MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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MD MEDICAL GROUP INVESTMENTS PLC

OFFICERS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

Board of Directors	Mark Kurtser – Chairman Kirill Dmitriev (Nikolay Ishmetov, alternate director to Kirill Dmitriev) Liubov Malyarevskaya Vladimir Mekler Elena Mladova Simon Rowlands Vitaly Ustimenko
Secretary	Menustrust Limited
Secretary assistant	Mikhail Melnikov
Independent Auditors	KPMG Limited
Registered Office	Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

MD MEDICAL GROUP INVESTMENTS PLC

BOARD OF DIRECTORS' REPORT

The Board of Directors of MD Medical Group Investments Plc (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the "Group") for the year ended 31 December 2014.

INCORPORATION

MD Medical Group Investments Plc was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 22 August 2012 following the special resolution passed by the shareholder, the name of the Company was changed from "MD Medical Group Investments Ltd" to "MD Medical Group Investments Plc" and the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment holding company and, for that purpose, to acquire and hold controlling and other interests in the share or loan capital of any company or companies of any nature, but primarily in the healthcare industry. Please refer to note 4 for more detailed information about the services provided by the Group's medical centres.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2014 and its financial position at that date are set out in the consolidated Statement of Comprehensive Income on page 10 and in the consolidated Statement of Financial Position on page 11 of the consolidated financial statements.

The profit for the year ended 31 December 2014 amounted to RUB1,319,667 thousand (2013: RUB763,547 thousand). The total assets of the Group as at 31 December 2014 were RUB16,074,241 thousand (2013: RUB13,648,648 thousand) and the net assets were RUB10,136,594 thousand (2013: RUB9,209,158 thousand).

DIVIDENDS

In accordance with the Company's Articles of Association dividends may be paid out of its profits. To the extent that the Company declares and pays dividends, owners of GDRs on the relevant record date will be entitled to receive dividends in respect of ordinary shares underlying the GDRs.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation in the country of their incorporation and any contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (RUB2.40) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 May 2014. The dividend was paid on 23 May 2014.

The Board of Directors recommends the payment of RUB300,000 thousand as final dividend for the year 2014 which corresponds to RUB4.01 per share.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The current financial position and performance of the Group as presented in the financial statements is considered satisfactory.

During the 2014 year the Company has acquired 100% share in Ivicend Holding Ltd. The details for this acquisition are given in note 14 of the consolidated financial statements. Also during the year 2014 the Company has incorporated two new entities, Mother and Child Ryazan and Shelly Management ltd. Additional brief details for all subsidiaries are given in note 1 to the consolidated financial statements.

In October 2014 the new hospital in the Russian city Ufa was put into operation.

PRINCIPAL RISKS AND UNCERTAINTIES

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in notes 25 and 27 of the consolidated financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

FUTURE DEVELOPMENTS

The Group's goal is to maintain its leading position in high-quality women's health and paediatrics, addressing the increasing demand for private healthcare services in Russia and beyond.

As the Group will be growing it intends to expand its portfolio of hospital and outpatient facilities, broaden its service offerings by providing patients with the most up-to-date treatment procedures and medical technology available on the market, expand its services in Moscow and other regions, exploit the value of its integrated healthcare network by making effective use of services across its facilities, optimizing the benefits for patients and the Group as a whole.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BOARD OF DIRECTORS

The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Appointment Policy for the Board of Directors and Committees, all directors are subject to appointment or approval of appointment by shareholders at the first Annual General Meeting after their appointment, and to re-appointment at intervals of no more than three years. Any term beyond six years (e.g. two three-year terms) for a non-executive director is subject to particularly rigorous review, and takes into account the need for progressive refreshing of the Board of Directors.

The members of the Board of Directors who served as at the date of signing of these consolidated financial statements, are presented on page 1.

BOARD OF DIRECTORS *(continued)*

The members of the Board of Directors who served during the year 2014 and as at 31 December 2014 were as follows:

- Mark Kurtser – Chairman
- Vitaly Ustimenko (appointed as an alternate director to Mark Kurtser)
- Apollon Athanasiades (resigned on 18 February 2015)
- Kirill Dmitriev
- Nikolay Ishmetov (appointed as an alternate director to Kirill Dmitriev)
- Elena Mladova
- Elia Nicolaou (resigned on 18 February 2015)
- Angelos Paphitis (resigned on 18 February 2015)
- Andreas Petrides (resigned on 18 February 2015)
- Simon Rowlands
- Marios Tofaros (resigned on 18 February 2015)

On 19 February 2015 Ms. Liubov Malyarevskaya, Mr. Vladimir Mekler and Mr. Vitaly Ustimenko were appointed as the new directors.

THE BOARD COMMITTEES

Since September 2012, the Board of Directors established the operation of the following three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

The Audit Committee comprises of three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015 (during 2014 and up to 18 February 2015 the Committee was chaired by independent non-executive director Mr. Simon Rowlands). Mr. Kirill Dmitriev and Mr. Simon Rowlands are the other members.

The Audit Committee meets at least four times each year and is responsible for considering:

- the reliability and appropriateness of disclosures in the financial statements and external financial communication;
- the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system;
- preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external auditor;
- approval of the remuneration and terms of engagement of the external auditor in respect of audit services provided;
- the audit process, including monitoring and review of the external auditor's performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditor; and
- monitoring compliance with laws and regulations and standard of corporate governance.

The Audit Committee assists the Board of Directors in its oversight of the performance and leadership of the internal audit activity.

THE BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*
Where the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

Nomination Committee

The Nomination Committee comprises of three non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Dr. Mark Kurtser. Mr. Vladimir Mekler and Mr. Simon Rowlands are the other members.

The Nomination Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to appointment of all executive and non-executive directors, as well as the CEO and CFO of the Company. The main objective of the Nomination Committee is to lead the process for the Board of Directors' appointments and make respective recommendation to the Board of Directors, ensuring proper balance of the Board of Directors and qualification of its members. The Nomination Committee also considers the composition of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises of three directors, two non-executive directors and one executive director. The Remuneration Committee is chaired by independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Dr. Elena Mladova.

The Remuneration Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to remuneration of all executive directors and the chairman of the Board of Directors. The main objective of the Remuneration Committee is to determine the framework and policy for the remuneration of the executive directors, the chairman of the Board of Directors and senior executives, and the specific remuneration of each executive director and the chairman of the Board of Directors and any compensation payments.

CORPORATE GOVERNANCE

The Company is committed to the highest standards of corporate governance and transparency. The Board of Directors recognises that good governance is a strategic asset that helps it to deliver consistent long-term value to its shareholders. By running the Company in an open way, the Board of Directors enables shareholders to understand how it has been able to deliver consistently strong results. The Board of Directors believes that corporate responsibility is an essential part of good governance and makes sound business sense, as well as being crucial to the appropriate management of risk within the Company.

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures.

The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. The Company's corporate governance policies and practices include, inter alia:

- Appointment policy for the Board of Directors and Committees;
- Terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee;
- Code of Ethics and Conduct;
- Business Continuity Policy;
- Disclosure Policy;
- Risk Management Policy; and
- Anti-Fraud Policy.

BRANCHES

During the year ended 31 December 2014, the Company did not operate any branches. On 19 February 2015 the Board of Directors decided to open a branch in Moscow, Russian Federation.

TREASURY SHARES

During the year ended 31 December 2014, the Company has acquired 230,000 own shares (0.31% of total shares issued) at total cost of RUB73,086 thousand. As at 31 December 2014, these shares were owned by the Company.

EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company opened a new medical centre in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.

INDEPENDENT AUDITORS

The independent auditors of the Company Messrs. KPMG Limited have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted to the Annual General Meeting.

By order of the Board of Directors,

Mark Kurtser
Chairman of the Board of Directors

Moscow, 20 March 2015

MD MEDICAL GROUP INVESTMENTS PLC

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the directors, whose names are listed below, confirms that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with IFRS 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 adoption of the going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and

- the Board of Directors' 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 that they face.

The Directors of the Company responsible for reporting as at the date of this announcement are set out below:

Mark Kurtser	Chairman, non-executive director
Kirill Dmitriev	Non-executive director
Liubov Malyarevskaya	Non-executive independent director
Vladimir Mekler	Non-executive director
Elena Mladova	Executive director
Simon Rowlands	Non-executive independent director
Vitaly Ustimenko	Executive director

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Chartered Accountants
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E-mail limassol@kpmg.com.cy
Internet www.kpmg.com.cy

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MD MEDICAL GROUP INVESTMENTS PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of MD Medical Group Investments Plc (the ''Company'') and its subsidiaries (together with the Company, referred to as "the Group") on pages 10 to 52 which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MD Medical Group Investments Plc as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 6 is consistent with the consolidated financial statements.

Other matter

This report, including the opinion expressed herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving the aforementioned opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Zakis E. Hadjizacharias, CA
Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street
3022 Limassol
Cyprus

20 March 2015

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	4	7,200,931	5,672,753
Cost of sales	5	(4,230,153)	(3,389,282)
Gross profit		2,970,778	2,283,471
Other income		9,221	4,384
Administrative expenses	6	(1,432,956)	(1,124,643)
Other expenses		(11,167)	(5,088)
Operating profit		1,535,876	1,158,124
Finance income		41,662	65,145
Finance expenses		(386,698)	(334,521)
Net foreign exchange transactions gain / (loss)		203,958	(53,331)
Net finance expenses	8	(141,078)	(322,707)
Profit before tax		1,394,798	835,417
Taxation	9	(75,131)	(71,870)
Profit for the year		1,319,667	763,547
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		-	214,589
Total comprehensive income for the year		1,319,667	978,136
Profit for the year attributable to:			
Owners of the Company		1,195,693	636,146
Non-controlling interests		123,974	127,401
		1,319,667	763,547
Total comprehensive income for the year attributable to:			
Owners of the Company		1,195,693	850,735
Non-controlling interests		123,974	127,401
		1,319,667	978,136
Basic and fully diluted earnings per share (RUB)	10	15.94	8.47

The notes on pages 16 to 52 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Assets			
Property, plant and equipment	12	12,540,172	9,209,792
Intangible assets	13	1,981,089	451,911
Trade, other receivables and deferred expenses	16	104,557	437,719
Investments		2,705	2,000
Deferred tax assets	21	4,415	1,241
Total non-current assets		14,632,938	10,102,663
Inventories	15	267,896	110,931
Trade, other receivables and deferred expenses	16	229,383	151,802
Non-current assets held for sale		45,778	-
Current income tax asset		7,695	8,160
Investments		-	1,750
Cash and cash equivalents	17	890,551	3,273,342
Total current assets		1,441,303	3,545,985
Total assets		16,074,241	13,648,648
Equity			
Share capital	18	180,585	180,585
Reserves	19	9,573,693	8,629,629
Total equity attributable to owners of the Company		9,754,278	8,810,214
Non-controlling interests		382,316	398,944
Total equity		10,136,594	9,209,158
Liabilities			
Loans and borrowings	20	3,251,060	2,379,389
Obligations under finance leases		-	1,093
Trade and other payables	22	33,638	4,349
Deferred tax liabilities	21	6,690	5,848
Deferred income	23	90,405	72,025
Total non-current liabilities		3,381,793	2,462,704
Loans and borrowings	20	869,081	617,865
Obligations under finance leases		450	1,797
Trade and other payables	22	898,692	748,001
Deferred income	23	786,246	607,963
Current income tax liability		1,385	1,160
Total current liabilities		2,555,854	1,976,786
Total liabilities		5,937,647	4,439,490
Total equity and liabilities		16,074,241	13,648,648

On 20 March 2015 the Board of Directors of MD Medical Group Investments Plc authorised these consolidated financial statements for issue.

....	....	....
Elena Mladova	Mark Kurtser	Vitaly Ustimenko
Director	Director	Director

The notes on pages 16 to 52 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to owners of the Company							
	Note	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total equity RUB'000
Balance at 31 December 2013		180,585	5,243,319	-	(544,493)	3,930,803	8,810,214	398,944	9,209,158
Effect of change in functional currency	2(e)	-	-	-	(110,859)	110,859	-	-	-
Balance at 1 January 2014		180,585	5,243,319	-	(655,352)	4,041,662	8,810,214	398,944	9,209,158
Comprehensive income									
Profit and total comprehensive income for the year		-	-	-	-	1,195,693	1,195,693	123,974	1,319,667
Contributions by and distributions to owners									
Dividends	11	-	-	-	-	(180,271)	(180,271)	(138,872)	(319,143)
Acquisition of treasury shares	19	-	-	(73,086)	-	-	(73,086)	-	(73,086)
Total transactions with owners		-	-	(73,086)	-	(180,271)	(253,357)	(138,872)	(392,229)
Changes in ownership interests									
Acquisition of additional share in subsidiary		-	-	-	-	1,728	1,728	(1,730)	(2)
Total changes in ownership interests		-	-	-	-	1,728	1,728	(1,730)	(2)
Balance at 31 December 2014		180,585	5,243,319	(73,086)	(655,352)	5,058,812	9,754,278	382,316	10,136,594

The notes on pages 16 to 52 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*continued*)

For the year ended 31 December 2013

		Attributable to owners of the Company						
	Note	Share capital RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total equity RUB'000
Balance at 1 January 2013		180,585	5,243,319	(759,082)	3,617,738	8,282,560	340,857	8,623,417
Comprehensive income								
Profit for the year		-	-	-	636,146	636,146	127,401	763,547
Other comprehensive income								
Foreign currency translation differences		-	-	214,589	-	214,589	-	214,589
Total comprehensive income for the year		-	-	214,589	636,146	850,735	127,401	978,136
Contributions by and distributions to owners								
Dividends	11	-	-	-	(313,873)	(313,873)	(71,763)	(385,636)
Total transactions with owners		-	-	-	(313,873)	(313,873)	(71,763)	(385,636)
Changes in ownership interest								
Non-controlling interest in newly incorporated entities		-	-	-	-	-	1,020	1,020
Non-controlling interest in acquired subsidiary		-	-	-	-	-	2,105	2,105
Increase in ownership in subsidiary		-	-	-	(9,208)	(9,208)	(676)	(9,884)
Total changes in ownership interest		-	-	-	(9,208)	(9,208)	2,449	(6,759)
Balance at 31 December 2013		180,585	5,243,319	(544,493)	3,930,803	8,810,214	398,944	9,209,158

Share premium is not available for distribution.

The notes on pages 16 to 52 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit for the year		1,319,667	763,547
Adjustments for:			
Depreciation	12	513,098	414,951
(Gain) / loss from the sale of property, plant and equipment		(286)	1,429
Amortisation	13	33,718	12,970
Interest income	8	(41,662)	(65,145)
Finance expense (excluding impairment)	8	363,923	332,105
Impairment of trade and other receivables	8	22,775	2,416
Net foreign exchange transactions (gain) / loss	8	(203,958)	53,331
Taxation	9	75,131	71,870
Cash flows from operations before working capital changes		2,082,406	1,587,474
Increase in inventories		(118,852)	(47,125)
Increase in trade and other receivables		(49,444)	(43,666)
Increase in trade and other payables		71,017	71,150
Increase in deferred income		199,405	158,510
Cash flows from operations		2,184,532	1,726,343
Tax paid		(78,013)	(64,182)
Net cash flows from operating activities		2,106,519	1,662,161
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(3,125,622)	(2,429,754)
Proceeds from disposal of property, plant and equipment		1,137	7,980
Payment for acquisition of intangible assets		(8,807)	(2,204)
Net cash outflow on disposal of a subsidiary		(3,402)	-
Acquisition of subsidiaries, net cash outflow on acquisition	14	(1,797,412)	(647,603)
Withdrawal of investments		-	2,538,323
Loans granted		(1,671)	-
Interest received		41,662	65,145
Net cash flows used in investing activities		(4,894,115)	(468,113)

The notes on pages 16 to 52 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from financing activities			
GDR contributions received from underwriters		-	150,216
Proceeds from loans and borrowings		1,360,257	341,063
Repayment of loans and borrowings		(517,949)	(346,470)
Repayment of obligations under finance leases		(2,588)	(2,793)
Acquisition of treasury shares	19	(73,086)	-
Finance expenses paid		(361,504)	(356,341)
Increase in ownership in subsidiary		(2)	(9,884)
Dividends paid to the owners of the Company		(180,271)	(313,873)
Dividends paid to non-controlling interests		(138,872)	(71,763)
Net cash flows from / (used in) financing activities		85,985	(609,845)
Net (decrease)/increase in cash and cash equivalents		(2,701,611)	584,203
Cash and cash equivalents at the beginning of the year		3,273,342	2,582,933
Effect of exchange rate changes on cash and cash equivalents		318,820	106,206
Cash and cash equivalents at the end of the year	17	890,551	3,273,342

1. INCORPORATION AND PRINCIPAL ACTIVITIES

MD Medical Group Investments Plc (the "Company") was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. In August 2012, following the special resolution passed by the shareholder, the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its Registered Office is at Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus.

The consolidated financial statements for the year ended 31 December 2014 consist of the consolidated statement of financial position as at the aforementioned date and the related consolidated statements of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies and other explanatory notes of the Company and its subsidiaries (which together are referred to as "the Group") for the year then ended.

The principal activity of the Company is that of an investment holding company and, for that purpose, to acquire and hold controlling and other interests in the share or loan capital of any company or companies of any nature, but primarily in the healthcare industry. Please refer to note 4 for more detailed information about the services provided by the Group's medical centres.

The details of the directly and indirectly owned subsidiaries are as follows:

Name	Country of incorporation	Activities	Notes	31 December 2014 Effective Holding %	31 December 2013 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services		95	95
LLC Khaven	Russian Federation	Medical services		100	100
LLC Velum	Russian Federation	Medical services		54	54
LLC Capital Group	Russian Federation	Renting of property, retail		80	80
LLC FimedLab	Russian Federation	Medical services		60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services		60	60
LLC Ivamed	Russian Federation	Medical services		100	100
LLC Dilamed	Russian Federation	Medical services		100	100
CJSC Listom	Russian Federation	Service company		100	100
LLC Ustic-ECO	Russian Federation	Medical services		70	70
LLC Ecodeure	Russian Federation	Medical services	9	-	85
LLC Mother and Child Perm	Russian Federation	Medical services		80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	2	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	2	60	60
LLC MD PROJECT 2010	Russian Federation	Medical services	3	100	80
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	98	98
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services		100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services		100	100
LLC TechMedCom	Russian Federation	Service company	5	-	-
LLC Service Hospital Company	Russian Federation	Service company	5	-	-

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For the year ended 31 December 2014

1. INCORPORATION AND PRINCIPAL ACTIVITIES *(continued)*

Name	Country of incorporation	Activities	Notes	31 December 2014 Effective Holding %	31 Decembe 2013 Effective Holding %
Vitanostra Ltd	Cyprus	Holding of investments		100	100
LLC NPC MIR	Russian Federation	Holding of investments	6	100	100
LLC MK IDK	Russian Federation	Medical services	6	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	6	100	100
LLC CSR	Russian Federation	Medical services	6	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	7, 11	85	85
LLC MD Assistance	Russian Federation	Assistance services		100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services		80	80
LLC MD Management	Russian Federation	Management company		100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	8	100	-
Shelly Management ltd	BVI	Holding of investments	6, 8	100	-
Ivicend Holding Ltd	Cyprus	Holding of investments	10	100	-
CJSC MC Avicenna	Russian Federation	Medical services	11	100	-
LLC H&C Medical Group	Russian Federation	Medical services	11	100	-

Notes:

1. 1% of the charter capital of this entity is directly owned by the Company and 99% of the charter capital of this entity is indirectly owned through LLC Khaven.
2. These entities are indirectly owned through LLC Khaven.
3. In March 2014 the Company acquired additional 20% in LLC MD PROJECT 2010.
4. 95% of the charter capital of the entity is directly owned by the Company and 5% of the charter capital is owned by LLC Clinica Zdorovia.
5. These entities, although not legally owned by the Group, are controlled by the Group since most of their activities are carried out on behalf of the Group.
6. These entities are indirectly owned through Vitanostra Ltd.
7. In November 2014 the entity was sold to CJSC MC Avicenna, another subsidiary of the Company. The effective holding percentage for the entity has not changed.
8. These entities were incorporated in 2014.
9. This entity was disposed in July 2014.
10. This entity was acquired in October 2014 (note 14).
11. These entities are indirectly owned through Ivicend Holding Ltd.

As at 31 December 2014, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 31.8% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders. The remaining 0.3% of the Company's share capital is owned by the Company (note 19).

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The consolidated financial statements were approved by the Board of Directors and were authorised for issue on 20 March 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2014, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company except for the adoption of IFRS 12.

IFRS 12 applies to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structure entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to understand and evaluate nature and extent of its interests in other entities, the risks associated with those interests and their impact on its financial position, financial performance and cash flows. The amendment affects presentation only and has no impact on the Group's financial position or performance.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. The Company does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 January 2015).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 February 2015).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PREPARATION *(continued)*

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations *(continued)*

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 "Accounting for acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 27 "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 41 "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the consolidated financial statements of the Group.

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgements

Preparing consolidated financial statements in accordance with IFRSs requires management to exercise their judgement to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed and where necessary revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

- Income taxes
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of intangible assets
  Intangible assets are initially recorded at acquisition cost and are amortised on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs.

- Impairment of goodwill
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated.

2. BASIS OF PREPARATION *(continued)*

(e) Functional and presentation currency

For the reporting periods before the year 2014, the functional currency of the Company was the US dollar (US$). The Management of the Company decided that the Russian Ruble (RUB) is the functional currency of the Company, with effect from 2014. This change is made in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", since primary cash income and expenditure of the Company since 2014 are nominated in RUB.

All of the operational Group entities are located in the Russian Federation and have RUB as their functional currency.

The consolidated financial statements of the Company are presented in RUB, rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2013 and for the year then ended, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has adopted for the first time the following new standards and amendments to standards, including any consequent amendments to other standards, with the date of initial application of 1 January 2014 in the preparation of the full consolidated financial statements:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 12 "Disclosure of Interest in Other Entities".

Several other new standards and amendments apply for the first time in 2014. However, they do not impact these consolidated financial statements of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when it is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even if the Group does not have legal ownership in the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held as at 31 December 2013.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on a basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Purchases of subsidiaries from parties under common control are accounted for using the predecessor basis of accounting. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted in these consolidated financial statements as an adjustment to common control transaction reserve within equity.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of rebates and discounts. Revenues earned by the Group are recognised on the following basis:

- Rendering of services
  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- Sale of goods
  Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

- Rental income
  Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Finance income

Finance income includes interest income which is recognised as it accrues in profit or loss using the effective interest method.

Finance expenses

Finance expenses include interest expense and other borrowing costs and are recognised in profit or loss using the effective interest method.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Russian Rubles using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tax *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the year in which the dividends are declared, either through Board resolution (for interim dividends) or by the Group's shareholders in the Annual General Meeting (for final dividends).

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates for the current and comparative periods are based on the following estimations of useful lives:

	Years
Freehold buildings	50
Plant and equipment	5-10

No depreciation is provided on land.

Assets under construction are not depreciated until they are completed and brought into use, at which time they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income

Deferred income represents income receipts which relate to future periods.

Intangible assets

(i) Goodwill

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Positive goodwill on acquisition of subsidiaries is included in "intangible assets".

The excess of the Group's interest in the fair value of the new subsidiaries' net assets over the consideration paid for their acquisition ("a bargain purchase gain") is written-off in profit or loss in the year of acquisition of the relevant subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(i) Goodwill *(continued)*
Positive goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. For the purpose of impairment testing goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combinations.

(ii) Patents and trademarks
Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of patents and trademarks is five to seven years.

(iii) Web site costs
External costs that are directly associated with web site controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently web site costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Web site costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Amortisation commences when the site is available for use and is included within administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

The leases of the Group are classified as finance leases, if they transfer to the Group substantially all the risks and rewards incidental to ownership of an asset. The Group recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments.

The payments are apportioned between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade and other receivables are stated at their nominal values after deducting the specific provision for doubtful debts, which is calculated based on an examination of all outstanding balances as at the year end. Bad debts are written off when identified.

(ii) Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(iii) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and short-term highly liquid investments with maturity of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term investments.

(Iv) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(v) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition of financial assets and liabilities *(continued)*

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Share capital

Proceeds from the issue of ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from share premium net of any tax effect.

Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Earnings per share

The Group presents earnings per share ("EPS") data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. REVENUE

	2014 RUB'000	2013 RUB'000
Deliveries	1,443,684	1,261,193
Obstetrics and Gynaecology out-patient treatments	1,275,739	1,138,469
IVF	1,186,982	800,349
Paediatrics out-patient treatments	852,896	729,869
Obstetrics and Gynaecology in-patient treatments	684,600	618,121
Paediatrics in-patient treatments	205,336	161,853
Other medical services	1,249,184	721,453
Sales of goods	195,518	146,257
Other income	106,992	95,189
	7,200,931	5,672,753

Other medical services include but are not limited to laboratory examinations, diagnostics, dental care and surgery. The significant increase of other medical services was mostly due to the increase of utilisation of Lapino hospital and acquisition of new companies with more diversified range of services.

5. COST OF SALES

	2014 RUB'000	2013 RUB'000
Payroll and related social taxes	2,439,513	1,964,406
Materials and supplies used	928,228	655,688
Depreciation	441,519	355,579
Medical services	135,506	90,131
Energy and utilities	86,772	75,798
Property tax	74,873	150,051
Repair and maintenance	32,808	39,181
Other expenses	90,934	58,448
	4,230,153	3,389,282

The property tax expense has significantly declined due to an agreed tax exemption for the Lapino hospital. This exemption has reduced the property tax expense for the year ended 31 December 2014 by RUB87,680 thousand, including RUB44,611 thousand attributable to the year ended 31 December 2013 and RUB43,069 thousand attributable to the year ended 31 December 2014.

6. ADMINISTRATIVE EXPENSES

	2014 RUB'000	2013 RUB'000
Payroll and related social taxes	718,409	557,795
Utilities and materials	248,578	210,857
Other professional services	166,120	123,799
Advertising	80,339	78,149
Depreciation	71,579	59,372
Amortisation	33,718	12,970
Independent auditors' remuneration	29,357	24,118
Communication costs	22,368	15,071
Other expenses	62,488	42,512
	1,432,956	1,124,643

7. STAFF COSTS

	2014 RUB'000	2013 RUB'000
Wages and salaries	2,561,721	2,047,410
Social insurance contributions and other taxes	596,201	474,791
Total staff costs	3,157,922	2,522,201

The average number of employees employed by the Group during the year ended 31 December 2014 was 3,772 (31 December 2013: 3,118).

8. NET FINANCE EXPENSES

	2014 RUB'000	2013 RUB'000
Finance income		
Bank interest received	41,242	64,953
Interest from loans to third parties	420	192
	41,662	65,145
Finance expenses		
Interest expense		
Interest on bank loans	(291,846)	(277,329)
Interest on loans from third parties	(242)	(1,083)
Finance leases interest	(148)	(799)
Other finance expense		
Bank charges	(71,687)	(52,894)
Impairment of trade and other receivables	(19,884)	(2,416)
Other impairment provision	(2,891)	-
	(386,698)	(334,521)
Net foreign exchange transaction gain / (loss)	203,958	(53,331)
Net finance expense	(141,078)	(322,707)

9. TAXATION

Tax recognised in profit or loss

	2014 RUB'000	2013 RUB'000
Corporation tax	78,473	73,112
Deferred tax credit	(3,342)	(1,242)
Charge for the year	75,131	71,870

Numerical reconciliation of income tax expense:

	2014 RUB'000	2013 RUB'000
Accounting profit before tax	1,394,798	835,417
Tax calculated at the applicable tax rates of the Group	66,052	69,651
Income tax for previous years	7,798	-
Other tax effects	1,281	2,219
Tax charged as per consolidated statement of comprehensive income	75,131	71,870

The majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate, other companies apply standard income tax rate of 20%. The management calculates the tax expense by multiplying the applicable tax rates of each Group company by the pre-tax income of the reporting period.

The Group's consolidated effective income tax rate for the year ended 31 December 2014 was 5% (31 December 2013: 9%). The change in the effective tax rate was caused mainly by the increase of the non-taxable profits of the Russian subsidiaries of the Company.

10. EARNINGS PER SHARE

	2014	2013
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	1,195,693	636,146
Weighted average number of ordinary shares in issue during the year	75,032,300	75,125,010
Basic and fully diluted earnings per share (RUB)	15.94	8.47

11. DIVIDENDS

On 5 April 2013 the Board of Directors declared a final dividend for the year 2012 amounting to US$9,766 thousand (RUB313,873 thousand), which corresponds to US$0.13 (RUB4.18) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 7 June 2013. The dividend was paid on 11 June 2013.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (RUB2.40) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 May 2014. The dividend was paid on 23 May 2014.

Dividends are subject to a deduction of special contribution at the rate of 20% for the year 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

12. PROPERTY, PLANT AND EQUIPMENT

2014	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
Cost				
Balance at 1 January	6,616,802	1,410,570	2,416,232	10,443,604
Acquisitions through business combinations	205,771	70,079	306,546	582,396
Additions	52,789	3,053,425	201,496	3,307,710
Disposals	-	-	(3,068)	(3,068)
Transfer from construction in progress	3,297,052	(4,363,195)	1,066,143	-
Transfer to assets held for sale	(5,688)	(40,090)	-	(45,778)
Balance at 31 December	10,166,726	130,789	3,987,349	14,284,864
Depreciation				
Balance at 1 January	361,865	-	871,947	1,233,812
Depreciation during the year	150,954	-	362,144	513,098
On disposals	-	-	(2,218)	(2,218)
Balance at 31 December	512,819	-	1,231,873	1,744,692
Carrying amounts				
Balance at 31 December	9,653,907	130,789	2,755,476	12,540,172
2013				
Cost				
Balance at 1 January	6,111,051	195,659	1,939,924	8,246,634
Acquisitions through business combinations	149,772	38,325	150,589	338,686
Additions	220,700	1,347,690	304,201	1,872,591
Disposals	(192)	-	(14,115)	(14,307)
Transfer from construction in progress	135,471	(171,104)	35,633	-
Balance at 31 December	6,616,802	1,410,570	2,416,232	10,443,604
Depreciation				
Balance at 1 January	231,175	-	592,426	823,759
Depreciation during the year	130,690	-	284,261	414,951
On disposals	-	-	(4,898)	(4,898)
Balance at 31 December	361,865	-	871,947	1,233,812
Carrying amounts				
Balance at 31 December	6,254,937	1,410,570	1,544,285	9,209,792

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB6,142,450 thousand as at 31 December 2014 (31 December 2013: RUB6,064,050 thousand).

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For the year ended 31 December 2014

13. INTANGIBLE ASSETS

2014	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
Cost				
Balance at 1 January	383,547	68,975	12,971	465,493
Acquisitions through business combinations	1,055,593	497,000	1,582	1,554,175
Additions	-	-	10,419	10,419
Disposals	(872)	(1,277)	(5)	(2,154)
Balance at 31 December	1,438,268	564,698	24,967	2,027,933
Amortisation				
Balance at 1 January	-	10,768	2,814	13,582
Amortisation during the year	-	29,662	4,056	33,718
Disposals	-	(456)	-	(456)
Balance at 31 December	-	39,974	6,870	46,844
Carrying amounts				
Balance at 31 December	1,438,268	524,724	18,097	1,981,089
2013				
Cost				
Balance at 1 January	30,051	949	280	31,280
Acquisitions through business combinations	353,496	67,603	10,666	431,765
Additions	-	423	2,025	2,448
Balance at 31 December	383,547	68,975	12,971	465,493
Amortisation				
Balance at 1 January	-	425	187	612
Amortisation during the year	-	10,343	2,627	12,970
Balance at 31 December	-	10,768	2,814	13,582
Carrying amounts				
Balance at 31 December	383,547	58,207	10,157	451,911

13. INTANGIBLE ASSETS *(continued)*

Goodwill is allocated to each cash-generating unit (CGU), which is defined as each individual subsidiary or group of subsidiaries acquired operating as one business in one particular location.

In order to assess any impairment in the value of goodwill, the Group performed a test of the estimated recoverable amount of the CGUs compared to their carrying value.

Goodwill carrying amount:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Subsidiaries acquired in 2011	29,179	30,051
Vitanostra Ltd acquired in March 2013	211,303	211,303
LLC Centre of Reproductive Medicine acquired in May 2013	142,193	142,193
Ivicend Holding Ltd acquired in October 2014	1,055,593	-
	1,438,268	383,547

Goodwill has been allocated for impairment testing purposes to 4 groups of cash generating units.

The recoverable amount of each CGU group is based on the sum of the enterprise values of the subsidiaries included in each CGU. The calculation of the enterprise values of each subsidiary is based on the current and estimated future pre-tax profitability. The management has projected cash flows for the period of the five years based on the approved financial forecasts. The growth rate in terminal period is estimated to be 3%. Discount rates applied to the cash flow projections are in the range of 19% to 20%. Additional details for determination of fair values of net assets are disclosed in note 26 of the consolidated financial statements.

No impairment was recognised in 2014. For all cash generating units management believes that any reasonable possible change in the key assumptions on which these units' estimated future profitability and recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts.

14. ACQUISITION OF SUBSIDIARIES

In October 2014 the Company acquired Ivicend Holding Ltd, a Cyprus holding company for Russian subsidiaries which provide different medical services in various disciplines such as Gynaecology, Paediatrics, Fertility and In-Vitro Fertilisation ("IVF") Treatment. These entities are located in the Russian city of Novosibirsk. The purpose of the acquisition was the geographical expansion of the Group's activities.

Goodwill arising on consolidation:

	RUB'000
Consideration transferred – cash	1,805,056
Less: Fair value of the net assets acquired	(749,463)
Goodwill arising on consolidation	1,055,593

The consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development, personnel qualification and local reputation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair values of assets and liabilities acquired were as follows:

	RUB'000
Intangible assets	498,582
Property, plant and equipment	582,396
Inventories	38,113
Trade, other receivables and deferred expenses	46,691
Loans receivable	175
Cash and cash equivalents	7,644
Deferred tax liabilities	(1,010)
Loans and borrowings	(273,234)
Deferred income	(3,847)
Trade and other payables	(146,047)
Net assets	749,463

The gross contractual amounts to be received equal to the carrying amount at fair value. All contractual amounts are expected to be received.

14. ACQUISITION OF SUBSIDIARIES *(continued)*

Net cash outflow on acquisition of subsidiaries

	RUB'000
Consideration paid in cash	1,805,056
Cash and cash equivalents acquired	(7,644)
	1,797,412

Contribution to the Group results

The amounts of revenue and profit contributed to the Group from the subsidiaries acquired are presented below.

	RUB'000
Revenue	232,208
Profit	14,726

The amount of revenue that would have been contributed to the Group as though the acquisition date occurred at the beginning of the period is RUB815,440 thousand. The disclosure of the amount of profit that would have been contributed to the Group is impracticable to estimate accurately since the acquired company has not reported financial information under IFRS.

15. INVENTORIES

	31 December 2014 RUB'000	31 December 2013 RUB'000
Consumables	267,896	110,931

16. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 December 2014 RUB'000	31 December 2013 RUB'000
CAPEX prepayments	104,557	437,719
Trade receivables	111,394	76,981
Advances paid to suppliers	60,834	45,306
Deferred expenses	15,936	13,884
Other receivables	41,219	15,631
	333,940	589,521
Non-current portion	104,557	437,719
Current portion	229,383	151,802
	333,940	589,521

CAPEX prepayments represent capital expenditure prepayments made under contract by the Group for construction works and acquisition of plant and equipment.

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

Ageing analysis of trade and other receivables:

Trade receivables:	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000	Gross amount 31 December 2013 RUB'000	Impairment 31 December 2013 RUB'000
Not past due	111,394	-	76,981	-
Past due	22,276	(22,276)	2,392	(2,392)
	133,670	(22,276)	79,373	(2,392)

Capex prepayments:	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000	Gross amount 31 December 2013 RUB'000	Impairment 31 December 2013 RUB'000
Recoverable	104,557	-	437,719	-
Nonrecoverable	1,695	(1,695)	1,695	(1,695)
	106,252	(1,695)	439,414	(1,695)

16. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES *(continued)*

Currency:	31 December 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	312,797	205,775
United States Dollar	10,109	240,135
Euro	11,034	143,611
	333,940	589,521

The exposure of the Group to credit and currency risk and impairment losses in relation to trade, other receivables and deferred expenses is reported in note 25 of the consolidated financial statements.

17. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash at bank and in hand	181,325	2,741,492
Bank deposits with maturity less than 3 months	709,226	531,850
	890,551	3,273,342

Currency:	31 December 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	371,869	1,487,020
Euro	487	416
United States Dollar	518,195	1,785,906
	890,551	3,273,342

The exposure of the Group to credit and currency risk and impairment losses in relation to cash and cash equivalents is reported in note 25 of the consolidated financial statements.

18. SHARE CAPITAL

	Number of shares	Nominal value US$	Share capital RUB'000	Share capital US$'000
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid	75,125,010	0.08	180,585	6,010

19. RESERVES

Share premium

Share premium reserves include the total amounts received in excess of the total nominal value of the new share capital issued. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity (share premium) net of any tax effect.

Treasury shares

During the year ended 31 December 2014, the Company has acquired 230,000 own shares (0.31% of total shares issued) at total cost of RUB73,086 thousand. As at 31 December 2014, these shares were owned by the Company.

Retained earnings

Retained earnings include accumulated profits and losses incurred by the Group.

Other reserves

Other reserves include common control transactions reserve, translation reserve and capital contribution reserve.

Common control transactions reserve includes differences between the carrying amount of net assets acquired through purchases of subsidiaries from parties under common control and the consideration paid for their acquisition. Common control transactions reserve amounted to RUB(682,873) thousand on 31 December 2014 (31 December 2013: RUB(682,873) thousand).

Capital contribution reserve includes contributions made by the shareholders. The shareholders do not have any rights on these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval. Capital contribution reserve amounted to RUB27,521 thousand on 31 December 2014 (31 December 2013: RUB27,521 thousand).

Exchange differences relating to the translation of the net assets of the Company from its functional currency to the Group's presentation currency before changing the functional currency of the Company from US Dollars to Russian Rubles were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. The foreign currency translation reserve amounted to nil on 31 December 2014 (31 December 2013: RUB110,859 thousand), as a result of transferring the translation reserve to retained earnings as at 1 January 2014 in connection with the change in functional currency of the Company (please refer to note 2(e)).

20. LOANS AND BORROWINGS

	31 December 2014 RUB'000	31 December 2013 RUB'000
Long term liabilities		
Bank loans	3,251,060	2,379,389
Short term liabilities		
Bank loans	869,081	617,865
Maturity of loans and borrowings:		
Within one year	869,081	617,865
Between one and five years	3,251,060	2,379,389
	4,120,141	2,997,254

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in note 12. As additional collateral the Company has pledged the shares of CJSC MD PROJECT 2000 and LLC Khaven.

As at 31 December 2014, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2014 Face value RUB'000	31 December 2014 Carrying amount RUB'000	31 December 2013 Face value RUB'000	31 December 2013 Carrying amount RUB'000
Secured bank loan	RUB	9%	2018	2,140,353	2,140,353	2,534,712	2,534,712
Secured bank loan	RUB	10.8%	2019	800,000	800,000	-	-
Secured bank loan	RUB	10.8%	2019	500,000	500,000	-	-
Secured bank loan	RUB	9%	2018	372,647	372,647	392,446	392,446
Secured bank loans	RUB	20%	2015 – 2018	158,613	158,613	-	-
Secured bank loan	RUB	11.8%	2019	49,461	49,461	-	-
Unsecured bank loan	RUB	9.1%	2015	40,087	40,087	44,398	44,398
Other bank loans	RUB	11.5%-25.15%	2015	58,980	58,980	-	-
Secured bank loans	RUB	9%-12%	2014	-	-	25,698	25,698
				4,120,141	4,120,141	2,997,254	2,997,254

The exposure of the Group to interest rate and liquidity risk in relation to loans and borrowings is reported in note 25 of the consolidated financial statements.

21. DEFERRED TAX

	Balance at 31 December 2014	Charged to the statement of comprehensive income	Acquisitions through business combinations	Balance at 1 January 2014
Deferred tax liability				
Property, plant and equipment	6,690	(168)	1,010	5,848
	6,690	(168)	1,010	5,848
Deferred tax assets				
Property, plant and equipment	-	(122)	-	122
Accruals	949	573	-	376
Tax losses carried forward	3,274	2,531	-	743
Other	192	192	-	-
	4,415	3,174	-	1,241

	Balance at 31 December 2013	Charged to the statement of comprehensive income	Acquisitions through business combinations	Balance at 1 January 2013
Deferred tax liability				
Property, plant and equipment	5,848	(136)	-	5,984
	5,848	(136)	-	5,984
Deferred tax assets				
Property, plant and equipment	122	48	-	74
Accruals	376	314	-	62
Tax losses carried forward	743	743	-	-
	1 241	1,105	-	136

22. TRADE AND OTHER PAYABLES

	31 December 2014 RUB'000	31 December 2013 RUB'000
CAPEX payables	205,181	255,371
Accruals	204,517	154,017
Payables to employees	161,959	119,126
Trade payables	194,739	108,244
Taxes payable	122,364	102,167
Other payables	43,570	13,425
	932,330	752,350
Non-current portion	33,638	4,349
Current portion	898,692	748,001
	932,330	752,350
Currency:		
Russian Ruble	742,051	532,832
United States Dollar	95,056	142,325
Euro	77,126	70,922
UK pound sterling	18,097	6,271
	932,330	752,350

CAPEX payables represent capital expenditure payable made under contract by the Group for construction works and acquisition of plant and equipment.

The exposure of the Group to currency and liquidity risk in relation to trade and other payables is reported in note 25 of the consolidated financial statements.

23. DEFERRED INCOME

	31 December 2014 RUB'000	31 December 2013 RUB'000
Patient advances	876,651	679,988
Deferred income after more than one year	90,405	72,025
Deferred income within one year	786,246	607,963
	876,651	679,988

Deferred income that relates to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 20 years.

Deferred income that relates to short term client advances represents money received from patients on stem cells storage contracts, childbirth management contracts lasting from 1 to 9 months, and children care contracts valid for a specified period of time.

24. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

24.1 Key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2014 was RUB32,945 thousand (31 December 2013: RUB46,967 thousand).

During the year ended 31 December 2013 the Company acquired 30% share capital of subsidiary from a member of the key management personnel. The total consideration paid for the acquisition of the share in subsidiary amounted to RUB56,480 thousand.

The Company has concluded an agreement for rental of an office in Cyprus with a member of the key management personnel effective from 1 July 2013. The rent expense under this agreement amounted to RUB920 thousand for the year ended 31 December 2014 (31 December 2013: RUB387 thousand).

24.2 Transactions with other related parties

	31 December 2014 RUB'000	31 December 2013 RUB'000
Revenue received from other related parties	-	1,462

Revenue relates to income from laboratory examinations and a royalty fee from a party related through a member of the key management personnel of the Group.

24.3 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2014 and as at the date of signing these consolidated financial statements are as follows:

Name	Type of interest	Effective interest, %
Mark Kurtser	Indirect ownership of shares	67.90
Kirill Dmitriev	Indirect interest in shares	5.55
Simon Rowlands	Direct ownership of shares	0.33

Indirect interest in shares by Kirill Dmitriev arises through his capacity as key management personnel of indirect shareholder.

The calculation of effective interest is based on the total amount of issued and fully paid shares (note 18), including treasury shares acquired by the Company (note 19).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with various financial institutions.

Exposure to credit risk

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

	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash and cash equivalents	890,551	3,273,342
Trade and other receivables	159,659	99,671
Investments	2,705	3,750
	1,052,915	3,376,763

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentration of credit risk regarding trade and other receivables. This significantly reduces possible delays and other negative consequences that may potentially affect matching the maturity of assets with liabilities. Furthermore, according to the internal policy, clients usually pay in advance except for some particular cases.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(i) Credit risk (continued)

Cash and cash equivalents

The Group held cash at bank of RUB882,029 thousand at 31 December 2014 (31 December 2013: RUB3,268,178 thousand) which represents its maximum credit exposure on these assets.

The credit quality of cash and cash equivalents is as follows:

Rating	Agency	31 December 2014 RUB'000	31 December 2013 RUB'000
A2	Moody's Investors Service	-	2,326,148
Baa1	Moody's Investors Service	481,268	824,970
Baa2	Moody's Investors Service	158,805	92,218
Baa3	Moody's Investors Service	-	9,459
Ba1	Moody's Investors Service	232,846	-
Ba3	Moody's Investors Service	1,974	11,821
B2	Moody's Investors Service	814	-
B1	Moody's Investors Service	-	2,222
Caa1	Moody's Investors Service	2,569	-
Caa3	Moody's Investors Service	697	
Ca	Moody's Investors Service	-	412
N/A	*	3,057	928
Cash in hand		8,522	5,164
Cash and cash equivalents		890,551	3,273,342

*Cash and cash equivalents held with local banks for which there is no rating.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(ii) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2014	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-2 years	Between 2-5 years
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Bank loans	4,120,141	5,008,999	194,178	1,058,544	1,414,905	2,341,373
Obligations under finance leases	450	505	84	422	-	-
CAPEX payables	205,181	205,181	93,650	81,899	23,772	5,859
Trade payables	194,739	194,739	194,739	-	-	-
Other payables and accrued expenses	532,410	532,410	363,051	165,179	4,180	-
	5,052,921	5,941,834	845,701	1,306,043	1,442,857	2,347,232

31 December 2013	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-2 years	Between 2-5 years
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Bank loans	2,997,254	3,616,048	142,082	720,955	898,103	1,854,908
Obligations under finance leases	2,890	3,602	418	1,984	1,200	-
CAPEX payables	255,371	255,371	223,097	27,925	4,349	-
Trade payables	108,244	108,244	108,244	-	-	-
Other payables and accrued expenses	388,735	388,735	261,488	127,247	-	-
	3,752,494	4,372,000	735,329	878,111	903,652	1,854,908

As disclosed in note 20, the Group has bank loans which contain debt covenants. The breach of covenants may require the Group to repay the loans earlier than indicated in the above table.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2014	2013
	RUB'000	RUB'000
Fixed rate instruments		
Financial assets	711,931	535,600
Financial liabilities	(4,120,591)	(3,000,144)
	(3,408,660)	(2,464,544)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(iii) Market risk (continued)

Interest rate risk (continued)

The Group does not account for any fixed rate instruments at fair value through profit or loss and does not have any derivative financial instruments, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar and the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Group's exposure to foreign currency risk was as follows:

	31 December 2014			31 December 2013		
	US$'000	EURO'000	GBP'000	US$'000	EURO'000	GBP'000
Assets						
Cash at bank	9,211	7	-	54,566	9	-
Other receivables	68	-	-	-	-	-
Liabilities						
CAPEX payables	(1,536)	(981)	-	(4,181)	(1,438)	-
Trade and other payables and accruals	(152)	(148)	(207)	(168)	(138)	(116)
Net exposure	7,591	(1,122)	(207)	50,217	(1,567)	(116)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	**2013**	**2014**	**2013**
US$	38.4217	31.8480	56.2584	32.7292
EURO	50.8150	42.3129	68.3427	44.9699
GBP	63.0926	49.8486	87.4199	53.9574

Sensitivity analysis

A 10% strengthening of the Russian Ruble against the following currencies at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Russian Rubles against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss		Equity	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
US$	(42,706)	(164,356)	(42,706)	(164,356)
EURO	7,668	7,048	7,668	7,048
GBP	1,810	626	1,810	626
	(33,228)	(156,682)	(33,228)	(156,682)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to owners or issue new shares.

The Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total loans and borrowings less cash and cash equivalents. Total equity is calculated as "equity" shown in the consolidated statement of financial position.

The Group's capital is analysed as follows:

	2014 RUB'000	2013 RUB'000
Total loans and borrowings	4,120,591	3,000,144
Less: Cash and cash equivalents	(890,551)	(3,273,342)
Net debt	3,230,040	(273,198)
Total equity	10,136,594	9,209,158
Net debt to equity ratio	31.87%	not applicable

26. FAIR VALUES

As at 31 December 2014 and 31 December 2013 the Group had no significant financial assets or liabilities measured at fair value.

The financial assets of the Group include cash and cash equivalents, loans receivable, trade and other receivables. The financial liabilities of the Group include loans and borrowings, obligations under financial leases, trade and other payables. The fair value of these financial instruments is classified as Level 3 of fair value class hierarchy and is estimated only for disclosure purposes using discounted cash flows taking interest rates adequate to the relevant risk. The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of property, plant and equipment, patents and trademarks recognised as a result of the business combinations was measured using the following valuation techniques:

- *the market approach for the buildings and certain equipment*. Fair values based on the market approach were calculated by using market prices for similar items of property being the estimated amounts for which an item could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.
- *the average of the cost approach and the market approach for the rest of equipment and construction in progress*. Fair values based on the market approach were calculated by using market prices for similar items of equipment being the estimated amount for which an item of equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Fair values based on cost approach were calculated by using depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- *the income approach for patents and trademarks*. Fair values based on the income approach were calculated based on discounted cash flows expected to be derived from the use of these assets.

27. CONTINGENT LIABILITIES

(a) Insurance

As per current legislation in Russia medical clinics are not required to insure their activities. There is a draft Law regarding obligatory insurance of medical clinics as from 2013. The Law has not yet been enacted. At present the Group does not insure its operational activities, but has obtained insurance cover for some property, plant and equipment. Until the Group obtains adequate insurance coverage, there is a risk of material adverse effect on operations and statement of financial position.

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Russian tax environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncement and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted in the fourth quarter 2014 and are effective since 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Group's tax position.

27. CONTINGENT LIABILITIES *(continued)*

(d) Cyprus economic environment

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of the Company as the Company does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Company's management has concluded that no additional provisions or impairment charges are necessary .The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

28. NON-CONTROLLING INTERESTS

The only material non-controlling interests in the Group is related to CJSC MD PROJECT 2000. The condensed information about the subsidiary before any intra-group eliminations is presented below.

	2014 RUB'000	2013 RUB'000
Revenue	2,597,808	2,588,693
Profit and total comprehensive income	1,111,523	1,199,641
Profit and total comprehensive income allocated to non-controlling interests	55,576	59,982
Dividends paid to non-controlling interests	55,000	65,000

	31 December 2014 RUB'000	31 December 2013 RUB'000
Non-controlling interests percentage	5%	5%
Non-current assets	3,018,707	3,062,225
Current assets	792,722	627,167
Non-current liabilities	(90,405)	(72,025)
Current liabilities	(514,616)	(422,482)
Net assets	3,206,408	3,194,885
Carrying amount of non-controlling interests	160,320	159,744

29. OPERATING LEASES

Historically, the Group has developed business in own premises. However, in 2013 and 2014 the Group has acquired and incorporated some new entities that lease their premises.

The future minimum lease payments under non-cancellable leases are payable as follows.

	2014 RUB'000	2013 RUB'000
Within one year	44,066	17,804
Between one and five years	74,651	54,310
More than five years	60,868	38,746
	179,585	110,860

30. CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2014 RUB'000	2013 RUB'000
Property, plant and equipment	48,238	5,666
Construction contracts	58,565	1,581,578
	106,803	1,587,244

31. SEGMENT REPORTING

The Group has one primary reporting segment: provision of medical services. The Group evaluates the performance and makes investments and strategic decisions based upon a review of profitability for the Group as a whole.

32. EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company has opened a new medical centre with a total area of more than 1,000 square metres in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.