the fixed deposits held by the Group.

During the time of acquisition of Al Zahra Hospital in order to pay the consideration and as a back stop of existing US\$ 825,000,000 long term debt facility, the Group has finalised a new loan facility with JP Morgan Chase Bank and Standard Chartered Bank as mandated lead arrangers for US\$1,400,000,000 in the month of December 2016. Of this an amount of US\$ 325,000,000 has been cancelled after raising equity on 14 December 2016. The balance facility of US\$ 1,075,000,000 remains unutilized as of 31 December 2016. From this an amount of US\$825,000,000 will be utilized to replace existing long term debt facility and remaining, if needed, will be utilized to fund the Al Zahra Hospital acquisition.

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 risk, statement of financial position risk and the Group's net investment in foreign subsidiaries. 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, put option redemption payable and certain other payables denominated in foreign currencies, mainly in Euros and Saudi Riyal. As the US Dollar is pegged to the UAE Dirham, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the impact of Group's foreign currency monetary liabilities and assets at 31 December, on its profit before tax.

	2016 US\$'000	2015 US\$'000
+5%	(2,113)	(1,690)
-5%	2,113	1,690

The Group is exposed to foreign currency risk on net investment in foreign subsidiaries. During the year ended 31 December 2016 the Group has recorded a foreign currency exchange loss of US\$4,050,000 (2015: US\$5,342,000) on the translation of foreign subsidiaries in other comprehensive income.

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 maximise 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, reserves and retained earnings and is measured at US\$906,869,000 as at 31 December 2016 (2015: US\$487,697,000). 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

CAPITAL MANAGEMENT CONTINUED

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.

	2016 US\$'000	2015 US\$'000
Interest bearing loans and borrowings	1,049,150	730,308
Accounts payable and accruals	158,812	123,511
Other payable	67,619	25,174
Option redemption payable	37,500	25,084
Less: bank deposits, bank balances and cash	(617,840)	(177,397)
Net debt	695,241	726,680
Capital	906,869	487,697
Capital and net debt	1,602,110	1,214,377
Gearing ratio	43%	60%

34 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 2016 of US\$11,764,000 (2015: US\$9,069,000).

35 COMMITMENTS

CAPITAL COMMITMENTS

The Group had future capital commitments of US\$9,048,000 at 31 December 2016 (2015: US\$30,230,000) principally relating to the completion of ongoing capital projects.

OTHER COMMITMENTS

	2016 US\$'000	2015 US\$'000
Future minimum rentals payable under non-cancellable operating leases		
Within one year	11,354	12,846
After one year but not more than five years	53,896	53,943
More than five years	74,080	84,407
Total	139,330	151,196

36 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

FORWARD EXCHANGE CONTRACT

The Group holds a forward exchange contract to manage foreign exchange exposure. The forward contract has a principal value of US\$15,000,000 and is denominated in Qatari Riyal. This contract has not been designated as a cash flow hedge and the increase in the fair value during 2016 of US\$1,249,000 (2015: decrease in fair value of US\$1,200,000 has been included in finance costs and the corresponding receivable is included in the 'others' category within other receivable (note 21). This is a level 2 derivative financial instrument.

CONTINGENT CONSIDERATION

Contingent consideration relates to acquisitions done in current and prior year. Movements in contingent consideration payable are as follows:

	2016 US\$'000	2015 US\$'000
Balance at 1 January	25,016	-
Contingent consideration recognised at acquisition (note 5)	9,642	29,041
Fair value measurement	1,549	49
Purchase price allocation adjustment (note 5)	(2,126)	-
Exchange gain	(375)	(56)
Payments made	(9,567)	(4,018)
Balance at 31 December	24,139	25,016

36 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE CONTINUED

CONTINGENT CONSIDERATION CONTINUED

In accordance with the fair value hierarchy under IFRS 13, contingent consideration is classified as a level 3 derivative financial instrument. The fair value of outstanding contingent consideration as at the reporting date is US\$24,139,000. The valuation technique used for measurement of contingent consideration is the weighted average probability method and then applying discounting.

Contingent consideration payable as of 31 December 2016 comprises of following:

	2016 US\$'000	2015 US\$'000
CIRH	2,912	2,768
Biogenesi	4,741	6,578
Dr Sunny Healthcare	3,644	7,345
ProVita	3,298	8,325
Fakih	8,128	-
CFC	1,416	-
	24,139	25,016

CIRH

Contingent consideration is payable subject to attainment of revenue or reproductive cycle targets. Management believes that these targets will be met. Full value of contingent consideration payable is US\$3,156,000 (2015: US\$3,255,000) and its present value is US\$2,912,000 (2015: US\$2,768,000). This is due for payment in 2017. Significant unobservable input used is discount rate (9.2%). A 1% increase in discount rate would result in decrease in fair value of the contingent consideration by US\$24,000 and a 1% decrease in discount rate would result in increase in fair value by US\$49,000.

Biogenesi

Contingent consideration is payable subject to attainment of profit before tax target. Significant unobservable inputs used are profit before tax and discount rate (10.7%). Full value of contingent consideration payable is US\$5,260,000 (2015: US\$7,700,000) and its present value is US\$4,741,000 (2015: US\$6,578,000). Contingent consideration amounting to US\$2,212,000 on achieving 2016 EBITDA target has been paid during the year. Outstanding contingent consideration is payable in the period from 2017 to 2019. A 1% increase in discount rate would result in decrease in fair value of the contingent consideration by US\$42,000 and a 1% decrease in discount rate would result in increase in fair value by US\$43,000. Management believe profit before tax targets for FY 2017-FY 2019 will be met and accordingly not considered sensitive to fair value measurement.

Dr. Sunny Healthcare

The contingent consideration relates to amounts payable on achieving 2016 EBITDA target amount. Target EBITDA has been achieved and accordingly this contingent consideration becomes payable. Contingent consideration amounting to US\$2,328,000 on achieving 2015 EBITDA has been paid during the year.

ProVita

The contingent consideration relates to amounts payable in the event that licenses to operate in certain other GCC countries are obtained. Management believes that it is highly probable that these licenses will be obtained. One of the licenses has been obtained and an amount of US\$5,027,000 has been paid. Full value of contingent consideration payable is US\$3,500,000 (2015: US\$8,500,000) and its present value is US\$3,298,000 (2015: US\$8,325,000).

Fakih

The contingent consideration relates to amounts payable in the event that licenses to operate in certain other GCC countries are obtained. Management believes that it is highly probable that these licenses will be obtained (Note 5). Full value of contingent consideration payable is US\$9,031,000 (2015: US\$nil) and its present value is US\$8,128,000 (2015: US\$nil).

CFC

The contingent consideration relates to amounts payable on achieving 2016 EBITDA target amount. Target EBITDA has been achieved and accordingly this contingent consideration becomes payable.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

37 OPTION REDEMPTION PAYABLE

Option redemption payable comprise of the following:

	2016 US\$'000	2015 US\$'000
Luarmia	25,252	25,084
CFC and HCMR	12,248	-
	37,500	25,084

Movement in option redemption payable is as follows:

	2016 US\$'000	2015 US\$'000
Balance at 1 January	25,084	-
Addition	12,801	24,496
Amortisation and re-measurement adjustment (note 10)	2,160	1,457
Exchange gain	(275)	(869)
Settlement of put option	(2,270)	-
Balance at 31 December	37,500	25,084

LUARMIA

As part of acquisition of Luarmia SL ("Luarmia") in 2015, the Group entered into separate co-investment / shareholder agreements dated 23 February 2015 with the sellers relating to put & call options on the minority 13.6% shareholdings that remains with the previous owners post-acquisition. The Group does not have 'present ownership' of this 11.6% (2015: 13.6%) minority shareholding due to the terms of the option agreements and continue to account for the acquisition of Luarmia on the basis of an 88.4% (2015: 86.4%) equity stake, with full recognition of the 11.6% (2015: 13.6%) non-controlling interest. The put options are exercisable between 1 & 30 June 2018, 1 & 30 June 2019 and 1 & 30 June 2020 (three exercisable windows). On exercise of the put options, cash will be paid. The value of the put option is calculated based on the multiple of purchase price and further multiples are measured on the number of reproductive cycles specified in the agreement. A redemption liability for the value of the options at the acquisition date was created amounting to US\$24,496,000 (being the present value of the redemption liability at the acquisition date), with an equal amount being treated as a reduction in equity. As at 31 December 2016, the present value of the redemption liability is US\$25,252,000 (2015: US\$25,084,000).

On 28 November 2016, the Group acquired an additional 2.0% interest in the voting shares of Luarmia, increasing its ownership interest to 88.4% for cash consideration of US\$1,533,000. As the ownership interest increased by 2%, the Group derecognizes the financial liability of US\$2,270,400 in relation to such 2% put option and recognizes an offsetting credit in the same component of equity recorded on initial recognition (i.e. put option redemption reserve).

The key assumption in estimating the expected amount is the multiple of purchase price and reproductive cycle's projections. The financial liability is sensitive to changes in these assumptions for example a 10% increase in reproductive cycles will result in an increase in the financial liability with US\$3,268,830 (2015: US\$28,290,000), while a 10% decrease would result in a decrease in the financial liability with US\$3,101,800 (2015: US\$22,039,000).

CFC and HCMR

During the year, Luarmia SL entered into put option agreements with the minority shareholders of Brazil and Denmark entities. A redemption liability for the value of the options at the acquisition date was created amounting to US\$11,216,000 and US\$1,585,000 (being the present value of the redemption liability at the acquisition date), with an equal amount being treated as a reduction in equity. As at 31 December 2016, the present value of the redemption liability is US\$10,707,000 and US\$1,541,000 respectively.

The put option of HCMR is exercisable any time starting from the third anniversary and 36 months thereafter. The earliest date of exercise is September 2019. The key assumption in estimating the liability amount is the forecasted EBITDA of the year 2018 and 2019 and projected net debt of 2019. The financial liability is sensitive to changes in the forecasted EBITDA and Net Debt. For example a 10% simultaneous increase in EBITDA and Net debt will result in an increase in the financial liability with US\$876,000 while a 10% decrease would result in a decrease in the financial liability with US\$876,000.

The put option for CFC is exercisable from the fifth anniversary of the date of the agreement. With respect to this, the earliest month of exercise is June 2021. The key assumption in estimating the liability amount is the forecasted EBITDA of the entity for 2020. The financial liability is sensitive to changes in the forecasted EBITDA. For example a 10% increase in EBITDA will result in an increase in the financial liability with US\$154,000, while a 10% decrease would result in a decrease in the financial liability with US\$154,000.

38 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.

Financial assets and liabilities carried at fair value are disclosed in note 36.

During the years ended 31 December 2016 and 31 December 2015, 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.

39 INVESTMENT IN JOINT VENTURE

The Group has a 45.83% interest in Egyptian International Company ("EIC"), a joint venture involved in the field of providing extensive expertise services Healthcare and hospital management. The Group's interest in EIC amounting US\$834,000 is accounted for using the equity method in the consolidated financial statements. EIC has not started its operations and accordingly, no share of profit or loss is recognised in consolidated statement of comprehensive income.

40 SUBSEQUENT EVENTS

ACQUISITION OF AS SALAMA HOSPITAL LLC ('ASH')

On 28 August 2016, the Group agreed to acquire a 70% controlling stake in the voting shares of As Salama Hospital LLC ("ASH"), an unlisted private general hospital which exists to serve the healthcare needs of all people in Al-Khobar, Kingdom of Saudi Arabia and surrounding areas by providing acute and long-term care. ASH accomplishes this through dedicated, competent staff providing accessible patient-focused care, guided by a commitment to continuous improvement. ASH is a leader in Long Term Care service provider (Over Long Term Care, it also provides its patients with other comprehensive healthcare services due to lack of healthcare facilities in the vicinity) in Al Khobar, Eastern province of Saudi Arabia. ASH is the fifth largest hospital in the Eastern province of Saudi Arabia and account for 10% of market share, with occupancy rate stands at 84.8% in 2015. Regulatory approvals and legal formalities completed on 02 January 2017, meaning that control has passed to the Group and full consolidation of results will commence from that date.

The agreed purchase consideration for the business was US\$28m. There is no deferred and contingent consideration payable.

The fair value assessment of identifiable net assets at the acquisition date remains in progress and therefore the fair value of the identifiable net assets is preliminary. The Group has a 1 year timeframe from the date of acquisition to finalise the measurement of the net assets acquired. The net assets identified to date are those existing at the acquisition date, those forming part of the acquisition, and those that meet the recognition criteria for assets and liabilities. No acquisition date contingent liabilities requiring full recognition have been noted as yet.

Provisional goodwill has been calculated being the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired. For convenience, the closest available balance sheet date has been used for the purposes of measuring net assets acquired. This date is 31 December 2016, with full consolidation commencing on 1 January 2017.

Notes to the Consolidated Financial Statements continued

At 31 December 2016

40 SUBSEQUENT EVENTS CONTINUED

ACQUISITION OF AS SALAMA HOSPITAL LLC ('ASH') CONTINUED

	Fair value recognised on acquisition US\$'000
Details of the provisional goodwill calculated as of 31 December 2016 are as follows	
Assets	
Property, plant and equipment	3,433
Inventories	1,446
Accounts receivable	12,242
Other receivables	800
Cash and bank balances	1,298
	19,219
Liabilities	
Borrowings	1,334
Accounts payable	4,929
Other payables	4,030
	10,293
Total identifiable net assets at fair value	8,926
Non-controlling interests	(2,678)
Goodwill arising on acquisition	21,767
Purchase consideration transferred	28,015

The acquisition of ASH has resulted in a provisional goodwill of US\$21.8m. The Group has elected to measure the non-controlling interests in the acquiree using the proportionate method, resulting in an NCI on acquisition of US\$2.7m (being 30% of the identifiable net assets at fair value).

The transaction costs of US\$142,000 have been expensed and are included under transaction costs in respect of business combinations in the consolidated income statement.

ACQUISITION OF AL ZAHRA HOSPITAL ('AL ZAHRA')

On 14 December 2016, the Group agreed to acquire a 100% controlling stake in the voting shares of Al Zahra, subject to the completion of all the conditions precedent referred in SPA. Al Zahra is one of the largest private hospitals in the UAE, operating 137 active inpatient beds, serving approximately 400,000 outpatients and 23,000 inpatient bed days per year. This asset would be difficult to replicate and considerably expands NMC's capacity in the region. It complements NMC's existing network of seven out-patient medical centers in Sharjah, the third most populous emirate in the UAE, and further strengthens its position as the largest private healthcare provider in the UAE and GCC region.

NMC acquired control of Al Zahra on 13 February 2017, the date on which all the conditions precedent were met, meaning that control has passed to the Group and full consolidation of results will commence from that date. For convenience, the closest available balance sheet date has been used for the purposes of measuring net assets acquired. This date is 31 January 2017, with full consolidation commencing on 1 February 2017. We are not aware of any material transactions in the period between 01 February 2017 and 13 February 2017.

The total purchase consideration was US\$560.9m including the Real Estate (Land and Building) amounting to US\$100m. Total consideration for the transaction has been done under consideration of the acquired business and the Real Estate. There is no deferred and contingent consideration payable.

The fair value assessment of identifiable net assets at the acquisition date remains in progress and therefore the fair value of the identifiable net assets is preliminary. Based on the preliminary fair value exercise, provisional Brand of US\$3.5m has been identified. The Group has a 1 year timeframe from the date of acquisition to finalise the measurement of the net assets acquired. The net assets identified to date are those existing at the acquisition date, those forming part of the acquisition, and those that meet the recognition criteria for assets and liabilities. No acquisition date contingent liabilities requiring full recognition have been noted as yet.

Provisional goodwill has been calculated being the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired.

40 SUBSEQUENT EVENTS CONTINUED**ACQUISITION OF AL ZAHRA HOSPITAL ('AL ZAHRA')** CONTINUED

Details of the provisional goodwill calculated as of 31 January 2017, are as follows		Fair value recognised on acquisition US\$'000
Assets		
Intangible assets		3,539
Property, plant and equipment		115,027
Inventories		6,668
Accounts receivable		42,129
Other receivables		1,017
Cash and bank balances		6,095
		174,475
Liabilities		
Accounts payable		22,750
Other payables		5,826
		28,576
Total identifiable net assets at fair value		145,899
Goodwill arising on acquisition		414,950
Purchase consideration transferred		560,849

The acquisition of Al Zahra has resulted in a provisional goodwill of US\$415.0m. No other fair value adjustments relating to other assets or liabilities have been noted. Their fair values have provisionally been assessed as equalling their book values at the acquisition date.

Goodwill represents the future business potential and profit growth of the Al Zahra. It comprises all of the intangibles that cannot be individually recognised such as the assembled workforce, the customer service, future client relationships, the presence in geographic markets, the synergies that Al Zahra & NMC will obtain.

The transaction costs of US\$3,173,000 have been expensed and are included under transaction costs in respect of business combinations in the consolidated income statement.

Statement of Financial Position

As at 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
ASSETS			
Non-current assets			
Investment in subsidiary	4	204,127	204,127
Current assets			
Other receivables and prepayments	5	131	114
Amounts due from a related party	6	343,441	610
Bank balances and cash		220	600
		343,792	1,324
TOTAL ASSETS		547,919	205,451
EQUITY AND LIABILITIES			
Equity			
Share capital	7	31,910	29,566
Share premium	7	491,778	179,152
Retained earnings /(Accumulated losses)	9	23,488	(3,495)
Total equity		547,176	205,223
Non-current liabilities			
Other payables		-	21
Current liabilities			
Other payables and accruals	8	743	207
		743	207
Total liabilities		743	228
TOTAL EQUITY AND LIABILITIES		547,919	205,451

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The financial statements were authorised for issue by the board of directors on 7 March 2017 and were signed on its behalf by

DR B. R. SHETTY

Executive Vice Chairman and Chief Executive Officer

MR SURESH KRISHNAMOORTHY

Chief Financial Officer

The attached notes 1 to 15 form part of the financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2016

	Share Capital US\$'000	Share premium US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Balance as at 1 January 2016	29,566	179,152	(3,495)	205,223
Total (other) comprehensive income for the year (note 9)	-	-	40,693	40,693
Share based payments	-	-	2,640	2,640
Dividends paid (note 14)	-	-	(16,350)	(16,350)
Issuance of share capital - new	2,344	319,970	-	322,314
Share issue costs	-	(7,344)	-	(7,344)
Balance as at 31 December 2016	31,910	491,778	23,488	547,176
Balance as at 1 January 2015	29,566	179,152	(12,029)	196,689
Total (other) comprehensive income for the year (note 9)	-	-	23,223	23,223
Share based payments	-	-	1,177	1,177
Dividends paid (note 14)	-	-	(15,866)	(15,866)
Balance as at 31 December 2015	29,566	179,152	(3,495)	205,223

The attached notes 1 to 15 form part of the financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
OPERATING ACTIVITIES			
Profit for the year before tax	9	40,693	23,223
Adjustments for:			
Share based payments	12	2,640	1,177
Dividends payment	14	(16,350)	(15,866)
		26,983	8,534
Working capital changes:			
Amounts due from a related party		(27,861)	(610)
Other receivables and prepayments		(17)	176
Amounts due to a related party		-	(7,577)
Other payables and accruals		515	(54)
Net cash (used in)/from operations		(380)	469
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(380)	469
Cash and cash equivalents at 1 January		600	131
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		220	600

Note: Proceeds of US\$314,970,000 raised from issuance of equity were directly received in NMC Healthcare LLC bank account. For the purpose of statement of cash flows these proceeds are adjusted from amounts due from a related party.

The attached notes 1 to 15 form part of the financial statements.

Notes to the Financial Statements

At 31 December 2016

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. The address of the registered office of the Company is Level 1, Devonshire House, One Mayfair Place, London, W1J 8AJ. The registered number of the Company is 7712220. The Company's immediate and ultimate controlling party is a group of three individuals (H.E. Saeed Mohamed Butti Mohamed Al Qebaisi (H.E Saeed Bin Butti), Dr BR Shetty and Mr Khalifa Butti Omair Yousif Ahmad Al Muhairi (Mr Khalifa Bin Butti) who are all shareholders and of whom one is a director of the company and who together have the ability to control the company.

The Parent and its subsidiaries (collectively the "Group") are engaged in providing professional medical services and the provision of all types of research and medical services in the field of gynaecology, obstetrics and human reproduction, and the rendering of business management services to companies in the health care and hospital sector. The Group is also engaged in wholesale of pharmaceutical goods, medical equipment, cosmetics, food, IT products and services.

The financial statements of the Company for the year ended 31 December 2016 were authorised for issue by the board of directors on 7 March 2017 and the statement of financial position was signed on the Board's behalf by Dr BR Shetty and Mr Suresh Krishnamoorthy.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2016 and applied in accordance with the Companies Act 2006.

The financial statements are prepared under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The Profit for the year in the financial statements of the Company is US\$40,693,000 (2015: US\$23,223,000).

FUNCTIONAL CURRENCY

The UAE Dirham is determined to be the functional currency of the Company. The reporting currency of the Company is United States of America Dollar (US\$) as this is a more globally recognised currency. The UAE Dirham is pegged against the US Dollar at a rate of 3.673 per US Dollar.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

GOING CONCERN

These financial statements have been prepared on a going concern basis. The Company has made a profit of US\$40,693,000 (2015: US\$23,223,000) and has equity of US\$547,176,000 (2015: US\$205,223,000).

The Company is the parent of NMC Health plc group and is solely a holding company with no business activities of its own. The Company earned a dividend and reported a net profit during the year. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 24 to 25.

The Group has considerable financial resources including bank facilities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

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

SIGNIFICANT JUDGEMENTS

Functional currency

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

Judgement has been used to determine the functional currency of the Company that most appropriately represents the economic effects of the Company's transactions, events and conditions. As part of this assessment, the following information has been taken into account:

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

Notes to the Financial Statements continued

At 31 December 2016

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial period.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2016.

The new standards, amendments to IFRS, which are effective as of 1 January 2016, are listed below, have no impact on the Company.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements 2012-2014 Cycle
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - iii. Servicing contracts
 - iv. Applicability of the amendments to IFRS 7 to condensed interim financial statements
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting
 - Amendments to IAS 1 Disclosure Initiative
 - Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities which are controlled by the Company. Control is achieved when the Company 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. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Investments in subsidiaries are recognised at acquisition cost less any provision for impairment.

When the Company incurs increases in or return of share capital, to/from its subsidiaries, such movements are recognised within the cost of investment in subsidiaries.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the investment in an arm's length transaction between knowledgeable and willing parties. When this information is not available the fair value is determined based on the net present value of the future cash flows related to its subsidiaries, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period as to whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to the income statement to the extent that the increased carrying value of the investment in subsidiary does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years.

Acquisition of subsidiary under common control

When the Company acquires a subsidiary under common control, the cost of the investment is deemed to be the Company's share of the net assets of the subsidiary at the date of acquisition.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash in hand and bank balances.

EQUITY

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

SHARE BASED PAYMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 12.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves / other payables.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

FOREIGN CURRENCIES

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

IMPAIRMENT OF FINANCIAL ASSETS

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

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

DIVIDEND INCOME

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Notes to the Financial Statements continued

At 31 December 2016

3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 LEASES

IFRS 16 was issued in January 2016, and specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

In addition, the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements that are not expected to have any material impact on the Company are as follows:

- IFRS 9 Financial Instruments
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 7 Disclosure Initiative - Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

4 INVESTMENT IN SUBSIDIARY

	2016 US\$'000	2015 US\$'000
As at 1 January and 31 December	204,127	204,127

This represents the cost of the investment in NMC Healthcare LLC (previous parent company), a wholly owned subsidiary held through the holding company subsidiaries NMC Health Holdco Limited and NMC Holding Co LLC. NMC Healthcare LLC, is registered and operates in United Arab Emirates.

4 INVESTMENT IN SUBSIDIARY CONTINUED

The subsidiaries held by NMC Health plc are as follows:

		Percentage of holdings	
	Country of incorporation	31 December 2016	31 December 2015
Direct subsidiaries:			
NMC Holding Co LLC	UAE	100%	100%
NMC Health Holdco Limited	UK	100%	100%
Indirect subsidiaries:			
NMC Healthcare LLC	UAE	100%	100%
New Pharmacy Company Limited	UAE	100%	99%
New Medical Centre LLC - Dubai	UAE	100%	99%
NMC Specialty Hospital LLC - Abu Dhabi	UAE	100%	99%
NMC Specialty Hospital LLC - Dubai	UAE	100%	99%
New Medical Centre Trading LLC - Abu Dhabi	UAE	100%	99%
NMC Trading LLC - Dubai	UAE	100%	99%
Bait Al Shifaa Pharmacy LLC - Dubai	UAE	100%	99%
New Medical Centre LLC - Sharjah	UAE	100%	99%
New Medical Centre Specialty Hospital LLC - Al Ain	UAE	100%	99%
Reliance Information Technology LLC	UAE	100%	99%
BR Medical Suites FZ LLC	UAE	100%	100%
Bright Point Royal Womens Hospital LLC	UAE	100%	99%
NMC Day Surgery Centre LLC	UAE	100%	99%
NMC Hospital LLC (DIP Hospital)	UAE	100%	99%
Medifertil, S.A	Columbia	61.90%	60.50%
Centro de infertilidad y Reproduccion Humana SLU (CIRH)	Spain	88.40%	86.40%
Centro de Medicina della Riproduzione (Biogenesi)	Italy	53.00%	51.80%
EUVITRO, S.L.U	Spain	88.40%	86.40%
Copenhagen Fertility Center Holding Aps (DK)	Denmark	79.60%	-
Huntington Centro de Medicina Reproductive, S/A (BR)	Brazil	53%	-
ProVita International Medical Center LLC	UAE	100%	100%
Lifewise Home Healthcare LLC	UAE	100%	-
NMC Royal Hospital LLC	UAE	100%	99%
The American Surgecenter Pharmacy LLC	UAE	90%	90%
The American Surgecenter LLC	UAE	90%	90%
Americare LLC	UAE	90%	90%
Trans Arabia Drug Store LLC	UAE	75%	75%
Sunny Specialty Medical Centre LLC	UAE	100%	100%
Sunny Medical Centre LLC	UAE	100%	100%
New Sunny Medical Centre LLC	UAE	100%	100%
Sunny Al Buhairah Medical Centre LLC	UAE	100%	100%
Sunny Al Nadha Medical Centre LLC	UAE	100%	100%
Sunny Dental Care LLC	UAE	100%	100%
Grand Hamad Pharmacy LLC	UAE	100%	100%
Hamad Pharmacy LLC	UAE	100%	100%
Sharjah Pharmacy L.L.C	UAE	100%	100%
*Sunny Sharqan Medical Centre LLC	UAE	100%	-
*NMC Royal Medical Centre LLC	UAE	100%	-
*NMC Healthcare LLC	Oman	100%	-
*Fulfil Trading LLC	UAE	100%	-
Nadia Medical Centre LLC	UAE	100%	-
Cooper Dermatology and Dentistry Clinic	UAE	100%	-
Cooper Health Clinic	UAE	100%	-
Fakih IVF Fertility Centre LLC	UAE	51%	-
Fakih IVF LLC	UAE	51%	-
Beiersdorf Cosmetics Trading LLC-Abu Dhabi branch.	UAE	100%	99%
New Marketing & Trading Co. LLC	UAE	100%	99%
Beiersdorf Cosmetics Trading LLC - Al Ain branch	UAE	100%	99%
New Marketing & Trading Co-LLC - Al Ain branch.	UAE	100%	99%
New Medical Centre Trading LLC - branch 2	UAE	100%	99%
New Medical Centre Trading LLC - branch 3	UAE	100%	99%
Beiersdorf Cosmetics Trading LLC - branch	UAE	100%	99%
National Marketing & Trading Co. LLC	UAE	100%	99%
New Marketing & Trading Company LLC - branch	UAE	100%	99%
NMC Trading LLC - branch	UAE	100%	99%
Beiersdorf Cosmetics Trading Co. LLC	UAE	100%	99%
National Marketing & Trading Co. LLC - Dubai branch	UAE	100%	99%
New Marketing & Trading Co. LLC - Dubai branch	UAE	100%	99%
New Medical Centre Trading (Store) LLC	UAE	100%	99%
New Medical Centre Veterinary Medicine & Equipment Trading Co LLC	UAE	100%	99%

Notes to the Financial Statements continued

At 31 December 2016

4 INVESTMENT IN SUBSIDIARY CONTINUED

	Country of incorporation	Percentage of holdings	
		31 December 2016	31 December 2015
NMC Trading LLC branch	UAE	100%	99%
NMC Trading LLC - Fujairah branch	UAE	100%	99%
NMC Trading RAK - branch LLC	UAE	100%	99%
New Medical Centre	UAE	100%	100%
New Medical Centre LLC - branch (Al - Ain, Al wadi)	UAE	100%	100%
NMC Pharmacy	UAE	100%	100%
NMC Pharmacy - Branch	UAE	100%	100%
*PVHC KSA	KSA	100%	-
*TVM KSA Acquisition 2 Ltd	Cyprus	100%	-
*NMC Royal Medical Centre LLC - Branch	UAE	100%	-
*Muscat Central Healthcare LLC	Oman	100%	-
*NMC Healthcare India Pvt. Ltd	India	100%	-
*NMC International Trading LLC	UAE	100%	-
*Cooper Health Clinic - Branch	UAE	100%	-
*New Reproductive Care Ltd	Cayman	51%	-

* These entities are established by NMC during the current year and accordingly are not disclosed as acquired entities in note 5.

5 OTHER RECEIVABLE AND PREPAYMENTS

	2016 US\$'000	2015 US\$'000
Other receivables	83	83
Prepayments	48	31
	131	114

6 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders and senior management of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of all transactions are approved by the management of the Company.

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 of whom one is a director 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.

During the year, the Company was charged a management fees of US\$2,869,000 (2015: US\$1,914,000) by NMC Healthcare LLC.

Dividend amount of US\$16,350,000 (2015: US\$15,866,000) was paid, on behalf of the Company, by a subsidiary to the shareholders of the Company.

	2016 US\$'000	2015 US\$'000
Amounts due from Subsidiary		
Amounts due from a related party	343,441	610

The increase in related party balance was predominantly due to proceeds of US\$314,970,000 raised from issuance of equity which was directly received in NMC Healthcare LLC bank account.

The Company is a guarantor along with other fellow subsidiary undertakings for the US\$825,000,000 (2015: US\$825,000,000) syndicated loan facility raised by its subsidiary NMC Healthcare LLC.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2016 US\$'000	2015 US\$'000
Short term benefits	3,359	3,037

Key management personnel include all the Non-Executives Directors (2015: all) and two senior management personnel (2015: two).

7 SHARE CAPITAL AND SHARE PREMIUM

31 DECEMBER 2016

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
Issued and fully paid (nominal value 10 pence sterling each)	204,285	31,910	491,778	523,688

31 DECEMBER 2015

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
Issued and fully paid (nominal value 10 pence sterling each)	185,714	29,566	179,152	208,718

Issued share capital and share premium movement

	Number of shares (thousands)	Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
At 1 January 2016	185,714	29,566	179,152	208,718
Issue of new shares - IPO	18,571	2,344	319,970	322,314
Share issue costs	-	-	(7,344)	(7,344)
At 31 December 2016	204,285	31,910	491,778	523,688

On 14 December 2016, NMC Health plc had public offering on the London Stock Exchange and raised US\$322,314,000, of which US\$170,000,000 (9,732,847 shares) was subscribed collectively by Dr. B R Shetty, H.E Saeed Bin Butti and Khalifa Bin Butti and Infinite Investment LLC. Infinite Investment LLC is an associate of H.E Saeed Bin Butti and Khalifa Bin Butti.

8 OTHER PAYABLES AND ACCRUALS

	2016 US\$'000	2015 US\$'000
Other payables	688	104
Accrued expenses	55	103
	743	207

9 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The Profit for the year in the financial statements of the Company is US\$40,693,000 (2015: US\$23,223,000).

10 AUDITOR'S REMUNERATION

The Company paid US\$984,000 to its auditor in respect of the audit of the Company's annual accounts for the year ended 31 December 2016 (2015: US\$1,300,000), which includes a portion in respect of the audit of the financial statements of the Company.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of NMC Health plc because group financial statements are prepared which are required to disclose such fees on a consolidated basis.

11 DIRECTORS' REMUNERATION

	2016 US\$'000	2015 US\$'000
Directors' remuneration	1,435	1,754

Further information in respect of this compensation paid to directors is disclosed in the Directors' Remuneration Report.

Notes to the Financial Statements continued

At 31 December 2016

12 SHARE BASED PAYMENTS

The Company currently operates two share option schemes:

LONG TERM INCENTIVE PLAN (LTIP)

Options awarded under the LTIP are made annually to Executive Directors and other senior management. The exercise prices are nil. Options have a life of ten years and a vesting period of three years. The LTIP is subject to performance conditions which can be found in the Directors' Remuneration Report on page 71.

SHORT TERM INCENTIVE PLAN (STIP)

Options awarded under the STIP are made annually to Executive Directors and other senior management. The exercise prices are nil. Options have a life of ten years and a vesting period of three years.

Fair values are determined using the Black-Scholes model. Expected volatility has been based on historical volatility over the period since the Company's shares have been publically traded.

The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

For options granted in the years ended 31 December 2015 and 2016, the fair value per option granted and the assumptions used in the calculation are as follows:

	2016 STIP	2015 STIP
Share price at grant date	£9.675	£5.200
Fair value at measurement date	£9.520	£5.060
Exercise price	£nil	£nil
Expected volatility	40%	40%
Expected option life	3 years	3 years
Expected dividend yield	0.54%	0.91%
Risk free interest rate	1.05%	0.98%

	2016 LTIP	2015 LTIP 1	2015 LTIP 2
Share price at grant date	£9.675	£5.200	£7.650
Fair value at measurement date	£9.520	£5.060	£7.377
Exercise price	£nil	£nil	£nil
Expected volatility	40%	40%	40%
Expected option life	3 years	3 years	3 years
Expected dividend yield	0.54%	0.91%	1.21%
Risk free interest rate	1.05%	0.98%	1.05%

LTIP represent long term incentive plans issued in March 2016.

The options existing at the year-end were as follows:

	Number of shares	2016 Exercise price	Period when exercisable	2015 Number of shares
Long term incentive plan (LTIP)				
October 2014	160,778	£nil	29/10/17 to 28/10/24	160,778
Short term incentive plan (STIP)				
October 2014	55,527	£nil	29/10/17 to 28/10/24	55,527
Long term incentive plan (LTIP)				
February 2015	221,539	£nil	25/02/18 to 24/02/25	221,539
Short term incentive plan (STIP)				
February 2015	74,801	£nil	25/02/18 to 24/02/25	74,801
Long term incentive plan (LTIP)				
September 2015	49,309	£nil	09/09/18 to 08/09/25	49,309
Long term incentive plan (LTIP)				
March 2016	383,717	£nil	15/03/19 to 14/03/26	-
Short term incentive plan (STIP)				
March 2016	68,151	£nil	15/03/19 to 14/03/26	-
Total options subsisting on existing ordinary shares	1,013,822			561,954
Percentage of issued share capital	0.5%			0.3%

12 SHARE BASED PAYMENTS CONTINUED**SHORT TERM INCENTIVE PLAN (STIP) CONTINUED**

Movement of share options during the year is as follows:

	2016	2015
At 1 January	561,954	216,305
Granted during the year	451,868	345,649
Outstanding at 31 December	1,013,822	561,954

No options expired, were exercised or forfeited during the year (2015: nil).

13 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities are other payables, arising in the normal course of business. The Company's financial assets include an amount due from a related party and bank balances. The company's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign currency risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its bank balances only, as the balance due from a related party is interest free, and therefore the Company's exposure to interest rate risk is limited.

CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company's credit risk arises from amounts due from a related party and bank balances.

The directors assess the credit quality of the related party by taking into account their financial position, past experience and other factors. Management does not expect any losses from non-performance by this counterparty, which is a subsidiary of the Company.

The Company limits its credit risk with regard to bank balances by only dealing with reputable banks. The credit rating of the bank at which the cash at bank is held is AA+.

The Company's credit risk exposure against a corporate guarantee provided to NMC Healthcare LLC in respect of the syndicate loan is US\$825,000,000 (2015: US\$825,000,000).

LIQUIDITY RISK

The Company's objective is to maintain sufficient funding to meet its obligations as they fall due.

The table below analyses the Company's undiscounted financial liabilities into relevant maturity groupings based on the contractual payment dates.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Total US\$'000
At 31 December 2016					
Other payables	-	688	-	-	688
Total	-	688	-	-	688
At 31 December 2015					
Other payables	-	104	-	21	125
Total	-	104	-	21	125

In addition to the above financial liabilities, the Company has provided a corporate guarantee of US\$825,000,000 (2015: US\$825,000,000) to NMC Healthcare LLC in respect of the syndicate loan. The fair value of the corporate guarantee is US\$nil as at 31 December 2016 (2015: US\$nil).

FOREIGN CURRENCY RISK

Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company is exposed to currency risk on its other payables denominated in Pound Sterling. Foreign currency payable balances included in the statement of financial position denominated in Pound Sterling are US\$680,000 (2015: US\$170,000). The impact of possible of foreign currency movement is not significant.

Notes to the Financial Statements continued

At 31 December 2016

13 FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION

The fair values of the Company's financial instruments are not materially different from their carrying values at the statement of financial position date.

FINANCIAL GUARANTEES

The Company is a guarantor along with other fellow subsidiary undertakings for US\$825,000,000 (2015: US\$825,000,000) of a syndicated bank loan raised by its subsidiary NMC Healthcare LLC.

14 DIVIDENDS

In the AGM on 3 June 2016 the shareholders approved a dividend of 6.2 pence per share, amounting to GBP11,514,000 (US\$16,350,000) to be paid to shareholders on the Company's share register on 20 May 2016. The dividend amount was paid to the shareholders on 14 June 2016 (30 June 2015: a dividend of GBP10,028,000 equivalent to US\$15,866,000 was approved on 16 June 2015 and paid on 18 June 2015). No interim dividend was declared during the year. Subject to shareholder' approval at the Annual General Meeting on 23 May 2017, a final dividend of 10.6 pence per share, GBP21,753,000 (US\$26,538,000) will be paid to shareholders on the Company's share register on 12 May 2017.

15 TAX

The Group operates in the United Arab Emirates and Spain and certain other countries. There is no taxable income in the UK and accordingly there is no tax liability arising in the UK. The unused tax losses amount to US\$25,549,000 as at 31 December 2016 (2015: US\$13,049,000).

Shareholder Information

AGM AND DIVIDEND DATES

Ex-dividend date for final dividend	11 May 2017
Record date for final dividend	12 May 2017
Annual General Meeting	23 May 2017
Final dividend payment	2 June 2017

DIVIDENDS

Information in relation to the Company's dividend policy and the proposed dividend payment per share is set out in the Financial Review on page 25 and in Note 26 to the Consolidated Financial Statements on page 131.

SHARE CAPITAL

The issued share capital as at 1 January 2016 was £18,571,428 divided into 185,714,286 Ordinary shares of 10p each. On 16 December 2016, the Company issued 18,714,286 new Ordinary shares. No other changes to the share capital of the Company were made during the year.

The issued share capital of the Company as at 31 December 2016 was £20,428,571 divided into 204,285,714 Ordinary shares of 10p each. Options and share awards granted by the Company over its share capital are set out in the Directors' Remuneration Report on pages 56 to 78.

Under the articles of association of the Company, all Ordinary shares have equal rights to dividends and capital and to vote at general meetings of the Company. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or in voting rights.

ANNUAL GENERAL MEETING

The annual general meeting of NMC Health plc will be held at Allen & Overy LLP, One Bishops Square, London E1 6AD on 23 May 2017 at 2.00 pm.

Further details of the resolutions to be proposed at the annual general meeting is set out in the Notice of Annual General Meeting circular which is included in a separate document enclosed with this annual report.

SHARE REGISTRAR

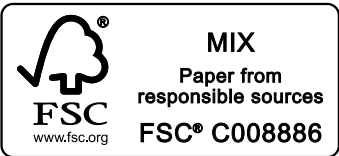
Our Registrars are Capita Asset Services who can be contacted as follows:
Address: The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Email: shareholderenquiries@capita.co.uk
Telephone: 0871 664 0300
International: +44 (0) 208 639 3399

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales.

PRINCIPAL SHAREHOLDERS

As at 7 March 2017, the Company is aware of the following significant shareholdings in the Ordinary shares of the Company:

Shareholder	Number of shares	% of issued share capital held	Nature of holding
Dr B.R. Shetty	51,750,052	25.33	Direct
H.E. Saeed Bin Butti	36,419,091	17.83	Direct
Khalifa Bin Butti	20,696,561	10.13	Direct
Infinite Investment LLC	15,280,426	7.48	Direct



Our Facilities

Main image: NMC Royal Medical Centre, Abu Dhabi, UAE



NMC Royal Hospital, Abu Dhabi, UAE



NMC Provita, Abu Dhabi



NMC Hospital, DIP, UAE



NMC Trading Warehouse, Dubai, UAE



NMC Clínica Eugén, Madrid, Spain



NMC Chronic Care Specialist Center, Jeddah, Saudi Arabia



NMC AL-Zahra Hospital, Sharjah, UAE



NMC Health plc
Level 1 Devonshire House
One Mayfair Place,
Mayfair
London W1J 8AJ