

MD MEDICAL GROUP INVESTMENTS PLC
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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For the year ended 31 December 2015

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MD MEDICAL GROUP INVESTMENTS PLCOFFICERS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

Board of Directors	Mark Kurtser – Chairman (Vitaly Ustimenko, alternate director to Mark Kurtser) Vitaly Ustimenko Elena Mladova Kirill Dmitriev (Nikolay Ishmetov, alternate director to Kirill Dmitriev) Vladimir Mekler Simon Rowlands Liubov Malyarevskaya
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 2015.

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 2015 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 2015 amounted to RUB1,770,469 thousand (2014: RUB1,319,667 thousand). The total assets of the Group as at 31 December 2015 were RUB 17,207,810 thousand (2014: RUB16,074,241 thousand) and the net assets were RUB11,509,414 thousand (2014: RUB10,136,594 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 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB300,329 thousand (USD5,461 thousand), which corresponds to RUB4.01 (USD0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

The Board of Directors recommends the payment of RUB500,000 thousand as final dividend for the year 2015 which correspond to RUB6.66 per share.

MD MEDICAL GROUP INVESTMENTS PLC**BOARD OF DIRECTORS' REPORT** *(continued)***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 consolidated financial statements is considered satisfactory.

During the 2015 year the Company has acquired 100% share in LLC Medica 2. The details for this acquisition are given in note 14 of the consolidated financial statements.

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 23 and 25 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 pediatrics, 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.

MD MEDICAL GROUP INVESTMENTS PLC

BOARD OF DIRECTORS' REPORT *(continued)*

BOARD OF DIRECTORS *(continued)*

The members of the Board of Directors who served during the year 2015 and as at 31 December 2015 were as follows:

- Mark Kurtser – Chairman
- Vitaly Ustimenko (appointed as an alternate director to Mark Kurtser)
- Vitaly Ustimenko (appointed on 19 February 2015)
- Elena Mladova
- Kirill Dmitriev
- Nikolay Ishmetov (appointed as an alternate director to Kirill Dmitriev)
- Vladimir Mekler (appointed on 19 February 2015)
- Simon Rowlands
- Liubov Malyarevskaya (appointed on 19 February 2015)
- Apollon Athanasiades (resigned on 18 February 2015)
- Elia Nicolaou (resigned on 18 February 2015)
- Angelos Paphitis (resigned on 18 February 2015)
- Andreas Petrides (resigned on 18 February 2015)
- Marios Tofaros (resigned on 18 February 2015)

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.

MD MEDICAL GROUP INVESTMENTS PLC

BOARD OF DIRECTORS' REPORT (continued)

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 one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive directors Dr. Mark Kurtser (Mr. Kurtser from September 2015, acting as executive director based on power of attorney from MDMG with full range of authorities of managing director.) and Mr. Simon Rowlands and executive director Dr. Elena Mladova since 04 September 2015 (during 2014 and up to 04 September 2015 Mr. Vladimir Mekler served as a member of the Committee).

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 non-executive directors. The Remuneration Committee is chaired by an independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Mr. Vladimir Mekler since 04 September 2015 (during 2014 and up to 04 September 2015 Dr. Elena Mladova served as a member of the Committee).

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.

MD MEDICAL GROUP INVESTMENTS PLC**BOARD OF DIRECTORS' REPORT** *(continued)***BRANCHES**

In 2015 the Company opened a branch in Moscow.

TREASURY SHARES

During the year ended 31 December 2015 the Company did not acquire any treasury shares.

EVENTS AFTER THE REPORTING PERIOD

In the end of January 2016 the Company acquired five entities from an unrelated third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB485,000 thousand and contingent remuneration related with targeted net debt in amount of RUB15,000 thousand, for 100% of the outstanding share capital of each entity.

The acquisition is consistent with MDMG's strategy for regional expansion and development of a high quality network of out-patient clinics focusing on IVF, obstetrics, gynecology and pediatrics.

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.

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, 18 March 2016



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
Vitaly Ustimenko	Executive director
Elena Mladova	Executive director
Kirill Dmitriev	Non-executive director
Vladimir Mekler	Non-executive director
Simon Rowlands	Non-executive independent director
Liubov Malyarevskaya	Non-executive independent director



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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 47 which comprise the consolidated statement of financial position as at 31 December 2015, 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 consolidated 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 controls as the Board of Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent 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.

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kallas, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andreou
J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis
T.J. Yiaseimides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus

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Polis Chrysochou

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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 2015, 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.

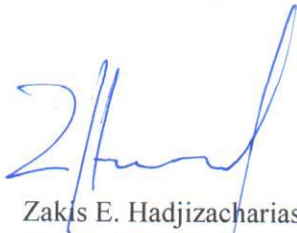
Report on other legal requirements

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 it appears from our examination of those 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 presented 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

18 March 2016

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 RUB'000	2014 RUB'000
Revenue	4	9,506,801	7,200,931
Cost of sales	5	<u>(5,918,210)</u>	<u>(4,230,153)</u>
Gross profit		3,588,591	2,970,778
Other income		17,732	9,221
Administrative expenses	6	<u>(1,792,787)</u>	<u>(1,432,956)</u>
Other expenses		<u>(38,492)</u>	<u>(11,167)</u>
Operating profit		<u>1,775,044</u>	<u>1,535,876</u>
Finance income		230,312	41,662
Finance expenses		<u>(459,483)</u>	<u>(386,698)</u>
Net foreign exchange transactions gain		<u>259,068</u>	<u>203,958</u>
Net finance income / (expenses)	8	<u>29,897</u>	<u>(141,078)</u>
Profit before tax		1,804,941	1,394,798
Taxation	9	<u>(34,472)</u>	<u>(75,131)</u>
Profit for the year		<u>1,770,469</u>	<u>1,319,667</u>
Total comprehensive income for the year		<u>1,770,469</u>	<u>1,319,667</u>
Profit for the year attributable to:			
Owners of the Company		1,603,530	1,195,693
Non-controlling interests		<u>166,939</u>	<u>123,974</u>
		<u>1,770,469</u>	<u>1,319,667</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		1,603,530	1,195,693
Non-controlling interests		<u>166,939</u>	<u>123,974</u>
		<u>1,770,469</u>	<u>1,319,667</u>
Basic and fully diluted earnings per share (RUB)	10	<u>21.41</u>	<u>15.94</u>

The notes on pages 16 to 47 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31 December 2015 RUB'000	31 December 2014 RUB'000
Assets			
Property, plant and equipment	12	12,364,449	12,540,172
Intangible assets	13	2,144,818	1,981,089
Trade, other receivables and deferred expenses	15	184,344	104,557
Investments		2,403	2,705
Deferred tax assets	9	99,282	4,415
Total non-current assets		<u>14,795,296</u>	<u>14,632,938</u>
Inventories		327,365	267,896
Trade, other receivables and deferred expenses	15	257,889	229,383
Non-current assets held for sale		45,778	45,778
Current income tax asset		7,170	7,695
Cash and cash equivalents	16	1,774,312	890,551
Total current assets		<u>2,412,514</u>	<u>1,441,303</u>
Total assets		<u>17,207,810</u>	<u>16,074,241</u>
Equity			
Share capital	17	180,585	180,585
Reserves	18	10,906,097	9,573,693
Total equity attributable to owners of the Company		<u>11,086,682</u>	<u>9,754,278</u>
Non-controlling interests		<u>422,732</u>	<u>382,316</u>
Total equity		<u>11,509,414</u>	<u>10,136,594</u>
Liabilities			
Loans and borrowings	19	2,292,567	3,251,060
Obligations under finance leases		7,359	-
Trade and other payables	20	243,045	33,638
Deferred tax liabilities	9	107,337	6,690
Deferred income	21	106,295	90,405
Total non-current liabilities		<u>2,756,603</u>	<u>3,381,793</u>
Loans and borrowings	19	1,161,339	869,081
Obligations under finance leases		1,196	450
Trade and other payables	20	873,443	898,692
Deferred income	21	885,622	786,246
Current income tax liability	9	20,193	1,385
Total current liabilities		<u>2,941,793</u>	<u>2,555,854</u>
Total liabilities		<u>5,698,396</u>	<u>5,937,647</u>
Total equity and liabilities		<u>17,207,810</u>	<u>16,074,241</u>

On 18 March 2016 the Board of Directors of MD Medical Group Investments Plc authorised these consolidated financial statements for issue.



Elena Mladova
Director



Mark Kurtser
Director



Vitaly Ustimenko
Director

The notes on pages 16 to 47 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 2015

	Share capital RUB'000	Share premium RUB'000	Attributable to owners of the Company				Total RUB'000	Non- controlling interests RUB'000	Total equity RUB'000
			Treasury shares RUB'000	Other reserves RUB'000	Retained earnings RUB'000				
Balance at 1 January 2015	180,585	5,243,319	(73,086)	(655,352)	5,058,812	9,754,278	382,316	10,136,594	
Comprehensive income									
Profit and total comprehensive income for the year	-	-	-	-	1,603,530	1,603,530	166,939	1,770,469	
Contributions by and distributions to owners									
Equity-settled share-based payment	30	-	29,335	-	-	29,335	-	29,335	
Dividends	11	-	-	-	(300,329)	(300,329)	(134,628)	(434,957)	
Total transactions with owners									
Changes in ownership interests									
Non-controlling interests in newly consolidated entities					-	-	7,973	7,973	
Decrease in ownership in subsidiary					(132)	(132)	132	-	
Total change in ownership interests									
Balance at 31 December 2015	180,585	5,243,319	(43,751)	(655,352)	6,361,881	11,086,682	422,732	11,509,414	

Share premium is not available for distribution.

The notes on pages 16 to 47 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 2014

	Attributable to owners of the Company						Non-controlling interests RUB'000	Total equity RUB'000
	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000		
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	18	-	(73,086)	-	-	(73,086)	-	(73,086)
Total transactions with owners								
Changes in ownership interests		-	(73,086)	-	(180,271)	(253,357)	(138,872)	(392,229)
Acquisition of additional share in subsidiary		-	-	-	1,728	1,728	(1,730)	(2)
Total change in ownership interests								
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

Share premium is not available for distribution.

The notes on pages 16 to 47 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 2015

	Note	2015 RUB'000	2014 RUB'000
Cash flows from operating activities			
Profit for the year		1,770,469	1,319,667
Adjustments for:			
Depreciation	12	787,187	513,098
Equity-settled share-based payment transaction		29,335	-
Gain from the sale of property, plant and equipment		(782)	(286)
Amortisation	13	93,493	33,718
Interest income	8	(230,312)	(41,662)
Finance expense (excluding impairment)	8	457,823	363,923
Impairment of property, plant and equipment	12	19,113	-
Impairment of trade and other receivables	8	1,660	22,775
Net foreign exchange transactions gain	8	(259,068)	(203,958)
Taxation	9	34,472	75,131
Cash flows from operations before working capital changes		<u>2,703,390</u>	<u>2,082,406</u>
Increase in inventories		(57,088)	(118,852)
Increase in trade and other receivables		(12,870)	(49,444)
Increase in trade and other payables		79,211	71,017
Increase in deferred income		115,266	199,405
Cash flows from operations		<u>2,827,909</u>	<u>2,184,532</u>
Tax paid		(9,691)	(78,013)
Net cash flows from operating activities		<u>2,818,218</u>	<u>2,106,519</u>
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(779,840)	(3,125,622)
Proceeds from disposal of property, plant and equipment		782	1,137
Payment for acquisition of intangible assets		(7,862)	(8,807)
Net cash outflow on disposal of a subsidiary		-	(3,402)
Acquisition of subsidiaries, net cash outflow on acquisition		(280,881)	(1,797,412)
Loans granted		-	(1,671)
Interest received		47,358	41,662
Net cash flows used in investing activities		<u>(1,020,443)</u>	<u>(4,894,115)</u>

The notes on pages 16 to 47 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 2015

	Note	2015 RUB'000	2014 RUB'000
Cash flows from financing activities			
Proceeds from loans and borrowings		215,015	1,360,257
Repayment of loans and borrowings		(949,368)	(517,949)
Repayment of obligations under finance leases		(600)	(2,588)
Acquisition of treasury shares	18	-	(73,086)
Finance expenses paid		(458,377)	(361,504)
Increase in ownership in subsidiary		-	(2)
Proceed from reimbursed VAT	20	466,374	-
Dividends paid to the owners of the Company		(300,329)	(180,271)
Dividends paid to non-controlling interests		(134,628)	(138,872)
Net cash flows (used in) / from financing activities		<u>(1,161,913)</u>	<u>85,985</u>
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		635,862	(2,701,611)
Effect of exchange rate changes on cash and cash equivalents		890,551	3,273,342
		247,899	318,820
Cash and cash equivalents at the end of the year	16	<u>1,774,312</u>	<u>890,551</u>

The notes on pages 16 to 47 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015 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 centers.

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

Name	Country of incorporation	Activities	Notes	31 December	31 December
				2015	2014
				Effective Holding	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 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		100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	95	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	-	-

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Notes</u>	31 December 2015 Effective Holding %	31 December 2014 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	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		100	100
Shelly Management ltd	BVI	Holding of investments		100	100
Ivicend Holding Ltd	Cyprus	Holding of investments		100	100
CJSC MC Avicenna	Russian Federation	Medical services	7	100	100
LLC H&C Medical Group	Russian Federation	Medical services	7	100	100
LLC Elleprof	Russian Federation	Service company	5	-	-
LLC Medtechnoservice	Russian Federation	Service company	5	-	-
LLC Medica 2	Russian Federation	Medical services	3, 7	100	-

Notes:

- 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.
- These entities are indirectly owned through LLC Khaven.
- This entity was acquired in December 2015 (note 14)
- 95% of the charter capital of the entity is directly owned by the Company, 5% of the charter capital, previously owned by LLC Clinica Zdorovia was sold in March 2015.
- 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.
- These entities are indirectly owned through Vitanostra Ltd.
- These entities are indirectly owned through Ivicend Holding Ltd.

As at 31 December 2015, 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 18).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 18 March 2016.

(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 2015, 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.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2015. The Company does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- Amendments to IAS 27 "Equity method in separate financial statements" (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 IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation" (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 41 "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).

(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" including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)
- 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 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 12: Recognition of Deferred Tax Assets on Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. BASIS OF PREPARATION *(continued)*

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.

(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 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 and property, plant and equipment
Intangible assets and property, plant and equipment are initially recorded at acquisition cost and are amortised on a straight line basis over their useful economic life. Intangible assets and property, plant and equipment 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 and property, plant and equipment, 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.
- Equity-settled share-based arrangements
For the calculation of the fair value of equity-settled share-based program, the market price of shares (Level 1 input) as at the grant date is being used.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. BASIS OF PREPARATION *(continued)*

(e) Functional and presentation currency

All of the operational Group entities are located in the Russian Federation. The Company and its major operating subsidiaries 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 2014 and for the year then ended.

Several new standards and amendments apply for the first time in 2015. 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.

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.

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.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2015**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Business combinations *(continued)*

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.

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.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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 actual service 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 include:

- interest income which is recognised as it accrues in profit or loss using the effective interest method;
- income from initial recognition of other payables to tax authorities at a market interest rate.

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.

MD MEDICAL GROUP INVESTMENTS PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***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.

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).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*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.

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
Leasehold improvements	10-20
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.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*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. 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.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2015**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.

Inventories

Inventories include medicines and medical material and 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 issue price of the shares and their nominal value 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

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For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment arrangements

Fair value of equity-settled share-based payment arrangements with employees is measured at the grant date based on the market price of the shares. Service and non-market vesting conditions are not taken into account when estimating the fair value at the grant date. The grant date is the date on which the Group and its employees agree the terms and conditions of the share-based payment arrangement. Fair value is not remeasured subsequent to the grant date.

Annually the number of shares which are expected to vest is true-up for the differences between the number of shares initially expected to vest and the actual number of shares vested, based on the fulfilment of service and non-market conditions.

Within the vesting period, fair value of the equity-settled share-based payment arrangement with employees adjusted to reflect the true-up of the instruments which will not vest, is recognized as staff costs with the corresponding increase recognised in equity.

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.

4. REVENUE

	2015	2014
	RUB'000	RUB'000
Deliveries	1,750,287	1,443,684
IVF	1,615,456	1,186,982
Obstetrics and Gynaecology out-patient treatments	1,515,666	1,275,739
Pediatrics out-patient treatments	1,016,725	852,896
Obstetrics and Gynaecology in-patient treatments	810,346	684,600
Pediatrics in-patient treatments	271,338	205,336
Other out-patient medical services	807,260	445,607
Other in-patient medical services	435,661	163,008
Other medical services	877,026	640,569
Sales of goods	279,672	195,518
Other income	127,364	106,992
	<u>9,506,801</u>	<u>7,200,931</u>

Other medical services include but are not limited to laboratory examinations, diagnostics, dental care and surgery.

The significant increase of medical services was mostly due to the increase of utilisation of Lapino and Ufa hospitals and full 2015 year operating of Avicenna (in 2014 due to acquisition in September only 3 months' results were consolidated).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. COST OF SALES

	2015 RUB'000	2014 RUB'000
Payroll and related social taxes	3,289,756	2,439,513
Materials and supplies used	1,423,571	928,228
Depreciation	683,132	441,519
Medical services	172,951	135,506
Energy and utilities	118,147	86,772
Property tax	98,490	74,873
Repair and maintenance	70,714	32,808
Other expenses	61,449	90,934
	<u>5,918,210</u>	<u>4,230,153</u>

6. ADMINISTRATIVE EXPENSES

	2015 RUB'000	2014 RUB'000
Payroll and related social taxes	981,671	718,409
Other professional services	183,670	166,120
Utilities and materials	183,540	248,578
Advertising	121,580	80,339
Depreciation	104,055	71,579
Amortisation	93,493	33,718
Communication costs	24,892	22,368
Independent auditors' remuneration	21,795	29,357
Other expenses	78,091	62,488
	<u>1,792,787</u>	<u>1,432,956</u>

The consulting services provided by the audit company, providing audit of the consolidated financial statements, for the year 2015 was nil (RUB2,962 thousand in 2014).

7. STAFF COSTS

	2015 RUB'000	2014 RUB'000
Wages and salaries	3,397,948	2,561,721
Social insurance contributions and other taxes	873,479	596,201
	<u>4,271,427</u>	<u>3,157,922</u>

The average number of employees of the Group during the year ended 31 December 2015 was 5,128 (31 December 2014: 3,772), which was calculated in proportion to the hours worked.

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For the year ended 31 December 2015

8. NET FINANCE EXPENSES

	2015 RUB'000	2014 RUB'000
Finance income		
Interest income		
Bank interest received	46,768	41,242
Interest from loans to third parties	590	420
Other finance income		
Other financial income on discounting (note 20)	178,134	-
Bad debts recovered	4,820	-
	<u>230,312</u>	<u>41,662</u>
Finance expenses		
Interest expense		
Interest on bank loans	(367,082)	(291,846)
Interest on loans from third parties	(299)	(242)
Finance leases interest	(150)	(148)
Other finance expense		
Bank charges	(90,292)	(71,687)
Impairment of trade and other receivables	(1,660)	(19,884)
Other impairment provision	-	(2,891)
	<u>(459,483)</u>	<u>(386,698)</u>
Net foreign exchange transaction gain	<u>259,068</u>	<u>203,958</u>
Net finance income / (expense)	<u>29,897</u>	<u>(141,078)</u>

9. TAXATION

The majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate till 2020. Since 2020 and going forward enacted corporate profit tax rate becomes 20%. Other Group companies apply standard income tax rate of 20%. The Group's consolidated effective income tax rate for the year ended 31 December 2015 was 2% (31 December 2014: 5%). 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.

As at 31 December 2015 deferred tax assets of RUB82,781 thousand was recognized relating to LLC MD PROJECT 2010, which is taxable at 20% corporate income tax rate and incurred tax losses. According to Russian tax rules such tax losses will expire within 10 years.

Deferred tax liabilities of RUB100,923 thousand were recognized as at 31 December 2015 on temporary differences relating to property, plant and equipment. These temporary differences are expected to be utilized after 1 January 2020 at 20% corporate income tax rate when the currently enacted tax concession with 0% corporate income tax rate will expire.

MD MEDICAL GROUP INVESTMENTS PLC

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For the year ended 31 December 2015

9. TAXATION (continued)

At 31 December 2015, there were temporary differences (before calculating tax effect) of RUB2,670,405 thousand (31 December 2014: RUB2,638,827 thousand) related to investments in subsidiaries. Deferred tax liabilities related to these temporary differences were not recognised because the Group controls the dividend policy of its subsidiaries and, therefore, controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

10. EARNINGS PER SHARE

	2015	2014
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	1,603,530	1,195,693
Weighted average number of ordinary shares in issue during the year	74,895,010	75,032,300
Basic and fully diluted earnings per share (RUB)	21.41	15.94

11. DIVIDENDS

On 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB300,329 thousand (USD5,461 thousand), which corresponds to RUB4.01 (USD0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to RUB180,271 thousand (USD5,259 thousand), which corresponds to RUB2.40 (USD0.07) 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.

According to agreements concluded for bank loans distribution of dividends in excess of 30% of the Group's IFRS profit for the year requires a written consent of the banks.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
2015				
Cost				
Balance at 1 January	10,166,726	130,789	3,987,349	14,284,864
Acquisitions through business combinations	38,180	-	67,203	105,383
Additions	111,921	161,709	257,563	531,193
Disposals	-	-	(17,902)	(17,902)
Impairment loss	-	(19,113)	-	(19,113)
Transfer from construction in progress	23,057	(110,268)	87,211	-
Balance at 31 December	<u>10,339,884</u>	<u>163,117</u>	<u>4,381,424</u>	<u>14,884,425</u>
Depreciation				
Balance at 1 January	512,819	-	1,231,873	1,744,692
Depreciation during the year	218,737	-	568,450	787,187
On disposals	-	-	(11,903)	(11,903)
Balance at 31 December	<u>731,556</u>	<u>-</u>	<u>1,788,420</u>	<u>2,519,976</u>
Carrying amounts				
Balance at 31 December	<u>9,608,328</u>	<u>163,117</u>	<u>2,593,004</u>	<u>12,364,449</u>

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
2014				
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	<u>10,166,726</u>	<u>130,789</u>	<u>3,987,349</u>	<u>14,284,864</u>
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	<u>512,819</u>	<u>-</u>	<u>1,231,873</u>	<u>1,744,692</u>
Carrying amounts				
Balance at 31 December	<u>9,653,907</u>	<u>130,789</u>	<u>2,755,476</u>	<u>12,540,172</u>

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB5,560,245 thousand as at 31 December 2015 (31 December 2014: RUB6,142,450 thousand).

13. INTANGIBLE ASSETS

	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
2015				
Cost				
Balance at 1 January	1,438,268	564,698	24,967	2,027,933
Acquisitions through business combinations	248,250	60	1,056	249,366
Additions	-	25	8,391	8,416
Disposals	-	-	(316)	(316)
Balance at 31 December	<u>1,686,518</u>	<u>564,783</u>	<u>34,098</u>	<u>2,285,399</u>
Amortisation				
Balance at 1 January	-	39,974	6,870	46,844
Amortisation during the year	-	84,752	8,741	93,493
Disposals	-	-	244	244
Balance at 31 December	<u>-</u>	<u>124,726</u>	<u>15,855</u>	<u>140,581</u>
Carrying amounts				
Balance at 31 December	<u>1,686,518</u>	<u>440,057</u>	<u>18,243</u>	<u>2,144,818</u>

MD MEDICAL GROUP INVESTMENTS PLC

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13. INTANGIBLE ASSETS (continued)

	Goodwill	Patents and trademarks	Software and web site	Total
	RUB'000	RUB'000	RUB'000	RUB'000
2014				
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	<u>1,438,268</u>	<u>564,698</u>	<u>24,967</u>	<u>2,027,933</u>
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	<u>-</u>	<u>39,974</u>	<u>6,870</u>	<u>46,844</u>
Carrying amounts				
Balance at 31 December	<u>1,438,268</u>	<u>524,724</u>	<u>18,097</u>	<u>1,981,089</u>

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 2015 RUB'000	31 December 2014 RUB'000
Subsidiaries acquired in 2011	29,179	29,179
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	1,055,593
LLC Medica 2 acquired in December 2015	248,250	-
	<u>1,686,518</u>	<u>1,438,268</u>

Goodwill has been allocated for impairment testing purposes to 5 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 4%. Discount rates applied to the cash flow projections are in the range of 16% to 19%. Additional details for determination of fair values of net assets are disclosed in note 24 of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. INTANGIBLE ASSETS *(continued)*

No impairment was recognised in 2015. 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 materially.

14. ACQUISITION OF SUBSIDIARIES

In the end of December 2015 the Company acquired LLC Medica 2, a Russian company which provide different medical services in various disciplines such as Gynecology, Fertility and In-Vitro Fertilisation ("IVF") Treatment. This entity is located in the Russian city of Novokuznetsk. The purpose of the acquisition was the geographical expansion of the Group's activities.

Goodwill arising on consolidation:

	RUB'000
Consideration transferred – cash	277,100
Contingent consideration	5,000
Less: Fair value of the net assets acquired	<u>(33,850)</u>
Goodwill arising on consolidation	<u>248,250</u>

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	1,116
Property, plant and equipment	105,383
Inventories	2,374
Trade, other receivables and deferred expenses	2,716
Cash and cash equivalents	4,047
Loans and borrowings	(68,823)
Trade and other payables	<u>(12,961)</u>
Net assets	<u>33,850</u>

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

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 prices generated by market transactions involving comparable property, plant and equipment.

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14. ACQUISITION OF SUBSIDIARIES *(continued)*

- *the average amount of the cost approach and the market approach for the rest of equipment.* Fair values based on the market approach were calculated by using prices generated by market transactions involving identical or comparable equipment. Fair values based on cost approach were calculated by using current replacement cost. Current replacement cost reflects an amount that is required to replace the service capacity of equipment.
- *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.

Net cash outflow on acquisition of subsidiaries

	RUB'000
Consideration paid in cash	277,100
Cash and cash equivalents acquired	<u>(4,047)</u>
	<u>273,053</u>

Contribution to the Group results

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 approximately RUB150 million. 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. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 December 2015 RUB'000	31 December 2014 RUB'000
CAPEX prepayments	184,344	104,557
Trade receivables	152,230	111,394
Advances paid to suppliers	72,766	60,834
Deferred expenses	13,715	15,936
Other receivables	<u>19,178</u>	<u>41,219</u>
	<u>442,233</u>	<u>333,940</u>
Non-current portion	184,344	104,557
Current portion	<u>257,889</u>	<u>229,383</u>
	<u>442,233</u>	<u>333,940</u>

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

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15. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES (continued)

Ageing analysis of trade receivables:

Trade receivables:	Gross amount 31 December 2015 RUB'000	Impairment 31 December 2015 RUB'000	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000
Not past due	152,230	-	111,394	-
Past due	18,557	(18,557)	22,276	(22,276)
	<u>170,787</u>	<u>(18,557)</u>	<u>133,670</u>	<u>(22,276)</u>
CAPEX prepayments:	Gross amount 31 December 2015 RUB'000	Impairment 31 December 2015 RUB'000	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000
Recoverable	184,344	-	104,557	-
Nonrecoverable	1,695	(1,695)	1,695	(1,695)
	<u>186,039</u>	<u>(1,695)</u>	<u>106,252</u>	<u>(1,695)</u>

Currency:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Russian Ruble	418,971	312,797
United States Dollar	4,761	10,109
Euro	18,501	11,034
	<u>442,233</u>	<u>333,940</u>

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 23 of the consolidated financial statements.

16. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	31 December 2015 RUB'000	31 December 2014 RUB'000
Cash at bank and in hand	402,335	181,325
Bank deposits with maturity less than 3 months	1,371,977	709,226
	<u>1,774,312</u>	<u>890,551</u>

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16. CASH AND CASH EQUIVALENTS *(continued)*

Currency:	31 December 2015 RUB'000	31 December 2014 RUB'000
Russian Ruble	639,499	371,869
Euro	2,366	487
United States Dollar	1,132,447	518,195
	<u>1,774,312</u>	<u>890,551</u>

The exposure of the Group to credit and currency risk and impairment losses in relation to cash and cash equivalents is reported in note 23 of the consolidated financial statements.

17. SHARE CAPITAL

	Number of shares	Nominal value USD	Share capital RUB'000	Share capital USD'000
Authorised	<u>125,250,000</u>	<u>0.08</u>	-	<u>10,020</u>
Issued and fully paid	<u>75,125,010</u>	<u>0.08</u>	<u>180,585</u>	<u>6,010</u>

18. 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 2015, 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 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 2015 (31 December 2014: 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 2015 (31 December 2014: RUB27,521 thousand).

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19. LOANS AND BORROWINGS

	31 December 2015 RUB'000	31 December 2014 RUB'000
Long term liabilities		
Bank loans	<u>2,292,567</u>	<u>3,251,060</u>
Short term liabilities		
Bank loans	1,092,516	869,081
Other loans	<u>68,823</u>	<u>-</u>
	<u>1,161,339</u>	<u>869,081</u>
Maturity of loans and borrowings:		
Within one year	1,161,339	869,081
Between one and five years	2,217,710	3,251,060
More than 5 years	<u>74,857</u>	<u>-</u>
	<u>3,453,906</u>	<u>4,120,141</u>

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 2015, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of last payment	31 December 2015 Face value RUB'000	Carrying amount RUB'000	31 December 2014 Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	9%	2018	1,588,634	1,588,634	2,140,353	2,140,353
Secured bank loan	RUB	10.8%	2019	753,165	753,165	800,000	800,000
Secured bank loan	RUB	10.8%	2019	500,845	500,845	500,000	500,000
Secured bank loan	RUB	9%	2018	284,446	284,446	372,647	372,647
Unsecured bank loan	RUB	11.9%	2022	213,875	213,875	-	-
Unsecured other loan	RUB	16%	2016	68,823	68,823	-	-
Unsecured bank loan	RUB	14.2%	2019	44,118	44,118	49,461	49,461
Secured bank loans	RUB	20%	2018	-	-	158,613	158,613
Unsecured bank loan	RUB	9.1%	2015	-	-	40,087	40,087
Other bank loans	RUB	10%	2015	-	-	<u>58,980</u>	<u>58,980</u>
				<u>3,453,906</u>	<u>3,453,906</u>	<u>4,120,141</u>	<u>4,120,141</u>

The exposure of the Group to interest rate and liquidity risk in relation to loans and borrowings is reported in note 23 of the consolidated financial statements.

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20. TRADE AND OTHER PAYABLES

	31 December 2015 RUB'000	31 December 2014 RUB'000
CAPEX payables	14,695	205,181
Accruals	246,207	204,517
Payables to employees	182,443	161,959
Trade payables	214,831	194,739
Taxes payable	138,617	122,364
Other payables to tax authorities	288,239	-
Other payables	31,456	43,570
	<u>1,116,488</u>	<u>932,330</u>
Non-current portion	243,045	33,638
Current portion	873,443	898,692
	<u>1,116,488</u>	<u>932,330</u>
Currency:		
Russian Ruble	1,101,574	742,051
United States Dollar	151	95,056
Euro	4,442	77,126
UK pound sterling	10,321	18,097
	<u>1,116,488</u>	<u>932,330</u>

In June 2015 the tax authorities reimbursed RUB466,374 thousand of input-VAT to the Group relating to the construction of the hospital in Ufa. As the hospital's activity is predominantly non-taxable, it is expected that most of this amount would need to be returned to the authorities. In line with the Russian tax regulation, this amount shall be returned to the authorities during the following 9 years based on the proportion of VAT-taxable and VAT-non-taxable revenue for the coming years.

As a result of this, management has recorded the reimbursed input-VAT as other payables to tax authorities. As most part of the amount is non-current, the liability has been discounted over the 9 year period resulting in a RUB178,134 thousand income as a result of discounting the liability upon initial recognition and subsequent unwinding of the discounting (see Note 8). A discount rate of 14% p.a. was applied based on an assessment of current market interest rates.

21. DEFERRED INCOME

	31 December 2015 RUB'000	31 December 2014 RUB'000
Patient advances	<u>991,917</u>	<u>876,651</u>
Deferred income after more than one year	106,295	90,405
Deferred income within one year	<u>885,622</u>	<u>786,246</u>
	<u>991,917</u>	<u>876,651</u>

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21. DEFERRED INCOME *(continued)*

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.

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

22.1 Key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2015 was RUB40,542 thousand (31 December 2014: RUB32,945 thousand). The key management personnel involved in the equity-settled share-based arrangements with total 27,600 shares to be granted in 2018 if target conditions will be met.

The rent expenses under agreement with a member of the key management personnel for the year ended 31 December 2015 was nil (31 December 2014: RUB920 thousand.)

The company received legal services from the key management personnel for the year ended 31 December 2015 amounted to RUB868 thousand (for the year ended 31 December 2014: nil).

22.2 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2015 and 31 December 2014 and as at the date of signing these consolidated financial statements are as follows:

<u>Name</u>	<u>Type of interest</u>	<u>Effective interest, %</u>
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 17), including treasury shares acquired by the Company (note 18).

23. 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.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*(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 2015 RUB'000	31 December 2014 RUB'000
Investments	2,403	2,705
Trade and other receivables	178,404	159,659
Cash and cash equivalents	1,774,312	890,551
	<u>1,955,119</u>	<u>1,052,915</u>

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.

Cash and cash equivalents

The Group held cash at bank of RUB1,766,372 thousand at 31 December 2015 (31 December 2014: RUB882,029 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 2015 RUB'000	31 December 2014 RUB'000
Baa1	Moody's Investors Service	-	481,268
Baa2	Moody's Investors Service	1,104,062	158,805
Ba2	Moody's Investors Service	18,991	-
Ba1	Moody's Investors Service	629,904	232,846
Ba3	Moody's Investors Service	6,246	1,974
B2	Moody's Investors Service	-	814
B3	Moody's Investors Service	2,715	-
Caa1	Moody's Investors Service	-	2,569
Caa3	Moody's Investors Service	-	697
B	S&P	396	-
Other	*	4,058	3,057
Cash in hand		7,940	8,522
		<u>1,774,312</u>	<u>890,551</u>

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

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	31 December 2015						
	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Bank loans	3,453,906	4,049,244	301,588	1,140,955	1,280,536	1,243,249	82,916
Obligations under finance leases	8,555	9,540	245	1,223	1,468	4,403	2,201
CAPEX payables	14,695	14,695	7,381	3,094	4,220	-	-
Trade payables	214,831	214,831	214,831	-	-	-	-
Other payables and accrued expenses	886,962	1,051,775	452,919	234,705	51,188	159,246	153,717
	<u>4,578,949</u>	<u>5,340,085</u>	<u>976,964</u>	<u>1,379,977</u>	<u>1,337,412</u>	<u>1,406,898</u>	<u>238,834</u>
	31 December 2014						
	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Bank loans	4,120,141	5,009,000	194,178	1,058,544	1,414,905	2,341,373	-
Obligations under finance leases	450	506	84	422	-	-	-
CAPEX payables	205,181	205,180	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	-	-
	<u>5,052,921</u>	<u>5,941,835</u>	<u>845,702</u>	<u>1,306,044</u>	<u>1,442,857</u>	<u>2,347,232</u>	<u>-</u>

As disclosed in note 19, 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.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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:

	2015 RUB'000	2014 RUB'000
<i>Fixed rate instruments</i>		
Financial assets	1,374,380	711,931
Financial liabilities	<u>(3,462,461)</u>	<u>(4,120,591)</u>
	<u>(2,088,081)</u>	<u>(3,408,660)</u>

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 2015			31 December 2014		
	USD'000	EUR'000	GBP'000	USD'000	EUR'000	GBP'000
<i>Assets</i>						
Cash at bank	15,538	30	-	9,211	7	-
Other receivables	-	-	-	68	-	-
<i>Liabilities</i>						
CAPEX payables	(1)	(30)	-	(1,536)	(981)	-
Trade and other payables and accruals	(1)	(26)	(96)	(152)	(148)	(207)
<i>Net exposure</i>	<u>15,536</u>	<u>(26)</u>	<u>(96)</u>	<u>7,591</u>	<u>(1,122)</u>	<u>(207)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	60.9579	38.4217	72.8827	56.2584
EURO	67.7767	50.8150	79.6972	68.3427
GBP	93.2634	63.0926	107.9830	87.4199

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)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	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
USD	(113,231)	(42,706)	(113,231)	(42,706)
EURO	207	7,668	207	7,668
GBP	1,037	1,810	1,037	1,810
	<u>(111,987)</u>	<u>(33,228)</u>	<u>(111,987)</u>	<u>(33,228)</u>

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:

	2015 RUB'000	2014 RUB'000
Total loans and borrowings	3,462,461	4,120,591
Less: Cash and cash equivalents	(1,774,312)	(890,551)
Net debt	1,688,149	3,230,040
Total equity	11,509,414	10,136,594
Net debt to equity ratio	<u>14.67%</u>	<u>31.87%</u>

24. FAIR VALUES

As at 31 December 2015 and 31 December 2014 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.

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25. 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 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 Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. 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 characterised 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 generally 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 pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, 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 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. CONTINGENT LIABILITIES *(continued)***(d) Cyprus economic environment**

The current economic environment in Cyprus is not expected to have a significant impact on the Company as the Company has no operations in Cyprus and 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.

26. 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.

	2015 RUB'000	2014 RUB'000
Revenue	<u>2,748,895</u>	<u>2,597,808</u>
Profit and total comprehensive income	<u>1,163,322</u>	<u>1,111,523</u>
Profit and total comprehensive income allocated to non-controlling interests	<u>58,166</u>	<u>55,576</u>
Dividends paid to non-controlling interests	<u>60,000</u>	<u>55,000</u>
Non-controlling interests percentage	<u>5%</u>	<u>5%</u>
Non-current assets	3,078,286	3,018,707
Current assets	805,268	792,722
Non-current liabilities	(106,295)	(90,405)
Current liabilities	<u>(607,529)</u>	<u>(514,616)</u>
Net assets	<u>3,169,730</u>	<u>3,206,408</u>
Carrying amount of non-controlling interests	<u>158,487</u>	<u>160,320</u>

27. OPERATING LEASES

Historically, the Group has developed business in own premises. However, in 2015 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.

	2015 RUB'000	2014 RUB'000
Within one year	51,526	44,066
Between one and five years	72,216	74,651
More than five years	44,989	60,868
	<u>168,731</u>	<u>179,585</u>

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28. CAPITAL COMMITMENTS

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

	31 December 2015 RUB'000	31 December 2014 RUB'000
Property, plant and equipment	77,862	48,238
Construction contracts	703,045	58,565
	<u>780,907</u>	<u>106,803</u>

29. 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.

30. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

In 2015 the Group established an equity-settled share-based program that entitle key management, other management and key medical personnel to receive shares in the Company. Under this program, employees are entitled to receive shares subject to work in the Group for three years starting from 1 January 2015, earnings per share targets and future development projects' targets. Shares will be transferred to employees in 2018.

At the grant date being 31 December 2015 the fair value of shares was measured as a market share price multiplied by number of the shares of the program (230,000 shares) and amounted to RUB88,005 thousand.

As at 31 December 2015 it was assumed that the target conditions will be met in 2018, one-third of the fair value, or RUB29,335 thousand, was recognized in staff costs as employee remuneration with corresponding reduction in treasury shares within equity.

31. EVENTS AFTER THE REPORTING PERIOD

In the end of January 2016 the Company acquired five entities from an unrelated third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB485,000 thousand and contingent remuneration related with targeted net debt in amount of RUB15,000 thousand, for 100% of the outstanding share capital of each entity. The Company is in the process of fair value measurement of net assets acquired.

The acquisition is consistent with MDMG's strategy for regional expansion and the development of a high quality network of out-patient clinics focusing on IVF, obstetrics, gynecology and pediatrics.

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.