MD MEDICAL GROUP INVESTMENTS PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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C O N T E N T S

MD MEDICAL GROUP INVESTMENTS PLC

OFFICERS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

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

MD MEDICAL GROUP INVESTMENTS PLC

MANAGEMENT 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 2017.

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 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. Note 4 to the consolidated financial statements gives more detailed information about the service provided by the Group`s medical centres.

FINANCIAL RESULTS

The Group's results of operations are affected by a number of factors, including acquisitions, regulatory conditions, demand for private healthcare services, patient capacity and utilisation rate, pricing and volume, staff costs, capital expenditure programmes and currency exchange fluctuations.

The Group's financial results for the year ended 31 December 2017 and its financial position at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 14 and in the consolidated statement of financial position on page 15 of the consolidated financial statements.

Profit for the year ended 31 December 2017 amounted to RUB2,704,250 thousand (2016: RUB2,277,427 thousand). The total assets of the Group as at 31 December 2017 were RUB22,271,953 thousand (31 December 2016: RUB18,715,770 thousand) and the net assets were RUB14,567,665 thousand (31 December 2016: RUB12,770,137 thousand).

The main reason for the increased profit was the continuing ramp-up of Lapino and Ufa hospitals and expansion of services provided by existing facilities, as PMC hospital and clinics in Samara and Moscow (M&C Ugo-Zapad and M&C Khodynskoe pole). The main reason for increase in total assets was the equipment purchased for the new opened hospital in Novosibirsk and the construction of multifunctional hospitals in Samara and Tyumen.

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 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB500,332 thousand (USD7,298 thousand), which corresponds to RUB6.66 (USD0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB285,475 thousand (USD 4,375 thousand), which corresponds to RUB3.8 (USD0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB450,750 thousand as final dividend for the year 2017 which correspond to RUB6.0 per share.

MD MEDICAL GROUP INVESTMENTS PLC

MANAGEMENT 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.

The Group has developed its growth strategy to meet the increasing demand for high-quality private healthcare services in Russia. The Group has grown significantly through strategic acquisitions and expansion through the construction of new facilities.

During 2017 the Company has acquired additional 10% share in LLC Mother and Child Saint-Petersburg and 15% share in LLC Center of Reproductive Medicine for RUB53,000 thousand.

The Group has one of the largest nationwide private healthcare regional networks for its core services and is expanding into new services. It has significant experience in the provision of full-service private maternity healthcare services. The Group has secured leading positions in the Russian private healthcare market across a range of services including obstetrics and gynaecology, fertility and IVF treatment, and paediatrics.

The Group's principal objective is to use its strong existing platform and experience in the regions to create a scalable concept of establishing new regional hospitals and other medical facilities, utilizing rigorous investment decision-making targeting the most attractive regions and ensuring seamless execution.

The Group believes the experience, depth and diversity of its management team to be a distinct competitive advantage in the complex and rapidly growing healthcare industry in which it operates.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly regulated industry and is subject to supervision by federal and local authorities. As a result, the Group would be significantly affected by material changes to the existing, or implementation of additional, government regulations in Russia.

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

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 reputation, expertise and professionalism of the Group's medical personnel are instrumental to the Group's ability to attract new and repeat patients. The Group's operating success depends on its medical personnel providing high-quality healthcare services throughout the Group's medical network.

DIRECTORS' INTEREST

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2017, 31 December 2016 and as at the date of signing these consolidated financial statements are as follows:

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

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

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

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

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.

Refer to Note 22 of the consolidated financial statements for the remuneration of the directors and other key management personnel.

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, 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 auditors;
- approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; 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.

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.

Internal audit

The Audit Committee is responsible to monitor and review the effectiveness of the Company’s internal audit service. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit Service into any activities of the Group which may be of interest or concern to the Audit Committee.

The Company`s internal auditor is responsible for the recommendation of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company`s compliance with the plan`s recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

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 director Mr. Vladimir Mekler (since June 2016); non-executive director Mr. Simon Rowlands and executive director Dr. Mark Kurtser are other members since September 2015.

THE BOARD COMMITTEES *(continued)*

Nomination Committee (continued)

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 two non-executive directors and one executive director. 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.

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

Since 2012, the Company has maintained full compliance with the UK Corporate Governance Code. 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;
- Regulations on Insider Information;
- Risk Management Policy; and
- Anti-Fraud Policy.

INTERNAL CONTROL IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Group has set formal policies and written term of reference in relation to the financial reporting process that include:

- Corporate Accounting policy Guidelines;
- Methodology for the Transformation of Financial Statements from RAS to IFRS;
- Methodology for the Consolidation of IFRS Financial Statements;
- Financial Reporting Preparation Procedure; and
- The Group's structure.

The objective of this policy is to establish uniform procedures and to implement requirements for the preparation of the consolidated financial statements of the Group. The procedure should be reviewed for compliance with International Financial Reporting Standards as well as current conditions and planned changes in the Group's business activities at least once a year. When necessary, amendments and additions to this Procedure should be adopted.

MEETINGS OF SHAREHOLDERS

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. An annual general meeting and any other shareholders' meeting called to pass a special resolution can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 21 days before the meeting. Any other meetings shall be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 14 days before the meeting. If the notice period is less than 21 days or 14 days as applicable, the meeting will be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders.

All shareholders are entitled to attend the general meeting or be represented by a proxy authorized in writing. In the general meeting, on a poll, every share gives the holder the right to cast one vote, whereas, on a show of hands, each member has one vote. A corporate member may, by resolution of its directors or other governing body, authorize a person as the corporate member could exercise if it were an individual member of the Company.

BRANCHES

MD Medical Group Investments Plc has a branch in Moscow.

TREASURY SHARES

During the year ended 31 December 2017 the Company did not acquire any treasury shares.

As at 31 December 2017, an escrow agent holds 230,000 GDRs earlier acquired by the Company. Escrow agent acts in accordance with the Long-term Management Incentive Plan (LTIP) signed in 2014 and shall distribute these GDRs in 2018 to the participants of the LTIP.

Each GDR represents an interest in one ordinary share with a nominal value of USD0.08.

EVENTS AFTER THE REPORTING PERIOD

In January 2018 the Group made the early repayment of secured bank loan related to Lapino hospital in the amount of RUB390,385 thousand.

Since January 2018 the Group expanded the operations of the clinic in Vladimir and opened a new clinic in Nizhny Novgorod.

In March 2018 the Group opened a new hospital in Samara, the total cost of which was approximately RUB3.2 billion. The opening of the new hospital delivered a significant capacity increase, with the total floor space increase of about 15,000 sq. m. The hospital is able to offer a range of new services, including services not

In March 2018 the Group started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB690,000 thousand. As at the date of these consolidated financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

In March 2018 the Group negotiated the decrease of interest rate for the secured bank loan related to Samara from 10.75% to 8.45%.

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
Managing Director, member of the Board of Directors
Moscow, 16 March 2018

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 and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the 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 Management 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:

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

KPMG

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of MD Medical Group Investments Plc (the "Company'') and its subsidiaries (together with the Company, referred to as "the Group") which are presented on pages 14 to 44 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill	
Please refer to Note 14 of the consolidated financial statements (RUB2,032,320 thousand).	
The key audit matter	***How the matter was addressed in our audit***
As a result of the Group's expansion, a significant amount of goodwill arising from business combinations has been recognised over the years. The management of the Group reviews annually goodwill for impairment purposes. Inherent uncertainty and subjectivity is involved in forecasting and discounting future cash flows, which are the basis of the assessment of the recoverability of the goodwill and hence its carrying value recorded in the consolidated financial statements. It is for this reason that this is one of the key judgmental areas that our audit is concentrated on.	Our audit procedures included among others: - Testing the assumptions and methodologies used by the management of the Group based on which the forecasted cash flows were prepared. Particular attention was given to the assumptions relating to terminal growth, after-tax profitability and discount rates. - Using our own valuation specialists to assist us in evaluating the assumptions and methodologies. - Comparing the Group's assumptions on revenue growth and after-tax profitability margins with equivalent medical centers of the Group in nearby regions, externally derived data as well as our own assessment in relation to key inputs into the models. - Preparing our own sensitivity analysis around the key assumptions. - Assessing whether the disclosures in Note 14 of the consolidated financial statements relating to key inputs in the impairment assessment model are consistent with those employed in the model.

Revenue recognition	
Please refer to Note 4 of the consolidated financial statements (RUB13,755,167 thousand).	
The key audit matter	***How the matter was addressed in our audit***
The Group has a number of revenue streams with different revenue recognition policies. The majority of the revenue is generated from individual patients who receive medical care either based on concluded contracts or based on daily tickets for one-off visits. Contracts may last for longer periods. Generally, patients prepay for the whole amount of the contracts and visit doctors within the period of the contract. The number of visits in all medical centers of the Group is significant. Therefore, the Group relies on automation within the medical IT system for	Our procedures included among others: - Testing of general IT controls and IT application controls relevant to the revenue recognition, including segregation of duties for inputs and modification of data in the medical IT system, allocation of cash receipts and visits of patients for each individual contract, accuracy of data transfers from cash registers to the medical IT system through to the accounting system. - Assessing the design and implementation and we tested the operating effectiveness of controls over daily cash movements and the

complete and accurate revenue recognition through interface with the accounting system. Given the number of different revenue streams, the volume of transactions and related reliance on the medical IT system, we consider that a risk exists in relation to revenue being recorded in the correct period at the correct amount, including related deferred income in the consolidated statement of financial position. As such, revenue recognition is an area that our audit is focused on.	completeness of the daily encashment to the bank accounts of the Group. - Evaluating controls over approval of prices and discounts for individual agreements with patients, as all prices and discounts, which are included in the medical IT system, require authorisation. - Obtaining external confirmations from banks and compared annual cash receipts and cash balances on bank accounts to the data recorded in the accounting systems. - Performing substantive analytical procedures to verify the deferred revenue recognised in the year (prepayments).

Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, the corporate governance statement and the corporate social responsibility statement, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement, we have nothing to report.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

Responsibilities of the Board of Directors 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 IFRS-EU and the requirements of the 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

- *Date of our appointment and period of engagement*
  We were first appointed auditors of the Group by the General Meeting of the Company's members on 10 July 2012. Our appointment has been renewed annually by shareholder resolution. Our total uninterrupted period of engagement is 9 years covering the periods ending 31 December 2009 to 31 December 2017.

- *Consistency of the additional report to the Audit Committee*
  Our audit opinion is consistent with the additional report presented to the Audit Committee, dated 16 March 2018.

- *Provision of non-audit services ("NAS")*
  We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L. 53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In the light of the knowledge and understanding of the Group's business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated financial statements.

- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

The engagement partner on the audit resulting in this independent auditors' report is Zakis E. Hadjizacharias.

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

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

No. 11, June 16th 1943 Street,
3022 Limassol,
Cyprus.

16 March 2018

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	**2017**	**2016**
		RUB'000	*RUB'000*
Revenue	4	13 755 167	12 179 082
Cost of sales	5	(8 358 369)	(7 399 833)
Gross profit		**5 396 798**	**4 779 249**
Other income	8	104 808	30 043
Administrative expenses	6	(2 254 079)	(2 067 344)
Other expenses		(21 407)	(18 230)
Operating profit		**3 226 120**	**2 723 718**
Finance income	9	97 321	49 322
Finance expenses	9	(492 084)	(443 079)
Net foreign exchange transactions loss	9	(50 201)	(90 847)
Net finance expenses	9	(444 964)	(484 604)
Profit before tax		**2 781 156**	**2 239 114**
Income tax (expense) / benefit	10	(76 906)	38 313
Profit for the year		**2 704 250**	**2 277 427**
Total comprehensive income for the year		**2 704 250**	**2 277 427**
Profit for the year attributable to:			
Owners of the Company		2 488 812	2 065 848
Non-controlling interests		215 438	211 579
		2 704 250	**2 277 427**
Total comprehensive income for the year attributable to:			
Owners of the Company		2 488 812	2 065 848
Non-controlling interests		215 438	211 579
		2 704 250	**2 277 427**
Basic and fully diluted earnings per share (RUB)	11	**33,23**	**27,58**

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 December 2017 *RUB'000*	31 December 2016 *RUB'000*
ASSETS			
Property, plant and equipment	13	15 323 649	13 410 453
Intangible assets	14	2 335 477	2 441 586
Trade, other receivables and deferred expenses	15	889 933	184 984
Deferred tax assets	10	243 165	175 751
Total non-current assets		**18 792 224**	**16 212 774**
Inventories		525 356	445 183
Trade, other receivables and deferred expenses	15	421 203	359 855
Other assets		28 568	55 014
Cash and cash equivalents	16	2 504 602	1 642 944
Total current assets		**3 479 729**	**2 502 996**
Total assets		**22 271 953**	**18 715 770**
Equity			
Share capital	17	180 585	180 585
Share premium	18	5 243 319	5 243 319
Reserves	18	(659 896)	(674 089)
Retained earnings	18	9 377 710	7 597 472
Total equity attributable to the owners of the Company		**14 141 718**	**12 347 287**
Non-controlling interests	26	425 947	422 850
Total equity		**14 567 665**	**12 770 137**
Liabilities			
Loans and borrowings	19	3 585 213	2 199 768
Trade and other payables	20	277 320	238 618
Deferred tax liabilities	10	250 504	118 020
Deferred income	21	144 860	129 936
Total non-current liabilities		**4 257 897**	**2 686 342**
Loans and borrowings	19	985 234	1 083 647
Trade and other payables	20	1 332 364	1 173 795
Deferred income	21	1 128 793	1 001 849
Total current liabilities		**3 446 391**	**3 259 291**
Total liabilities		**7 704 288**	**5 945 633**
Total equity and liabilities		**22 271 953**	**18 715 770**

On 16 March 2018 the Board of Directors of MD Medical Group Investments Plc approved and authorised these consolidated financial statements for issue.

Vladimir Mekler
Chairman of the Board of Directors

Mark Kurtser
Managing Director

Andrey Khoperskiy
Chief Financial Officer

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

		Attributable to owners of the Company							
	Note	**Share capital** *RUB'000*	**Treasury shares** *RUB'000*	**Share premium** *RUB'000*	**Other reserves** *RUB'000*	**Retained earnings** *RUB'000*	**Total** *RUB'000*	**Non-controlling interests** *RUB'000*	**Total equity** *RUB'000*
Balance at 1 January 2017		180 585	(18 737)	5 243 319	(655 352)	7 597 472	12 347 287	422 850	12 770 137
Profit and total comprehensive income for the year		-	-	-	-	2 488 812	2 488 812	215 438	2 704 250
Contributions by and distributions to owners									
Equity-settled share-based payment	18	-	34 754	-	-	-	34 754	-	34 754
Closing of motivation program	18	-	(20 561)	-	-	20 561	-	-	-
Dividends declared	12	-	-	-	-	(688 896)	(688 896)	(199 580)	(888 476)
Total transactions with owners		**-**	**14 193**	**-**	**-**	**(668 335)**	**(654 142)**	**(199 580)**	**(853 722)**
Changes in ownership interests									
Acquisition of a non-controlling interests without a change in control	18	-	-	-	-	(40 239)	(40 239)	(12 761)	(53 000)
Total changes in ownership interests		**-**	**-**	**-**	**-**	**(40 239)**	**(40 239)**	**(12 761)**	**(53 000)**
Balance at 31 December 2017		**180 585**	**(4 544)**	**5 243 319**	**(655 352)**	**9 377 710**	**14 141 718**	**425 947**	**14 567 665**

Share premium is not available for distribution.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

		Attributable to owners of the Company							
	Note	**Share capital** *RUB'000*	**Treasury shares** *RUB'000*	**Share premium** *RUB'000*	**Other reserves** *RUB'000*	**Retained earnings** *RUB'000*	**Total** *RUB'000*	**Non-controlling interests** *RUB'000*	**Total equity** *RUB'000*
Balance at 1 January 2016		180 585	(43 751)	5 243 319	(655 352)	6 361 881	11 086 682	422 732	11 509 414
Profit and total comprehensive income for the year		-	-	-	-	2 065 848	2 065 848	211 579	2 277 427
Contributions by and distributions to owners									
Equity-settled share-based payment	18	-	25 014	-	-	-	25 014	-	25 014
Dividends declared	12	-	-	-	-	(785 807)	(785 807)	(199 911)	(985 718)
Total transactions with owners		**-**	**25 014**	**-**	**-**	**(785 807)**	**(760 793)**	**(199 911)**	**(960 704)**
Changes in ownership interests									
Acquisition of a non-controlling interests without a change in control	18	-	-	-	-	(44 450)	(44 450)	(11 550)	(56 000)
Total changes in ownership interests		**-**	**-**	**-**	**-**	**(44 450)**	**(44 450)**	**(11 550)**	**(56 000)**
Balance at 31 December 2016		**180 585**	**(18 737)**	**5 243 319**	**(655 352)**	**7 597 472**	**12 347 287**	**422 850**	**12 770 137**

Share premium is not available for distribution.

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Note	2017 *RUB'000*	2016 *RUB'000*
Cash flows from operating activities			
Profit for the year		2 704 250	2 277 427
Adjustments for:			
Depreciation of property, plant and equipment	13	938 621	850 262
Equity-settled share-based payment transaction	18	34 754	25 014
Loss from the sale of property, plant and equipment		418	877
Write-off of property, plant and equipment		9 602	-
Amortisation of intangible assets	14	97 219	96 126
Finance income	9	(97 321)	(49 322)
Finance expenses	9	492 084	443 079
Gain under Escrow Agreement	8	(96 592)	-
Write-off of accounts payable		(3 916)	-
Net foreign exchange transactions loss	9	50 201	90 847
Income tax expense / (benefit)	10	76 906	(38 313)
		4 206 226	3 695 997
Increase in inventories		(80 173)	(73 332)
Increase in trade and other receivables		(118 056)	(86 333)
Increase in trade and other payables		40 143	216 183
Increase in deferred income		141 868	127 919
Cash flows from operations		**4 190 008**	**3 880 434**
Tax paid		(4 138)	(19 604)
Net cash flows from operating activities		**4 185 870**	**3 860 830**
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(3 445 028)	(1 716 097)
Proceeds from disposal of property, plant and equipment		4 136	21 426
Payment for acquisition of intangible assets		(17 530)	(31 359)
Acquisition of subsidiaries, net cash outflow on acquisition		-	(474 873)
Proceeds from escrow agreement		96 592	-
Short-term deposits		(2 700)	-
Interest received		57 572	46 311
Net cash flows used in investing activities		**(3 306 958)**	**(2 154 592)**

MD MEDICAL GROUP INVESTMENTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2017

	Note	2017	2016
		RUB'000	*RUB'000*
Cash flows from financing activities			
Proceeds from loans and borrowings		2 332 688	987 125
Repayment of loans and borrowings		(1 078 923)	(1 173 100)
Proceeds from the reimbursed VAT		124 246	-
Payments on settlement of derivative financial instruments		-	(10 052)
Finance expenses paid		(353 115)	(449 145)
Increase in ownership in subsidiary		(53 000)	(56 000)
Repayment of reimbursed VAT		(53 205)	(50 445)
Dividends paid to the owners of the Company		(680 791)	(785 807)
Dividends paid to non-controlling interests		(199 445)	(199 472)
Net cash flows from / (used in) financing activities		**38 455**	**(1 736 896)**
Net increase / (decrease) in cash and cash equivalents		917 367	(30 658)
Cash and cash equivalents as at the beginning of the year	16	1 642 944	1 774 312
Effect of exchange rate changes on cash and cash equivalents		(55 709)	(100 710)
Cash and cash equivalents as at the end of the year	16	**2 504 602**	**1 642 944**

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

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

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

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 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	64	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	80	80
LLC FimedLab	Russian Federation	Medical services	60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	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	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	70	60
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	95	95
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	-	-
LLC Service Hospital Company	Russian Federation	Service company	-	-
LLC Mother and Child Tyumen	Russian Federation	Medical services	100	100
Vitanostra Ltd	Cyprus	Holding of investments	-	100
CJSC MK IDK	Russian Federation	Medical services	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	100	100
LLC CSR	Russian Federation	Medical services	100	100
LLC Elleprof	Russian Federation	Service company	-	-
LLC Medtechnoservice	Russian Federation	Service company	-	-
LLC MD Assistance	Russian Federation	Assistance services	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	80	80
LLC Mother and Child Kostroma	Russian Federation	Medical services	80	80
LLC Mother and Child Vladimir	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

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 Effective holding %
LLC Mother and Child Kazan	Russian Federation	Medical services	100	-
Ivicend Holding Ltd	Cyprus	Holding of investments	100	100
CJSC MC Avicenna	Russian Federation	Medical services	100	100
LLC H&C Medical Group	Russian Federation	Medical services	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	100	85
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	100
LLC Siberia service company	Russian Federation	Service company	-	-
LLC Krasnoyarskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Novosibirskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Omskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Barnaulskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Nika	Russian Federation	Holding of land	100	-
LLC Stroy Vector Pluss	Russian Federation	Rental services	100	-
LLC Mother and Child Vladivostok	Russian Federation	Medical services	100	-
LLC Irkutsk Clinical Hospital	Russian Federation	Medical services	100	-

As at 31 December 2017, 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).

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 16 March 2018.

(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 2017, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. Those which may be relevant to the Company are set out below. This adoption did not have a material effect on the consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. The Group does not plan to adopt these Standards early.

2. BASIS OF PREPARATION (continued)

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

(i) Standards and Interpretations adopted by the EU as at 1 January 2018

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 "Revenue from contracts with customers" including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018). The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

Based on the Group preliminary analysis the effect of the application of IFRS 9 and IFRS 15 including amendments is not material.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
The application of the standard will have the effect on the consolidated financial statements of the Group. The effect is now evaluated by the Group's management.

Annual Improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2017 and 1 January 2018 (IFRS 1 and IAS 28)).

(ii) Standards and Interpretations not adopted by the EU as at 1 January 2018

Amendments to IAS 40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).

Amendments to IFRS 2: Clarification and Measurement of Share-based Payments Transactions (effective for annual periods beginning on or after 1 January 2018).

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).

Annual Improvements to IFRSs 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019).

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

Management 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:

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- 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 annually.

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 to 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 to 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.

(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 Group 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 2016 and for the year then ended.

Several new standards and amendments apply for the first time in 2017. 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 exposed 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. 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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established or, if later, at the date the Company was incorporated. The assets and liabilities acquired are recognised at their book values. Any difference between the consideration paid and the book values is recognised directly in equity.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

- Sales 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.

Deferred income

Deferred income represents advances received from patients.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 declared

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements when the shareholders' right to receive the dividend is established, either through Board resolution (for interim dividends) or by the Group's shareholders in the Annual General Meeting (for final dividends).

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.

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. Their estimated useful life is from five to seven years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(iii) Software and 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. 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.

Financial instruments

The Group classifies non-derivative financial assets into loans and receivables and financial liabilities into other financial liabilities.

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are classified as current assets unless the Group has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

Other financial liabilities are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities. The Group's other financial liabilities comprise of trade and other payables and borrowings.

Recognition

The Group initially recognises loans and receivables when they are originated. Other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business and are stated after deducting the appropriate allowances for any impairment.

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and short term highly liquid investments with maturity of three 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.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Impairment of non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Derecognition of 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.

Any interest in such derecognised financial assets that is created or retained by the Group, is recognised as a separate asset or liability.

Derecognition of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting financial instruments

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

Impairment of non-financial 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).

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Comparatives

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

4. REVENUE

	2017	2016
	RUB'000	*RUB'000*
In vitro fertilisation (IVF)	3 257 639	2 627 666
Deliveries	2 235 825	2 245 285
Obstetrics and gynaecology out-patient treatments	1 768 001	1 704 702
Other medical services	1 338 813	1 067 278
Paediatrics out-patient treatments	1 306 107	1 205 151
Other out-patient medical services	1 194 798	1 020 418
Obstetrics and gynaecology in-patient treatments	965 261	929 432
Other in-patient medical services	818 720	518 938
Paediatrics in-patient treatments	431 749	404 451
Sales of goods	302 282	315 682
Other income	135 972	140 079
	13 755 167	**12 179 082**

Significant increase in IVF revenue is due to the opening of IVF departments in M&C Ugo-Zapad and M&C Khodynskoe pole, opening of new facilities in Novosibirsk and continuing ramp-up of the clinic in Samara.

Other medical services include but are not limited to laboratory examinations, diagnostics, surgery, cardiology and oncology. The increase of other medical services revenue is mainly represented by continuing ramp-up of Lapino, Novosibirsk and Ufa hospitals.

5. COST OF SALES

	2017	2016
	RUB'000	*RUB'000*
Payroll and related social taxes	4 517 572	3 980 084
Materials and supplies used	2 292 818	2 020 849
Depreciation	803 504	728 751
Medical services	244 461	204 600
Energy and utilities	147 916	137 796
Property tax	129 869	96 549
Repair and maintenance	97 733	101 089
Other expenses	124 496	130 115
	8 358 369	**7 399 833**

6. ADMINISTRATIVE EXPENSES

	2017	2016
	RUB'000	*RUB'000*
Payroll and related social taxes	1 269 232	1 169 776
Other professional services	238 117	172 817
Utilities and materials	225 294	226 200
Depreciation	135 117	121 511
Advertising	128 661	149 739
Amortisation	97 219	96 126
Communication costs	31 112	29 361
Independent auditors' remuneration	23 096	23 510
Other expenses	106 231	78 304
	2 254 079	**2 067 344**

The remuneration of the independent auditors include an amount of RUB22,304 thousand regarding audit services, RUB689 thousand regarding audit related services and an amount of RUB103 thousand regarding tax services.

7. STAFF COSTS

	2017	2016
	RUB'000	*RUB'000*
Wages and salaries	4 598 610	4 098 759
Social insurance contributions and other taxes	1 188 194	1 051 101
Total staff costs	**5 786 804**	**5 149 860**

The average number of employees of the Group during the year ended 31 December 2017 was 6,091 (31 December 2016: 5,594), which was calculated in proportion to the hours worked.

8. OTHER INCOME

During the year the Group received other income of RUB104,808 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Group received RUB96,592 thousand (USD1,575 thousand) from Escrow Agent in March 2017 as a result of negotiations with the seller of Ivicend Holding Ltd.

9. NET FINANCE EXPENSES

	Note	2017	2016
		RUB'000	*RUB'000*
Interest income			
Bank interest received		58 052	45 923
Interest from loans to third parties		613	388
Bad debts recovered		-	3 011
Other financial income on discounting		38 656	-
Finance income		**97 321**	**49 322**
Interest expense			
Interest on bank loans		(261 253)	(265 662)
Unwinding of discount on other payables to tax authorities		(29 704)	(32 799)
Interest on loans from third parties		-	(3 093)
Finance leases interest		(229)	(270)
Other finance expense			
Bank charges		(125 301)	(123 934)
Impairment of goodwill	14	(14 352)	-
Other impairment provision		(27 261)	-
Impairment of trade and other receivables	15	(33 984)	(17 321)
Finance expenses		**(492 084)**	**(443 079)**
Net foreign exchange transactions loss		**(50 201)**	**(90 847)**
Net finance expenses		**(444 964)**	**(484 604)**

10. TAXATION

Majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate. Other companies apply standard income tax rate of 20% or 15%.

Reconciliation of effective tax rate:

	2017	2016
	RUB'000	*RUB'000*
Profit before taxation	2 781 156	2 239 114
Less profit before taxation of non-taxable subsidiaries	(3 332 468)	(2 768 532)
Loss before taxation excluding not-taxable subsidiaries	**(551 312)**	**(529 418)**
Tax using the Group's domestic tax rate	110 262	105 884
Effect of subsidiaries taxable at lower tax rates	455	344
Non-deductible expenses	(4 781)	(1 637)
Current-year losses for which no deferred tax asset is recognised	(57 411)	(50 149)
Recognised temporary differences relating to property, plant and equipment on non-taxable medical subsidiaries expected to be utilized after 1 January 2020 at 20% corporate income tax rate	(125 431)	(16 129)
Total income tax (expense) / benefit	**(76 906)**	**38 313**

The Group recognized tax expense of RUB76,906 thousand in the reporting period mostly due to the temporary differences relating to property, plant and equipment (especially differences on the new hospital located in Novosibirsk).

Deferred tax assets of RUB243,165 thousand as at 31 December 2017 and RUB175,751 thousand as at 31 December 2016 were mostly recognised on tax losses related to LLC MD Project 2010. According to Russian tax rules such tax losses will not expire.

Deferred tax liabilities of RUB250,504 thousand as at 31 December 2017 and RUB118,020 thousand as at 31 December 2016 were mostly recognised on temporary differences relating to property, plant and equipment. These temporary differences are expected to be utilised after 1 January 2020 at 20% corporate income tax rate when the currently enacted tax concession with 0% corporate income tax rate will expire.

As at 31 December 2017 deferred tax assets relating to tax losses carried forward in the amount of RUB107,560 thousand (31 December 2016: RUB50,149 thousand) have not been recognised. The tax losses do not expire. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable tax profit will be available against which the Group can utilise the benefits therefrom.

As at 31 December 2017, there were temporary differences (before calculating tax effect) of RUB4,921,266 thousand (31 December 2016: RUB3,496,686 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.

11. EARNINGS PER SHARE

	2017	2016
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	2 488 812	2 065 848
Weighted average number of ordinary shares in issue during the year	74 895 010	74 895 010
Basic and fully diluted earnings per share (RUB)	**33,23**	**27,58**

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12. DIVIDENDS

On 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB500,332 thousand (USD7,298 thousand), which corresponds to RUB6.66 (USD0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB285,475 thousand (USD 4,375 thousand), which corresponds to RUB3.8 (USD0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB450,750 thousand as final dividend for the year 2017 which correspond to RUB6.0 per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Property under construction	Plant and equipment	Total
	RUB'000	*RUB'000*	*RUB'000*	*RUB'000*
Initial cost				
Balance at 1 January 2016	**10 339 884**	**163 117**	**4 381 424**	**14 884 425**
Acquisitions through business combinations	37 157	7 132	86 964	131 253
Additions	104 917	1 234 642	454 229	1 793 788
Disposals	(18 713)	-	(26 433)	(45 146)
Transfer from construction in progress	20 065	(37 661)	17 596	-
Balance at 31 December 2016	**10 483 310**	**1 367 230**	**4 913 780**	**16 764 320**
Additions	395 218	2 046 445	425 278	2 866 941
Disposals	(5 632)	(2 346)	(30 733)	(38 711)
Transfer from construction in progress	818 299	(1 117 393)	299 094	-
Balance at 31 December 2017	**11 691 195**	**2 293 936**	**5 607 419**	**19 592 550**
Depreciation				
Balance at 1 January 2016	**731 556**	-	**1 788 420**	**2 519 976**
Depreciation during the year	219 929	-	630 333	850 262
Accumulated depreciation on disposals	(1 819)	-	(14 552)	(16 371)
Balance at 31 December 2016	**949 666**	-	**2 404 201**	**3 353 867**
Depreciation during the year	241 099	-	697 522	938 621
Accumulated depreciation on disposals	(567)	-	(23 020)	(23 587)
Balance at 31 December 2017	**1 190 198**	-	**3 078 703**	**4 268 901**
Carrying amounts				
Balance at 1 January 2016	**9 608 328**	**163 117**	**2 593 004**	**12 364 449**
Balance at 31 December 2016	**9 533 644**	**1 367 230**	**2 509 579**	**13 410 453**
Balance at 31 December 2017	**10 500 997**	**2 293 936**	**2 528 716**	**15 323 649**

The amount of borrowing costs capitalised during the year ended 31 December 2017 was RUB110,009 thousand (RUB55,188 thousand for the year ended 31 December 2016). Capitalisation rate for loans varied from 10,15% to 11,75% for the year ended 31 December 2017 (from 8,65% to 11,75% for the year ended 31 December 2016).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2017 construction in progress mainly includes construction costs of a hospital in Samara of RUB1,964,592 thousand and a hospital in Tyumen of RUB235,921 thousand.

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB7,866,555 thousand as at 31 December 2017 (31 December 2016: RUB5,430,699 thousand).

14. INTANGIBLE ASSETS

	Goodwill	Patents and trademarks	Software and website	Total
	RUB'000	*RUB'000*	*RUB'000*	*RUB'000*
Initial cost				
Balance at 1 January 2016	**1 686 518**	**564 783**	**34 098**	**2 285 399**
Acquisitions through business combinations	360 154	-	1 381	361 535
Additions	-	-	31 359	31 359
Balance at 31 December 2016	**2 046 672**	**564 783**	**66 838**	**2 678 293**
Additions	-	29	5 851	5 880
Disposals	(14 352)	-	(1 130)	(15 482)
Balance at 31 December 2017	**2 032 320**	**564 812**	**71 559**	**2 668 691**
Amortisation				
Balance at 1 January 2016	**-**	**124 726**	**15 855**	**140 581**
Amortisation during the year	-	84 767	11 359	96 126
Balance at 31 December 2016	**-**	**209 493**	**27 214**	**236 707**
Amortisation during the year	-	84 772	12 447	97 219
Accumulated amortisation on disposals	-	-	(712)	(712)
Balance at 31 December 2017	**-**	**294 265**	**38 949**	**333 214**
Carrying amounts				
Balance at 1 January 2016	**1 686 518**	**440 057**	**18 243**	**2 144 818**
Balance at 31 December 2016	**2 046 672**	**355 290**	**39 624**	**2 441 586**
Balance at 31 December 2017	**2 032 320**	**270 547**	**32 610**	**2 335 477**

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.

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
CJSC MC Avicenna	1 055 593	1 055 593
A group of 4 cash generating units located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul (acquired in January 2016)	360 154	360 154
LLC Medica-2	248 250	248 250
LLC MK IDK	211 303	211 303
LLC Centre of Reproductive Medicine	142 193	142 193
Subsidiaries acquired in 2011	14 827	29 179
	2 032 320	**2 046 672**

14. INTANGIBLE ASSETS (continued)

Goodwill has been allocated for impairment testing purposes to 6 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 and is measured at fair value less cost to sell. The calculation of the enterprise values of each subsidiary is based on the current and estimated future after-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 after-tax rate applied to the cash flow projections is in the range from 12% to 14%.

No impairment of goodwill was recognised in 2017, except for RUB14,352 thousand of goodwill related to closed clinic. 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.

15. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 December 2017	**31 December 2016**
	RUB'000	*RUB'000*
Trade receivables	287 140	241 166
CAPEX prepayments	889 933	180 659
Advances paid to suppliers	87 311	76 695
Deferred expenses	8 061	14 080
Other receivables	38 691	32 239
	1 311 136	**544 839**
Non-current portion	889 933	184 984
Current portion	421 203	359 855
	1 311 136	**544 839**

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

Ageing analysis of trade receivables:

	Gross amount 31 December 2017	**Impairment 31 December 2017**	**Gross amount 31 December 2016**	**Impairment 31 December 2016**
	RUB'000	*RUB'000*	*RUB'000*	*RUB'000*
Not past due	287 140	-	241 166	-
Past due	55 906	(55 906)	32 867	(32 867)
	343 046	**(55 906)**	**274 033**	**(32 867)**

In addition to the bad debt provision accrued during 2017 the accounts receivable in the amount of RUB10,945 thousand were written-off during the year ended 31 December 2017 (year ended 31 December 2016: nil).

The exposure of the Group to credit and currency risk in relation to trade, other receivables and deferred expenses is reported in Note 23 of the consolidated financial statements.

16. CASH AND CASH EQUIVALENTS

	31 December 2017	**31 December 2016**
	RUB'000	*RUB'000*
Cash at bank and in hand	350 827	318 800
Bank deposits with maturity less than 3 months	2 153 775	1 324 144
	2 504 602	**1 642 944**

16. CASH AND CASH EQUIVALENTS (continued)

Currency:

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
RUB	1 559 268	819 272
EUR	1 021	1 094
USD	944 313	822 578
	2 504 602	**1 642 944**

The exposure of the Group to credit risk and currency risk 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	125 250 000	0,08	-	10 020
Issued and fully paid ordinary shares 1 January / 31 December	75 125 010	0,08	180 585	6 010

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 (0.3% of total shares issued) at total cost of RUB73,086 thousand.

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.

The management of the Company expects the target conditions to be met, therefore during 2017 the shares amounted to RUB34,754 thousand were credited to equity account and debited to expense account as employee remuneration (in 2016: RUB25,014 thousand).

The difference amounted to RUB20,561 thousand between the total value of equity-settled share-based program and the amount of accrued employee remuneration was settled in equity. The remaining treasury shares in the amount of RUB4,544 thousand represents the shares of retired employees.

Retained earnings

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

In 2017 the Company acquired 15% share in a subsidiary, which it controls, for RUB33,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB5,433 thousand. The difference of RUB27,567 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

18. RESERVES (continued)

Retained earnings (continued)

In 2017 the Company acquired 10% share in a subsidiary, which it controls, for RUB20,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB7,328 thousand. The difference of RUB12,672 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

In 2016 the Company acquired 10% share in a subsidiary, which it controls, for RUB56,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB11,550 thousand. The difference of RUB44,450 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

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.

There were no changes during 2017 year.

19. LOANS AND BORROWINGS

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
Long-term liabilities		
Bank loans	3 585 213	2 199 768
Short-term liabilities		
Bank loans	985 234	1 083 647
Total loans and borrowings	**4 570 447**	**3 283 415**

Maturity of loans and borrowings:

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
Within one year	985 234	1 083 647
Between one and five years	3 071 796	1 949 869
More than 5 years	513 417	249 899
	4 570 447	**3 283 415**

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in Note 13. As additional collateral the Company has pledged the shares of CJSC MD Project 2000 and LLC Khaven.

The terms and debt repayment schedule of loans are as follows:

	Currency	Effective interest rate	Maturity	31 December 2017 Face value *RUB'000*	31 December 2017 Carrying amount *RUB'000*	31 December 2016 Face value *RUB'000*	31 December 2016 Carrying amount *RUB'000*
Secured bank loan	RUB	10.75%	2023	2 075 780	2 075 780	100 558	100 558
Secured bank loan	RUB	8.65%	2022	1 050 350	1 050 350	1 103 604	1 103 604
Secured bank loan	RUB	10.80%	2019	658 446	658 446	947 338	947 338
Secured bank loan	RUB	9%	2018-2019	393 369	393 369	1 099 550	1 099 550
Unsecured bank loan	RUB	9.5%	2024	351 664	351 664	-	-
Unsecured bank loan	RUB	14.20%	2019	20 858	20 858	32 365	32 365
Unsecured bank loan	RUB	9.15%	2020	19 980	19 980	-	-
				4 570 447	**4 570 447**	**3 283 415**	**3 283 415**

The contractual cash flows and the exposure of the Group to liquidity risk in relation to loans and borrowings is reported in Note 23 of the consolidated financial statements.

20. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
Accruals	353 487	308 512
Other payables to tax authorities	336 061	270 593
Trade payables	318 727	323 369
Payables to employees	291 555	260 997
Taxes payable	142 301	143 593
CAPEX payables	125 306	60 305
Income tax liability	21 879	20 804
Other payables	20 368	24 240
	1 609 684	**1 412 413**
Non-current portion	277 320	238 618
Current portion	1 332 364	1 173 795
	1 609 684	**1 412 413**

The contractual cash flows (except income tax liability) and the exposure of the Group to liquidity risk in relation to trade and other payables is reported in Note 23 of the consolidated financial statements.

21. DEFERRED INCOME

	31 December 2017	31 December 2016
	RUB'000	*RUB'000*
Patient advances	1 273 653	1 131 785
including:		
Deferred income after more than one year	144 860	129 936
Deferred income within one year	1 128 793	1 001 849

Deferred income that relates to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 30 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 up to 1 year.

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

22.1. Operations with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2017 was RUB56,791 thousand (31 December 2016: RUB51,277 thousand). The key management personnel participated in the equity-settled share-based arrangements with total 32,000 shares to be granted in 2018 if target conditions are met (31 December 2016: 24,000 shares).

The remuneration of the members of the key management personnel which remained unpaid as at 31 December 2017 was RUB2,908 thousand (31 December 2016: RUB14,274 thousand).

The Group did not receive legal services from the key management personnel for the year ended 31 December 2017 (for the year ended 31 December 2016: RUB730 thousand).

The Group received advertising services from the key management personnel for the year ended 31 December 2017 amounted to RUB762 thousand (for the year ended 31 December 2016: 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 2017, 31 December 2016 and as at the date of signing these consolidated financial statements are as follows:

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

22. RELATED PARTY TRANSACTIONS (continued)

22.2. Directors' interests (continued)

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, including treasury shares acquired by the Company.

22.3. Dividends declared to related parties

Dividends declared to the parent company MD Medical Holding Limited amounted to RUB467,885 thousand for the year ended 31 December 2017 (31 December 2016: RUB533,705 thousand).

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

• Credit risk
• Liquidity risk
• Market risk

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

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

(i) Credit risk

Credit risk arises when a failure by counterparties 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 2017	**31 December 2016**
	RUB'000	*RUB'000*
Trade and other receivables	326 541	269 047
Other assets	2 700	-
Cash and cash equivalents excluding cash in hand	2 494 320	1 633 206
	2 823 561	1 902 253

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 fact 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 and cash equivalents excluding cash in hand of RUB2,494,320 thousand as at 31 December 2017 (31 December 2016: RUB1,633,206 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are rated Ba1-A3, based on rating agency Moody’s Investors Service ratings.

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23. FINANCIAL 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 2017	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-2 years	Between 2-5 years	More than 5 years
	RUB'000	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*
Bank loans	4 570 447	5 803 410	339 332	1 028 436	1 220 585	2 671 631	543 426
CAPEX payables	125 306	125 306	118 184	7 122	-	-	-
Trade payables	318 727	318 727	318 727	-	-	-	-
Other payables and accrued expenses	1 143 772	1 290 250	513 879	342 708	67 315	201 912	164 436
	6 158 252	**7 537 693**	**1 290 122**	**1 378 266**	**1 287 900**	**2 873 543**	**707 862**

31 December 2016	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-2 years	Between 2-5 years	More than 5 years
	RUB'000	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*	*RUB'000*
Bank loans	3 283 415	3 967 413	223 714	1 118 458	1 114 249	1 244 922	266 070
CAPEX payables	60 305	60 305	47 091	12 817	397	-	-
Trade payables	323 369	323 369	323 369	-	-	-	-
Other payables and accrued expenses	1 007 935	1 147 361	518 849	250 868	65 073	158 120	154 451
	4 675 024	**5 498 448**	**1 113 023**	**1 382 143**	**1 179 719**	**1 403 042**	**420 521**

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.

23. FINANCIAL 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:

	31 December 2017	**31 December 2016**
	RUB'000	*RUB'000*
Fixed rate instruments		
Financial assets	2 156 475	1 324 144
Financial liabilities	(4 570 447)	(3 283 415)
	(2 413 972)	**(1 959 271)**

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 2017			**31 December 2016**		
	USD`000	*EUR`000*	*GBP`000*	*USD`000*	*EUR`000*	*GBP`000*
Assets						
Cash at bank	944 313	1 021	-	822 578	1 094	-
Trade and other receivables	2 431	1 375	-	-	-	-
Liabilities						
CAPEX payables	(1 899)	-	-	(10 178)	(1 037)	-
Trade and other payables and accruals	(91)	(127)	-	(2 939)	(1 023)	(7 306)
Net exposure	**944 754**	**2 269**	**-**	**809 461**	**(966)**	**(7 306)**

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2017	*2016*	*2017*	*2016*
USD	58,3529	67,0349	57,6002	60,6569
EUR	65,9014	74,2310	68,8668	63,8111
GBP	75,2379	91,2578	77,6739	74,5595

Sensitivity analysis

A 10% weakening of the Russian Rubles against the above currencies will result in the increase in profit and equity of RUB94,702 thousand as at 31 December 2017 (31 December 2016: RUB80,119 thousand). A 10% strengthening of the Russian Rubles would have an opposite impact on the profit and other equity.

23. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk (continued)

Capital management

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

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

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

	31 December 2017	**31 December 2016**
	RUB'000	*RUB'000*
Financial liabilities	4 570 447	3 283 415
Less: cash and cash equivalents	(2 504 602)	(1 642 944)
Net debt	2 065 845	1 640 471
Net equity	14 567 665	12 770 137
Net debt to equity ratio	**14,18%**	**12,85%**

24. FAIR VALUES

As at 31 December 2017 and 31 December 2016 the Group had no significant financial assets or liabilities measured at fair value.

The financial assets of the Group include cash and cash equivalents and trade and other receivables. The financial liabilities of the Group include loans and borrowings and 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.

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.

25. CONTINGENT LIABILITIES (continued)

(b) Russian business environment (continued)

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.

Currently, the Russian Government focuses on the ways to combat offshore structures which historically were widely used by Russian businesses and tighten the tax anti-avoidance regulations. Recent new Russian legislation is aimed at regulating transactions with offshore companies and their activities, which may potentially impact the Group's tax position.

26. NON-CONTROLLING INTERESTS

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

Most of the turnovers are cash based.

	2017	**2016**
	RUB'000	*RUB'000*
Revenue	3 242 383	3 202 222
Profit and total comprehensive income	1 388 957	1 414 652
Profit and total comprehensive income allocated to non-controlling interests	69 448	70 733
Dividends paid to non-controlling interests	62 500	70 000
Non-controlling interests percentage	**5%**	**5%**

	31 December 2017	**31 December 2016**
	RUB'000	*RUB'000*
Non-current assets	3 521 804	3 456 869
Current assets	620 589	486 772
Non-current liabilities	(144 860)	(129 936)
Current liabilities	(674 196)	(629 324)
Net assets	**3 323 337**	**3 184 381**
Carrying amount of non-controlling interests	166 167	159 219
Other non-controlling interests	259 780	263 631
	425 947	**422 850**

27. OPERATING LEASES

Historically, the Group has developed business in own premises. However, in 2017 and 2016 the Group has acquired and incorporated some new entities that lease their premises. Lease agreements are cancellable with notification period of one to six months.

The future minimum lease payments for premises under lease agreements are payable as follows.

	2017	2016
	RUB'000	*RUB'000*
Within one year	92 611	85 565
Between one and five years	135 153	172 347
More than five years	19 642	34 811
	247 406	**292 723**

The Group also lease land plots under several hospitals and clinics. Lease agreements maturity for land plots are either 49 years or infinite.

28. CAPITAL COMMITMENTS

Capital commitments mostly comprise of the obligations under construction contracts in the amount of RUB2,020,427 thousand as at 31 December 2017 (31 December 2016: RUB1,794,848 thousand).

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 and does not group subsidiaries by geography and service lines during the analysis of their performance.

30. EVENTS AFTER THE REPORTING PERIOD

In January 2018 the Group made the early repayment of secured bank loan related to Lapino hospital in the amount of RUB390,385 thousand.

Since January 2018 the Group expanded the operations of the clinic in Vladimir and opened a new clinic in Nizhny Novgorod.

In March 2018 the Group opened a new hospital in Samara, the total cost of which was approximately RUB3.2 billion. The opening of the new hospital delivered a significant capacity increase, with the total floor space increase of about 15,000 sq. m. The hospital is able to offer a range of new services, including services not currently available in the city or the region.

In March 2018 the Group started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB690,000 thousand. As at the date of these consolidated financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

In March 2018 the Group negotiated the decrease of interest rate for the secured bank loan related to Samara from 10.75% to 8.45%.