MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011, 2010 and 2009

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011, 2010 and 2009

CONTENTS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MD Medical Group Investments Limited

We have audited the accompanying consolidated financial statements of MD Medical Group Investments Limited (the "Company") and its subsidiaries ('the Group') on pages F-28 to F-68, which comprise the consolidated statement of financial position as at 31 December 2011, 2010 and 2009, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MD Medical Group Investments Limited and its subsidiaries (the Group) as at 31 December 2011, 2010 and 2009, and of its financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

KPMG Limited
Chartered Accountants and Registered Auditors
11, June 16th 1943 Street
3022 Limassol Cyprus

29 June 2012

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2011, 2010 and 2009

	Note	2011	2010	2009	Supplementary information 2011	2010	2009
		RUB'000	RUB'000	RUB'000	US$'000	US$'000	US$'000
Revenue	4	2.907.759	2.044.174	1.789.565	98.945	67.311	56.412
Cost of sales	5	(1.463.889)	(956.456)	(851.214)	(49.813)	(31.494)	(26.833)
Gross profit		1.443.870	1.087.718	938.351	49.132	35.817	29.579
Other income		1.001	5.500	2.183	34	181	69
Administrative expenses	6	(245.613)	(134.619)	(106.453)	(8.358)	(4.433)	(3.356)
Other expenses		(6.232)	(1.897)	(3.974)	(212)	(62)	(125)
Profit from operations before net financing expenses	7	1.193.026	956.702	830.107	40.596	31.503	26.167
Finance income	9	628	3.912	456	21	129	14
Finance expenses	9	(44.354)	(39.257)	(124.562)	(1.509)	(1.293)	(3.927)
Net finance expenses		(43.726)	(35.345)	(124.106)	(1.488)	(1.164)	(3.913)
Excess of the Group's interest in the fair value of the acquired subsidiaries' net assets over the fair value of the consideration paid for their acquisition	14	45.762	—	—	1.557	—	—
Profit before tax		1.195.062	921.357	706.001	40.665	30.339	22.254
Tax	10	(271.107)	(186.561)	(142.377)	(9.225)	(6.143)	(4.488)
Profit for the year		923.955	734.796	563.624	31.440	24.196	17.766
Other comprehensive income							
Foreign currency translation differences on foreign operations		(23.707)	4.378	—	(6.179)	(303)	583
Total comprehensive income for the year		900.248	739.174	563.624	25.261	23.893	18.349
Profit for the year attributable to:							
Owners of the Company		859.981	697.986	535.443	29.263	22.984	16.878
Non-controlling interests		63.974	36.810	28.181	2.177	1.212	888
		923.955	734.796	563.624	31.440	24.196	17.766
Total comprehensive income for the year attributable to:							
Owners of the Company		836.274	702.364	535.443	23.809	22.696	17.432
Non-controlling interests		63.974	36.810	28.181	1.452	1.197	917
		900.248	739.174	563.624	25.261	23.893	18.349
Basic and fully diluted earnings per share	11	17,20	13,96	10,71	0,59	0,46	0,34

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the years ended 31 December 2011, 2010 and 2009

					Supplementary information		
	Note	2011	2010	2009	2011	2010	2009
		RUB'000	RUB'000	RUB'000	US$'000	US$'000	US$'000
Assets							
Property, plant and equipment	12	4.043.632	1.487.830	1.588.203	125.594	48.818	52.513
Intangible assets	13	30.956	205	261	961	7	8
Trade, other receivables and deferred expenses	18	461.763	—	—	14.342	—	—
Loans receivable	16	—	269.211	—	—	8.833	—
Deferred tax assets	24	311	39.476	25.820	10	1.295	854
Total non-current assets		4.536.662	1.796.722	1.614.284	140.907	58.953	53.375
Inventories	17	27.071	13.884	13.468	841	456	445
Trade, other receivables and deferred expenses	18	39.987	23.347	19.301	1.242	766	637
Loans receivable	16	—	—	70.050	—	—	2.316
Current tax asset		32.193	1.718	—	1.000	56	—
Cash and cash equivalents	19	133.474	111.530	3.977	4.145	3.659	132
Total current assets		232.725	150.479	106.796	7.228	4.937	3.530
Total assets		4.769.387	1.947.201	1.721.080	148.135	63.890	56.905
Equity							
Share capital	20	149.636	149.316	149.316	5.010	5.000	5.000
Reserves	21	2.430.351	1.016.577	669.019	75.210	33.254	22.056
Total equity attributable to owners of the Company		2.579.987	1.165.893	818.335	80.220	38.254	27.056
Non-controlling interests		227.269	79.880	43.070	6.972	2.621	1.424
Total equity		2.807.256	1.245.773	861.405	87.192	40.875	28.480
Liabilities							
Loans and borrowings	22	1.059.828	—	576.019	32.918	—	19.046
Trade and other payables	25	—	350.423	—	—	11.498	—
Deferred tax liabilities	24	39.117	—	—	1.215	—	—
Deferred income	26	41.241	23.984	13.666	1.281	787	452
Total non-current liabilities		1.140.186	374.407	589.685	35.414	12.285	19.498
Bank overdrafts	22	—	1	—	—	—	—
Short term portion of long-term loans	22	29.700	—	—	922	—	—
Obligations under finance leases	23	102.534	—	—	3.185	—	—
Trade and other payables	25	320.514	91.222	73.024	9.955	2.993	2.415
Deferred income	26	327.120	205.604	175.936	10.160	6.746	5.817
Current tax liability		42.077	30.194	21.030	1.307	991	695
Total current liabilities		821.945	327.021	269.990	25.529	10.730	8.927
Total liabilities		1.962.131	701.428	859.675	60.943	23.015	28.425
Total equity and liabilities		4.769.387	1.947.201	1.721.080	148.135	63.890	56.905

On 29 June 2012 the Board of Directors of MD Medical Group Investments Limited authorised these financial statements for issue.

Elia Nicolaou
Director

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2011, 2010 and 2009

	Attributable to owners of the Company								
	Share capital	Share premium	Common Control Transactions	Capital contribution	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2009	149.316	119.334	(265.793)	—	—	280.035	282.892	14.889	297.781
Comprehensive income									
Profit for the year	—	—	—	—	—	535.443	535.443	28.181	563.624
Total comprehensive income for the year	—	—	—	—	—	535.443	535.443	28.181	563.624
Balance at 31 December 2009	149.316	119.334	(265.793)	—	—	815.478	818.335	43.070	861.405
Balance at 1 January 2010	149.316	119.334	(265.793)	—	—	815.478	818.335	43.070	861.405
Comprehensive income									
Profit for the year	—	—	—	—	—	697.986	697.986	36.810	734.796
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	4.378	—	4.378	—	4.378
Total comprehensive income for the year	—	—	—	—	4.378	697.986	702.364	36.810	739.174
Contributions by and distributions to owners									
Contributions from shareholders	—	—	—	62.274	—	—	62.274	—	62.274
Common control transaction	—	—	(417.080)	—	—	—	(417.080)	—	(417.080)
Total transactions with owners	—	—	(417.080)	62.274	—	—	(354.806)	—	(354.806)
Balance at 31 December 2010	149.316	119.334	(682.873)	62.274	4.378	1.513.464	1.165.893	79.880	1.245.773

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the years ended 31 December 2011, 2010 and 2009

	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Common Control Transactions	Capital contribution	Translation reserve	Retained earnings	Total		
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2011		149.316	119.334	(682.873)	62.274	4.378	1.513.464	1.165.893	79.880	1.245.773
Comprehensive income										
Profit for the year		—	—	—	—	—	859.981	859.981	63.974	923.955
Other comprehensive income										
Foreign currency translation differences		—	—	—	—	(23.707)	—	(23.707)	—	(23.707)
Total comprehensive income for the year		—	—	—	—	(23.707)	859.981	836.274	63.974	900.248
Contributions by and distributions to owners										
Issue of share capital at a premium	20	320	613.751	—	(62.274)	—	—	551.797	—	551.797
Dividends		—	—	—	—	—	(1.498)	(1.498)	(21.915)	(23.413)
Contributions from shareholders		—	—	—	27.521	—	—	27.521	18.348	45.869
Total transactions with owners		320	613.751	—	(34.753)	—	(1.498)	577.820	(3.567)	574.253
Minority interest in acquired subsidiaries	14	—	—	—	—	—	—	—	86.182	86.182
Minority interest in new subsidiaries		—	—	—	—	—	—	—	800	800
Total minority interest		—	—	—	—	—	—	—	86.982	86.982
Balance at 31 December 2011		149.636	733.085	(682.873)	27.521	(19.329)	2.371.947	2.579.987	227.269	2.807.256

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the years ended 31 December 2011, 2010 and 2009

	Supplementary information Attributable to owners of the Company								
	Share capital	Share premium	Common Control Transactions	Capital contribution	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2009	5.000	3.996	(8.899)	—	—	9.527	9.624	507	10.131
Comprehensive income									
Profit for the year	—	—	—	—	—	16.878	16.878	888	17.766
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	554	—	554	29	583
Total comprehensive income for the year	—	—	—	—	554	16.878	17.432	917	18.349
Balance at 31 December 2009	5.000	3.996	(8.899)	—	554	26.405	27.056	1.424	28.480
Balance at 1 January 2010	5.000	3.996	(8.899)	—	554	26.405	27.056	1.424	28.480
Comprehensive income									
Profit for the year	—	—	—	—	—	22.984	22.984	1.212	24.196
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	(288)	—	(288)	(15)	(303)
Total comprehensive income for the year	—	—	—	—	(288)	22.984	22.696	1.197	23.893
Contributions by and distributions to owners									
Contributions from shareholders	—	—	—	2.006	—	—	2.006	—	2.006
Common control transaction	—	—	(13.504)	—	—	—	(13.504)	—	(13.504)
Total transactions with owners	—	—	(13.504)	2.006	—	—	(11.498)	—	(11.498)
Balance at 31 December 2010	5.000	3.996	(22.403)	2.006	266	49.389	38.254	2.621	40.875

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the years ended 31 December 2011, 2010 and 2009

		Supplementary information Attributable to owners of the Company								
	Note	Share capital	Share premium	Common Control Transactions	Capital contribution	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2011		5.000	3.996	(22.403)	2.006	266	49.389	38.254	2.621	40.875
Comprehensive income										
Profit for the year		—	—	—	—	—	29.263	29.263	2.177	31.440
Other comprehensive income										
Foreign currency translation differences		—	—	—	—	(5.454)	—	(5.454)	(725)	(6.179)
Total comprehensive income for the year		—	—	—	—	(5.454)	29.263	23.809	1.452	25.261
Contributions by and distributions to owners										
Issue of share capital at a premium	20	10	19.284	—	(2.006)	—	—	17.288	—	17.288
Dividends		—	—	—	—	—	(51)	(51)	(634)	(685)
Contributions from shareholders		—	—	—	920	—	—	920	614	1.534
Total transactions with owners		10	19.284	—	(1.086)	—	(51)	18.157	(20)	18.137
Minority interest in acquired subsidiaries		—	—	—	—	—	—	—	2.893	2.893
Minority interest in new subsidiaries		—	—	—	—	—	—	—	26	26
Total minority interest		—	—	—	—	—	—	—	2.919	2.919
Balance at 31 December 2011		5.010	23.280	(22.403)	920	(5.188)	78.601	80.220	6.972	87.192

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2011, 2010 and 2009

					Supplementary information		
	Note	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
		RUB'000	**RUB'000**	**RUB'000**	**US$'000**	**US$'000**	**US$'000**
Cash flows from operating activities							
Profit for the year		923.955	734.796	563.624	31.440	24.196	17.766
Adjustments for:							
Depreciation of property, plant and equipment	12	99.042	131.820	125.346	3.370	4.341	3.951
Foreign currency translation differences		(23.707)	4.378	—	(6.179)	(303)	583
Net exchange loss		12.278	—	—	418	—	—
Amortisation of intangible assets	13	249	56	19	8	1	1
Excess of the Group's interest in the fair value of the acquired subsidiaries' net assets over the fair value of the consideration paid for their acquisition	14	(45.762)	—	—	(1.557)	—	—
Profit/(loss) from the sale of property, plant and equipment		(118)	91	(275)	4	3	(9)
Interest income		(628)	(3.912)	(456)	(21)	(129)	(14)
Interest expense		5.186	22.714	112.911	176	748	3.559
Income tax expense	10	271.107	186.561	142.377	9.225	6.143	4.488
Cash flows from operations before working capital changes		1.241.602	1.076.504	943.546	36.884	35.000	30.325
Increase in inventories		(4.381)	(416)	114	(111)	(11)	17
Increase in trade and other receivables		(134.893)	(4.046)	(7.308)	(4.149)	(128)	(230)
(Decrease)/increase in trade and other payables		88.564	19.157	3.104	2.554	578	36
Increase in deferred income		138.773	39.986	33.465	3.908	1.264	956
Cash flows from operations		1.329.665	1.131.185	972.921	39.086	36.703	31.104
Tax paid		(254.168)	(192.771)	(155.700)	(7.894)	(6.353)	(4.938)
Net cash flows from operating activities		1.075.497	938.414	817.221	31.192	30.350	26.166
Cash flows from investing activities							
Payment for acquisition of intangible assets		(481)	—	(280)	(15)	—	(9)
Payment for acquisition/contstruction of property, plant and equipment		(1.811.882)	(31.603)	(19.462)	(56.167)	(1.037)	(643)
Payment for acquisition of investments in subsidiaries under common control		(340.829)	(336.266)	—	(11.200)	(11.002)	—
Acquisition of subsidiaries, net cash outflow on acquisition	14	(443.062)	—	—	(14.464)	—	—
Loans granted	16	—	(266.000)	(70.050)	—	(8.728)	(2.316)
Proceeds from disposal of property, plant and equipment		163	65	294	6	2	9
Interest received		628	701	456	21	23	14
Net cash flows used in investing activities		(2.595.463)	(633.103)	(89.042)	(81.819)	(20.742)	(2.945)

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the years ended 31 December 2011, 2010 and 2009

	Note	2011	2010	2009	Supplementary information 2011	2010	2009
		RUB'000	RUB'000	RUB'000	US$'000	US$'000	US$'000
Cash flows from financing activities							
Proceeds from issue of share capital and share premium		551.797	268.650	—	17.288	8.996	—
Repayment of borrowings		—	(576.019)	(630.000)	—	(19.046)	(20.830)
Repayments of obligations under finance leases		(71.277)	—	—	(2.226)	—	—
Proceeds from borrowings		1.085.250	—		33.707	—	—
Interest paid		(446)	(22.714)	(105.812)	(15)	(748)	(3.335)
Dividends paid		(1.498)	—	—	(51)	—	—
Dividends paid to non-controlling interests		(21.915)	—	—	(634)	—	—
Capital contributions received		—	62.274	—	—	2.006	—
Repayment of loans given	16	—	70.050	—	—	2.316	—
Net cash flows from/(used in) financing activities		1.541.911	(197.759)	(735.812)	48.069	(6.476)	(24.165)
Net (decrease)/increase in cash and cash equivalents		21.945	107.552	(7.633)	(2.558)	3.132	(944)
Cash and cash equivalents at the beginning of the year		111.529	3.977	11.610	3.659	132	395
Effect due to exchange rate changes		—	—	—	3.045	395	681
Cash and cash equivalents at the end of the year		133.474	111.529	3.977	4.146	3.659	132
Cash and cash equivalents are defined by							
					4.146		
Cash and cash equivalents	19	133.474	111.530	3.977	3.659	3.659	132
Bank overdrafts	22	—	(1)	—	—	—	—
		133.474	111.529	3.977	4.146	3.659	132

The notes on pages F-36 to F-68 are an integral part of these consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

(a) Organization and operations

MD Medical Group Investments Limited (the "Company") was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 1 Avlonos Street, Maria House, 5th floor, P.C. 1075, Nicosia, Cyprus.

The consolidated financial statements for the year ended 31 December 2011, 2010 and 2009 consist of the financial statements of the Company and its subsidiaries (which together are referred to as "the Group").

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.

The Group's medical centres typically offer a range of services in the following fields:

- Obstetrics and Gynaecology;
- Neonatology and Paediatrics;
- Fertility and In-Vitro Fertilisation ("IVF") Treatment;
- Family Medicine; and
- Dental Care.

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

Name	Country of incorporation	Activities	Notes	2011 Effective Holding %	2010 Effective Holding %	2009 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services	1	95	95	95
LLC Khaven	Russian Federation	Medical services	2	100	0	0
LLC Velum	Russian Federation	Medical services	2	54	0	0
LLC Capital Group	Russian Federation	Renting of property	2	80	0	0
LLC FimedLab	Russian Federation	Laboratory examinations	2	60	0	0
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	2,5	100	0	0
LLC Clinica Zdorovia	Russian Federation	Medical services	3	60	0	0
LLC Ivamed	Russian Federation	Medical services	3	100	0	0
LLC Dilamed	Russian Federation	Medical services	3	100	0	0
CJSC Listom	Russian Federation	Medical services	3	100	0	0
LLC Ustic-ECO	Russian Federation	Consulting services	3	70	0	0
LLC Ecodeure	Russian Federation	Consulting services	3	85	0	0
LLC Mother and Child Perm	Russian Federation	Medical services	4	80	0	0
LLC Mother and Child Ufa	Russian Federation	Medical services	6	80	0	0
LLC Mother and Child Saint Petersburg	Russian Federation	Medical services	6	60	0	0
LLC MD PROJECT 2010	Russian Federation	Medical services	6	80	0	0
LLC Mother and Child Ugo Zapad	Russian Federation	Medical services	6,7	60	0	0

Notes:

1. In August 2010 the Company acquired from its shareholders their shareholding in CJSC MD PROJECT 2000, a private medical center for a total consideration of US$ 22.500 thousand (RUB: 658.730 thousand). The acquisition has been accounted as a common control transaction, using the predecessor basis of accounting.

2. In October 2010 the Company entered into a Call Option agreement with a third party under the terms of which, the Company received an option to acquire the shares of these entities for the total price of US$ 12.000.000. The Call Option assumed the commitment of the Group to provide a guarantee in favor of LLC Khaven in case LLC Khaven received a loan from a specific Russian bank. In January 2011 the call option was exercised.

1. INCORPORATION AND PRINCIPAL ACTIVITIES (Continued)

3. These entities were all acquired in November 2011 from the same party.
4. This entity was acquired in May 2011.
5. 1% of the share capital of this entity is directly owned by the Company and 99% of the share capital of this Company is indirectly owned through LLC Khaven. Thus effective holding percentage for the Company is 100%.
6. These entities are indirectly owned through LLC Khaven.
7. This entity was incorporated in 2011.

As of 31 December 2011, 100% of the Company's share capital was held in trust by Global Emprendedor Limited, a company incorporated in New Zealand, on behalf of Mr. Mark Kurtser who is the beneficial controlling shareholder of the Group and holds 100% of the Company's share capital.

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.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except in the case of finance leases which are shown at their fair value.

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

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Group.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

(i) *Standards and Interpretations adopted by the EU*

- IFRS 7 (Amendments) "Financial Instruments Disclosures" Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).

(ii) *Standards and Interpretations not adopted by the EU*

- Amendments to IFRS 1—Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures—"Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015)
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).

2. BASIS OF PREPARATION (Continued)

- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12—"Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).
- Amendments to IAS 19—"Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).

  The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group does not expect this Amendment to impact its financial statements.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

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

- The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.

(d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are 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 financial statements are described below:

- *Provision for bad and doubtful debts*

  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

2. BASIS OF PREPARATION (Continued)

- *Provision for obsolete and slow-moving inventory*

  The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

  The amount of provision is recognized in the profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- *Income taxes*

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

- *Impairment of intangible assets*

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

- *Impairment of goodwill*

  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

(e) Functional and presentation currency

The functional currency of the Company is the US dollar (US$). All of the Group entities are located in Russian Federation and have the Russian Ruble (RUB) as their functional currency.

The management opted to present the consolidated financial statements in RUB, rounded to the nearest thousand.

United States dollar amounts (US$) shown as supplementary information in the consolidated statements of comprehensive income, financial position, changes in equity and cash flows are translated from the Russian Ruble (RUB) amounts following the provisions of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", at the official rate of the Central Bank of the Russian Federation.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all companies 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). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Business combinations

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustments are adjustments that arise on the basis of additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

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

Revenue recognition

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

- *Sale of goods*

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

- *Rendering of services*

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Rental income*

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

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance expenses

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

Foreign currency translation

Transactions and balances

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

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

Tax

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Dividends

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

Property, plant and equipment

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

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

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 used for the current and comparative periods are based on the following etsimated useful lives of the property, plant and equipment are as follows:

	Years
Freehold buildings	50
Plant and machinery	1-10
Leased equipment	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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income

Deferred income represents income receipts which relate to future periods.

Intangible assets

(i) *Goodwill*

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

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

Positive goodwill is tested annually for impairment and 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. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) *Patents and trademarks*

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

(iii) *Web site costs*

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

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

Finance leases

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(i) *Trade receivables*

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

(ii) *Prepayments from clients*

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as deferred income as at the reporting date and carried under liabilities.

(iii) *Loans granted*

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

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

(iv) *Derivatives*

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value through profit or loss are transferred to profit or loss.

(v) *Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank overdrafts.

(vi) *Borrowings*

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vii) *Trade payables*

Trade payables are stated at their nominal values.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

Impairment of assets

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

Offsetting financial instruments

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital

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

Provisions

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

Non-current liabilities

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

Comparatives

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

4. REVENUE

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Deliveries	873.839	844.499	768.606
Obstetrics and Gynecology out-patient treatments	506.926	354.479	275.858
Pediatrics out-patient treatments	381.735	205.984	174.143
IVF	340.703	111.585	100.791
Obstetrics and Gynecology in-patient treatments	309.498	243.485	201.816
Pediatrics in-patient treatments	101.210	82.572	81.885
Other medical services	248.083	111.368	106.792
Sales of goods	87.505	52.983	45.534
Other Income	58.260	37.219	34.140
	2.907.759	2.044.174	1.789.565

5. COST OF SALES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Payroll and related social taxes	931.653	564.196	488.254
Materials and supplies used	319.223	180.788	160.381
Depreciation	97.565	130.737	124.289
Property tax	34.534	32.704	34.680
Energy and utilities	31.787	23.283	16.246
Medical services	29.909	19.559	22.247
Repair and maintenance	12.050	4.580	3.330
Other expenses	7.168	609	1.787
	1.463.889	956.456	851.214

6. ADMINISTRATIVE EXPENSES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Payroll and related social taxes	132.214	59.165	46.724
Advertising	25.543	11.295	3.953
Utilities and materials	23.870	30.055	23.067
Legal, consulting and other professional services	23.566	19.014	14.406
Independent auditors' remuneration	14.465	4.172	—
Communication costs	6.139	2.304	1.994
Depreciation	1.477	1.083	1.057
Amortisation	249	56	19
Other expenses	18.090	7.475	15.233
	245.613	134.619	106.453

7. PROFIT FROM OPERATIONS

	Note	2011	2010	2009
		RUB'000	RUB'000	RUB'000
Profit before tax is stated after charging the following items:				
Amortisation (included in "Administrative expenses")	13	249	56	19
Depreciation of property, plant and equipment	12	99.042	131.820	125.346
Staff costs	8	1.063.867	623.361	534.978
Independent auditors' remuneration		14.465	4.172	—

8. STAFF COSTS

	Note	2011	2010	2009
		RUB'000	RUB'000	RUB'000
Payroll		882.825	537.395	460.127
Social insurance and other taxes		181.042	85.966	74.851
Total staff costs	7	1.063.867	623.361	534.978

The average number of employees employed by the Group during the year 2011, 2010 and 2009 were 1.595, 727 and 722 respectively.

9. NET FINANCE INCOME AND EXPENSES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Finance income			
Bank interest	628	363	332
Interest from loans to third parties	—	3.549	124
	628	3.912	456
Finance expenses			
Interest expense			
Interest on bank loans	—	17.661	105.812
Interest on loans from third parties	894	5.053	7.099
Finance leases interest	4.292	—	—
	—	—	—
Other finance expenses			
Bank charges	25.852	16.543	11.651
Bad debt provision	1.038	—	—
Net foreign exchange transaction losses			
Exchange gain	(1.969)	—	—
Exchange loss	14.247	—	—
	44.354	39.257	124.562

The average capitalisation rate on funds borrowed specifically for the construction of the qualifying assets is 10% per annum for 2011 and nil for 2010 and 2009.

Borrowing costs capitalised for qualifying assets amounted to RUB27.312 thousand for 2011 and nil for 2010 and 2009.

10. TAXATION

Tax recognised in profit or loss

	Note	2011	2010	2009
		RUB'000	RUB'000	RUB'000
Corporation tax		246.782	200.217	151.830
Deferred tax—charge/(credit)	24	24.325	(13.656)	(9.453)
Charge for the year		271.107	186.561	142.377

Numerical reconciliation of income tax expense to prima facie tax payable

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Accounting profit before tax	1.195.062	921.357	706.001
Tax calculated at the applicable tax rates of the Group's subsidiaries	239.012	184.271	141.200
Tax effect of expenses not deductible for tax purposes	7.820	15.946	10.630
Tax effect of allowances and income not subject to tax	(50)	—	—
Deferred tax	24.325	(13.656)	(9.453)
Tax as per consolidated statement of comprehensive income—charge	271.107	186.561	142.377

11. PROFIT PER SHARE

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	859.981	697.986	535.443
Weighted average number of ordinary shares in issue during the year	50.003.014	50.000.000	50.000.000
Basic and fully diluted earnings per share	17,20	13,96	10,71

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Property under construction	Plant and equipment	Leased equipment	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
2011					
Cost					
Balance at 1 January	1.523.890	—	561.591	—	2.085.481
Acquisitions through business combinations	360.721	165.433	101.465	—	627.619
Additions	113.852	1.711.307	32.592	169.519	2.027.270
Disposals	—	—	(1.268)	—	(1.268)
Balance at 31 December	1.998.463	1.876.740	694.380	169.519	4.739.102
Depreciation					
Balance at 1 January	150.623	—	447.028	—	597.651
Depreciation during the year	34.777	—	61.441	2.824	99.042
On disposals	—	—	(1.223)	—	(1.223)
Balance at 31 December	185.400	—	507.246	2.824	695.470
Carrying amounts					
Balance at 31 December	1.813.063	1.876.740	187.134	166.695	4.043.632
2010					
Cost					
Balance at 1 January	1.523.890	1.217	529.028	—	2.054.135
Additions	—	—	31.603	—	31.603
Disposals	—	—	(257)	—	(257)
Transfer from construction in progress	—	(1.217)	1.217	—	—
Balance at 31 December	1.523.890	—	561.591	—	2.085.481
Depreciation					
Balance at 1 January	120.007	—	345.925	—	465.932
Depreciation during the year	30.616	—	101.204	—	131.820
On disposals	—	—	(101)	—	(101)
Balance at 31 December	150.623	—	447.028	—	597.651
Carrying amounts					
Balance at 31 December	1.373.267	—	114.563	—	1.487.830

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land and buildings	Property under construction	Plant and equipment	Leased equipment	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
2009					
Cost					
Balance at 1 January	1.523.890	204	510.655	—	2.034.749
Additions	—	1.013	18.449	—	19.462
Disposals	—	—	(76)	—	(76)
Balance at 31 December	1.523.890	1.217	529.028	—	2.054.135
Depreciation					
Balance at 1 January	89.392	—	251.248	—	340.640
Depreciation during the year	30.615	—	94.731	—	125.346
On disposals	—	—	(54)	—	(54)
Balance at 31 December	120.007	—	345.925	—	465.932
Carrying amounts					
Balance at 31 December	1.403.883	1.217	183.103	—	1.588.203

Borrowings costs capitalised for qualifying assets during year amounted to RUB 27.312 thousand for 2011 and nil for 2010 and 2009.

The total net book value of property, plant and equipment which is held as collateral for the borrowings, loans and leased assets are RUB 1.735.650 thousand for 2011, nil for 2010 and RUB 1.586.986 thousand for 2009.

13. INTANGIBLE ASSETS

	Goodwill	Patents and trademarks	Web site	Total
	RUB'000	RUB'000	RUB'000	RUB'000
2011				
Cost				
Balance at 1 January	—	—	280	280
Aquisitions of subsidiaries	30.051	468	—	30.519
Additions	—	481	—	481
Balance at 31 December	30.051	949	280	31.280
Amortisation				
Balance at 1 January	—	—	75	75
Amortisation during the year year	—	193	56	249
Balance at 31 December	—	193	131	324
Carrying amounts				
Balance at 31 December	30.051	756	149	30.956

13. INTANGIBLE ASSETS (Continued)

	Goodwill	Patents and trademarks	Web site	Total
	RUB'000	RUB'000	RUB'000	RUB'000
2010				
Cost				
Balance at 1 January	—	—	280	280
Balance at 31 December	—	—	280	280
Amortisation				
Balance at 1 January	—	—	19	19
Amortisation during the year year	—	—	56	56
Balance at 31 December	—	—	75	75
Carrying amounts				
Balance at 31 December	—	—	205	205
2009				
Cost				
Balance at 1 January	—	—	—	—
Aquisitions of subsidiaries	—	—	—	—
Additions	—	—	280	280
Balance at 31 December	—	—	280	280
Amortisation				
Balance at 1 January	—	—	—	—
Amortisation during the year year	—	—	19	19
Balance at 31 December	—	—	19	19
Carrying amounts				
Balance at 31 December	—	—	261	261

14. ACQUISITION OF SUBSIDIARIES

Subsidiaries acquired during 2011 provide medical services in such disciplines as Gynaecology, Neonatology and Paediatrics, Fertility and In-Vitro Fertilisation ("IVF") Treatment, Family Medicine; and Dental Care. These entities are located in Moscow, Saint Petersburg, Ufa and Perm. The purpose of these acquisitions was the expansion of the Group's activities into related business geographically and the broadening of the range of services that the Group offers aiming towards a fuller range of healthcare services for mother, child and family.

14. ACQUISITION OF SUBSIDIARIES (Continued)

Goodwill arising on consolidation:

	Subsidiaries acquired through Call Option in January 2011	Subsidiaries acquired in November 2011	Subsidiary acquired in May 2011	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Consideration transferred—cash	366.874	135.061	8	501.943
Plus: non-controlling interests at acquisition date	46.950	39.230	2	86.182
Less: Fair value of the net assets acquired	(452.281)	(151.546)	(9)	(603.836)
Goodwill arising on consolidation	3.586	26.464	1	30.051
Excess of the Group's interest in the fair value of the new subsidiaries' net assets over the fair value of the consideration paid for their acquisition arising on consolidation	(42.043)	(3.719)	—	(45.762)

Goodwill arose in the above mentioned acquisitions because the cost of combinations included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The excess of the Group's interest in the fair value of the net assets acquired over the cost of acquisition was recognised in the consolidated statement of comprehensive income. This arose mainly on the acquisition of subsidiaries through the exercise of Call Option referred to in note 1, because the terms of these acquisitions were formally agreed some months prior to the actual acquisition date.

The assets and liabilities acquired were as follows:

	Carrying amounts				Fair vales			
	Subsidiaries acquired through Call Option in January 2011	Subsidiaries acquired in November 2011	Subsidiary acquired in May 2011	Acquiree's carrying amount before combination	Subsidiaries acquired through call option in January 2011	Subsidiaries acquired in November 2011	Subsidiary acquired in May 2011	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Intangible assets	468	—	—	468	468	—	—	468
Property, plant and equipment	292.185	29.503	—	321.688	466.585	161.033	—	627.618
Investments	14.925	—	—	14.925	14.925	—	—	14.925
Deferred tax assets	—	931	—	931	—	—	—	—
Inventories	7.440	1.366	—	8.806	7.440	1.366	—	8.806
Trade and other receivables	341.690	1.818	—	343.508	341.690	1.818	—	343.508
Cash and cash equivalents	26.796	32.075	10	58.881	26.796	32.075	10	58.881
Current tax assets	813	8.244	—	9.057	813	8.244	—	9.057
Trade payables and other payables	(80.938)	(37.917)	(1)	(118.856)	(80.938)	(37.917)	(1)	(118.856)
Current tax liabilities	(5.472)	(3.638)	—	(9.110)	(5.472)	(3.638)	—	(9.110)
Borrowings	(288.763)	—	—	(288.763)	(288.763)	—	—	(288.763)
Deferred tax liabilities	(4.800)	—	—	(4.800)	(31.263)	(11.435)	—	(42.698)
Net assets	304.344	32.382	9	336.735	452.281	151.546	9	603.836

14. ACQUISITION OF SUBSIDIARIES (Continued)

Trade and other receivables acquired through business combinations mainly consist of trade receivables and CAPEX prepayments. The gross contractual amounts to be received equal to the carrying amount and fair value. All contractual amounts are expected to be received.

The valuation techniques and key models inputs used to determine the fair values of the assets and liabilities acquired are described in note 30 of the consolidated financial statements.

	2011
	RUB'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	(501.943)
Cash and cash equivalents acquired	58.881
	(443.062)

Non-controlling interests

These acquisitions were accounted for using the acquisition method and the non-controlling interest was measured at proportionate share in the recognised amounts of the acquiree's identifiable net assets.

The amounts of revenue contributed to the Group's revenue from the subsidiaries acquired through the Call Option in January 2011 amounted to RUB 565.621 thousand and the amount of profit contributed to the Group's profit from the subsidiaries acquired through the Call Option in January 2011 amounted to RUB 93.034 thousand. As the acquisition took place in January 2011, it is expected that amounts that would have been contributed to the Group as though the acquisition date of these subsidiaries occurred at the beginning of the year, would be approximately as above.

15. COMMON CONTROL TRANSACTION

In August 2010 the Company acquired from its shareholders their shareholding in CJSC MD Project 2000, a private medical center Company for a total consideration of US$22.500.000. The acquisition has been accounted using the predecessor basis on accounting. Under this method the consolidated Financial Statements of the Group are presented as if CJSC MD Project 2000 has been always the subsidiary of the Company since the date the subsidiary has been incorporated. As a result the carrying amount of net assets of the subsidiary acquired consist of cash only amounting to RUB 2.857 thousand.

The Common Control Transaction Reserve has been calculated as follows:

	31 December 2011	31 December 2010	31 December 2009
	RUB'000	RUB'000	RUB'000
Share Capital of the Company as incorporated within 2010	—	—	149.316
Share Premium of the Company as incorporated within 2010	—	—	119.334
Carrying value of Net assets of subsidiary acquired	(2.857)	(2.857)	(2.857)
Consideration paid to acquire the subsidiary	685.730	685.730	—
	682.873	682.873	265.793

16. LOANS RECEIVABLE

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Long-term			
Loans receivable	—	266.000	—
Interest on loan receivable	—	3.211	—
	—	269.211	—
Short-term			
Loan receivable from third parties	—	—	70.050

The long term loan was granted to LLC Khaven on the basis of financial agreement for a total credit facility of RUB 1.500.000 thousand. The loan carries interest at the rate of 7% and is unsecured. During 2011, LLC Khaven became a subsidiary of the Company thus this loan was eliminated on consolidation.

The short term loans were granted to a third party during 2009. The interest rates were 13%–15% and the loans were fully repaid in 2010. Interest charged in relation to these loans amounted to RUB 378 thousand.

17. INVENTORIES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Consumables	27.071	13.884	13.468
	27.071	13.884	13.468

18. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Trade receivables	18.569	18.965	15.309
Deferred expenses	15.254	4.382	3.992
CAPEX prepayments	461.763	—	—
Other receivables	6.164	—	—
	501.750	23.347	19.301
Non-current portion	461.763	—	—
Current portion	39.987	23.347	19.301
	501.750	23.347	19.301

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

18. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES (Continued)

Ageing analysis of trade and other receivables:

	Gross amount 2011	Impairment 2011	Gross amount 2010	Impairment 2010	Gross amount 2009	Impairment 2009
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Not past due	24.733	—	18.965	—	15.309	—
Past due	1.038	(1.038)	—	—	—	—
	25.771	(1.038)	18.965	—	15.309	—

CAPEX prepayments represent capital expenditure payments made under contract by the Group for construction works which have not yet been initiated.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 29 of the consolidated financial statements.

19. CASH AND CASH EQUIVALENTS

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Cash at bank and in hand	133.474	111.530	3.977

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 29 of the consolidated financial statements.

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Currency:			
Russian ruble	130.770	111.530	3.977
United States dollars	2.704	—	—
Euro	—	—	—
	133.474	111.530	3.977

20. SHARE CAPITAL

	2011	2011	2011	2010	2010	2010	2009	2009	2009
	Number of shares	RUB'000	US$'000	Number of shares	RUB'000	US$'000	Number of shares	RUB'000	US$'000
Authorised									
Ordinary shares $0,10 each	50.000.000	—	5.000	50.000.000	—	5.000	50.000.000	—	5.000
Increase in share capital	100.000	—	10	—	—	—	—	—	—
	50.100.000	—	5.010	50.000.000	—	5.000	50.000.000	—	5.000
Issued and fully paid									
Ordinary shares of $0,10 each	50.000.000	149.316	5.000	50.000.000	149.316	5.000	50.000.000	149.316	5.000
Issue of new ordinary shares	100.000	320	10	—	—	—	—	—	—
Balance at 31 December	50.100.000	149.636	5.010	50.000.000	149.316	5.000	50.000.000	149.316	5.000

Authorised capital

In accordance with the provisions of the Company's Memorandum of Association, on the date of incorporation the authorized share capital of the Company was US$5.000, divided into 50.000 ordinary shares of US$0,10 each.

20. SHARE CAPITAL (Continued)

On 6 August 2010 the Company increased its authorized share capital to US$5.000.000 divided into 50.000.000 ordinary shares of US$0,10 each, by creating 49.950.000 additional shares of US$0,10 of the same class.

On 19 December 2011 the Company increased its authorized share capital to US$5.005.000 divided into 50.050.000 ordinary shares of US$0,10 each, by creating 50.000 additional shares of US$0,10 of the same class.

On 21 December 2011 the Company increased its authorized share capital to US$5.010.000 divided into 50.100.000 ordinary shares of US$0,10 each, by creating 50.000 additional shares of US$0,10 of the same class.

Issued capital

Upon incorporation the Company issued to the subscribers of its Memorandum of Association 50.000 ordinary shares of US$0,10 each, which were fully paid.

On 6 August 2010, following a written resolution of the members the issued share capital of the Company increased to US$5.000.000, divided into 50.000.000 ordinary shares of US$0,10 each, by issuing 49.950.000 new shares for the total cash purchase consideration of US$8.991.000. The total share premium arising from the above-mentioned issue of capital amounting to US$3.996.000 (US$0,08 per share) was credited to the share premium reserve.

On 19 December 2011 the issued share capital of the Company increased to US$5.005.000, divided into 50.050.000 ordinary shares of US$0,10 each, by issuing 50.000 new shares for the total cash purchase consideration of US$15.454.500. The total share premium arising from the above-mentioned issue of capital amounting to US$15.449.500 (US$308,99 per share) was credited to the share premium reserve.

On 21 December 2011 the issued share capital of the Company increased to US$5.010.000, divided into 50.100.000 ordinary shares of US$0,10 each, by issuing 50.000 new shares for the total cash purchase consideration of US$3.840.000. The total share premium arising from the above-mentioned issue of capital amounting to US$3.835.000 (US$76,70 per share) was credited to the share premium reserve.

21. RESERVES

Share premium

Share premium reserves include amounts that were received from the issue of share capital at a per share price greater than the nominal value per share.

Common control

Common control transactions reserve includes differences between the carrying amount of net assets acquired through purchases of subsidiaries form parties under common control and the consideration for their acquisition.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Russian Rubles) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Capital contribution

Capital contribution reserves include contributions made by the shareholders directly in the reserves. The shareholders do not have any rights on these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval.

Retained earnings

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

22. LOANS AND BORROWINGS

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Long term liabilities			
Bank loans	1.049.992	—	521.000
Other loans	9.836	—	55.019
	1.059.828	—	576.019
Short term liabilities			
Bank loans	29.700	—	—
Bank overdraft	—	1	—
	29.700	1	—

Maturity of loans and borrowings:

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Within one year	29.700	—	—
Between one and five years	1.059.828	—	576.019
	1.089.528	—	576.019

For description of securities and covenants regarding loans and borrowing please refer to note 12 and note 32.

As at 31 December 2011, 2010 and 2009 the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate %	Year of maturity	31 December 2011 Face value	31 December 2011 Carrying amount	31 December 2010 Face value	31 December 2010 Carrying amount	31 December 2009 Face value	31 December 2009 Carrying amount
				RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Secured bank loan	RUB	10%	2013-2018	1.029.692	1.029.692	—	—	—	—
Secured bank loan	RUB	13%	2012-2013	50.000	50.000	—	—	—	—
Unsecured loans from third parties	RUB	3%-6%	2012-2013	9.836	9.836	—	—	—	—
Secured bank loan	RUB	14%-19%	2011-2014	—	—	—	—	1.920.000	521.000
Unsecured loans from third parties	RUB	0,10%	2011-2012	—	—	—	—	990.280	55.019
Bank overdraft	Euro	9,25%	2011	—	—	1	1	—	—
				1.089.528	1.089.528	1	1	2.910.280	576.019

The exposure of the Group to interest rate risk in relation to financial instruments is reported in note 29 of the consolidated financial statements.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2011	Interest 2011	Principal 2011	Minimum lease payments 2010	Interest 2010	Principal 2010	Minimum lease payments 2009	Interest 2009	Principal 2009
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Within one year	105.059	2.525	102.534	—	—	—	—	—	—
	105.059	2.525	102.534	—	—	—	—	—	—

During 2011, MD PROJECT 2000 concluded a finance lease contract for two items of medical equipment for a new diagnostic division for adults. The cost of the two items of equipment is RUB 169.519 thousand.

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

The average lease term is 12 months. For the year ended 31 December 2011, the average effective borrowing rate was 7%. Useful life of this equipment is 10 years as per management's estimation.

All lease obligations are denominated in Russian rubles.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

The exposure of the Group to interest rate risk in relation to financial instruments is reported in note 29 of the consolidated financial statements.

24. DEFERRED TAX

Deferred tax liability

	2011 RUB'000	2010 RUB'000	2009 RUB'000
Balance at 1 January	—	—	—
Debited in equity	(11.467)	—	—
Acquisition of subsidiaries	(42.698)	—	—
Charged to the statement of comprehensive income	14.840	—	—
Other	208	—	—
Balance at 31 December	(39.117)	—	—

The balances comprise of temporary differences attributable to:

	2011 RUB'000	2010 RUB'000	2009 RUB'000
Property, plant and equipment	(37.493)	—	—
Payables	(1.624)	—	—
	(39.117)	—	—

Deferred tax assets

	2011 RUB'000	2010 RUB'000	2009 RUB'000
Balance at 1 January	39.476	25.820	16.367
Charged to the statement of comprehensive income	(39.165)	13.656	9.453
Balance at 31 December	311	39.476	25.820

The amount of RUB 39.165 thousand charged to the Statement of Comprehensive Income represents deferred tax expense for the year ended 31 December 2011 resulting from changes in tax rates.

The balances comprise of temporary differences attributable to:

	2011 RUB'000	2010 RUB'000	2009 RUB'000
Property, plant and equipment	—	(10.158)	(11.871)
Accruals	—	5.865	4.044
Deferred Income	—	43.169	34.600
Loans and borrowings	—	—	(988)
Tax losses carried forward	311	—	
Other	—	600	35
	311	39.476	25.820

25. TRADE AND OTHER PAYABLES

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Trade payables	171.558	19.626	22.823
Other payables	9.594	350.423	1.138
Accruals	75.204	34.337	20.219
Payables to employees	64.158	37.259	28.844
	320.514	441.645	73.024
Non-current portion	—	350.423	—
Current portion	320.514	91.222	73.024
	320.514	441.645	73.024

Other payables amounting to RUB 9.594 thousand for 2011 and RUB 350.423 thousand for 2010, represent the balance due to Priceless Management Limited for the acquisition of CJSC MD PROJECT 2000 and is repayable in 2012.

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Currency:			
Russian ruble	191.853	91.222	73.024
United States dollars	100.033	350.423	—
Euro	28.628	—	—
	320.514	441.645	73.024

The exposure of the Group to liquidity risk in relation to financial instruments is reported in note 29 of the consolidated financial statements.

26. DEFERRED INCOME

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Client advances	368.361	229.588	189.602
	368.361	229.588	189.602
Deferred income after more than one year	41.241	23.984	13.666
Deferred income within one year	327.120	205.604	175.936
	368.361	229.588	189.602

Deferred income that relates to long term client advances represents money received from clients on stem cells storage contracts lasting from 5 to 20 years.

Deferred income that relates to short term client advances represents money received from clients on stem cells storage contracts, childbirth management contracts lasting from 3 to 9 months, and children care contracts lasting for one year.

27. DIVIDENDS

During 2011, and prior to the issue of the new share capital, the Board of Directors announced an interim dividend out of 2011 profits amounting to RUB 1.498 thousand (US$:51 thousand), which equals RUB 0,02996 (US$:0,00102) per share.

Dividends are subject to a deduction of special contribution to the defence fund at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011

27. DIVIDENDS (Continued)

and 17% thereafter) for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

28. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

28.1 Members of key management personnel

The remuneration of the members of the key management personnel for the year ended 31 December 2011 was RUB 18.387 thousand, for the year ended 31 December 2010 was RUB 10.109 thousand and for the year ended 31 December 2009 was RUB 8.740 thousand.

28.2 Guarantees issued in favor of the Group

A member of the key management personnel gave a personal guarantee for the loan payable to the bank in favor of the CJSC MD Project 2000. This loan was outstanding as at 2009 but was settled during 2010.

28.3 Loan Payable to members of the key management

During 2006 CJSC MD Project 2000 received an interest free loan of 3.000 RUB from a member of the key management personnel. The loan was repaid within 2009.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

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

- Credit risk
- Liquidity risk
- Market risk

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

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

(i) Credit risk

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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:

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Loans receivable	—	269.211	70.050
Trade and other receivables	24.733	18.965	15.309
Cash and cash equivalents	133.474	111.530	3.977
	158.207	399.706	89.336

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's has no significant concentration of credit risk regarding trade and other receivables due to the long-term relationships with main suppliers. This significantly reduces possible delays and other negative consequences that may potentially affect matching the maturity of assets with liabilities. Furthermore, according to internal policy, all clients have to pay in advance except for some particular cases when clients issue "Guarantee letter to pay", which ensures the services are duly paid afterwards.

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Exposure to credit risk by type of counterparty			
Individuals	6.782	8.268	10.164
Legal entities	17.951	10.697	5.145
	24.733	18.965	15.309
Exposure to credit risk by geographic location			
Domestic	24.733	18.965	15.309

Cash and cash equivalents

The Group held cash and cash equivalents of RUB 133.474 thousand at 31 December 2011, RUB 111.530 thousand at 31 December 2010 and RUB 3.977 thousand at 31 December 2009, which represents its maximum credit exposure on these assets.

Cash at bank based on credit ratings by Moody's

	Number of banks		
	2011	2010	2009
Rating			
Baa1	Two	One	One
Ba1	—	One	—
Ba2	Two	—	—
B2	One	—	—
Ba3	One	—	—
N/A	Three	Two	Two

Guarantees

The Group's policy is to provide financial guarantees only to its subsidiaries.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

On 26 April 2011 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB 2.809.467 thousand. As at 31 December 2011 the amount of outstanding loan was equal to RUB 1.029.692 thousand. The guarantee maturity is 10 years.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Group maintains a credit facility of RUB 2.809.467 thousand for the construction of a clinic. Facility already used as at 31 December 2011 amounted to RUB 1.029.692 thousand and capital commitments in relation to this construction amounted to RUB 2.322.757 thousand.

In March 2012 the Group signed an additional credit facility of RUB 404.919 thousand with a Russian bank so as to finance the additional construction costs of a clinic.

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

31 December 2011	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	1.079.692	1.616.990	20.403	116.616	163.479	666.877	649.615
Obligations under finance leases	102.534	105.059	30.836	74.223	—	—	—
Other loans	9.836	11.611	—	212	11.399	—	—
Trade payables	171.558	171.558	171.558	—	—	—	—
Other payables and accrued expenses	148.956	148.956	66.172	82.784	—	—	—
	1.512.576	2.054.174	288.969	273.835	174.878	666.877	649.615

	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
31 December 2010							
Bank overdrafts	1	1	1	—	—	—	—
Trade payables	19.626	19.626	19.626	—	—	—	—
Other payables and accrued expenses	422.019	422.019	42.270	29.326	350.423	—	—
	441.646	441.646	61.897	29.326	350.423	—	—
31 December 2009							
Loans and borrowings	576.019	641.422	—	—	—	641.422	—
Trade payables	22.823	22.823	22.823	—	—	—	—
Other payables and accrued expenses	50.201	50.201	29.982	20.219	—	—	—
	649.043	714.446	52.805	20.219	—	641.422	—

As disclosed in Note 31, the Group has secured bank loan which contains debt covenants. The breach of covenants may require the Group to repay the loan earlier than indicated in the above table.

(iii) Market risk

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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:

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Fixed rate instruments			
Financial assets	—	269.211	70.050
Financial liabilities	(1.192.062)	—	(55.019)
Variable rate instruments			
Financial assets	—	—	—
Financial liabilities	—	(1)	(521.000)
	(1.192.062)	269.210	(505.969)

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates, remain constant.

	Profit or Loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2011				
Variable rate instruments	—	—	—	—
31 December 2010				
Variable rate instruments	—	—	—	—
31 December 2009				
Variable rate instruments	(7.348)	7.348	(7.348)	7.348

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 measurement 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 did not have any exposure to currency risk during the year ended 31 December 2010 and during the year ended 31 December 2009.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Group's exposure to foreign currency risk for the year ended 31 December 2011 was as follows:

	EURO'000	US$'000
Assets		
Cash at bank	—	84
Liabilities		
Other payables and accruals	(687)	(3.107)
Net exposure	(687)	(3.023)

The following significant exchange rates applied during the year:

	Average rate			Reporting date spot rate		
	2011	2010	2009	2011	2010	2009
US$	29,3874	30,3692	31,7231	32,1961	30,4769	30,2442
EURO	40,8848	40,2980	—	41,6714	40,3331	—

Sensitivity analysis

A 10% strengthening of the Russian Rubles against the following currencies at 31 December 2011 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Russian Rubles against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss			Equity		
	2011	2010	2009	2011	2010	2009
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
US$	9.733	—	—	9.733	—	—
EURO	2.863	—	—	2.863	—	—
	12.596	—	—	12.596	—	—

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 debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total loan borrowings. Total equity is calculated as "equity" as shown in the consolidated statement of financial position.

The Group's capital is as follows:

	2011	2009
	RUB'000	RUB'000
Total loan borrowings/net debt	1.192.062	576.019
Less: Cash and cash equivalents	(133.474)	(3.977)
Net debt	1.058.588	572.042
Total equity	2.807.256	861.405
Debt to equity ratio	37,71%	66,41%

There were no loans and borrowings for the year ended 31 December 2010.

30. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

Furthermore, management engaged a registered independent appraiser, Messrs, CJSC Center Professionalnoy Otsenki, having a recognized professional qualification to assist with the estimation of fair value of the Group's property, plant and equipment acquired through business combinations, for the purpose of calculation of the goodwill arising from the said business combinations.

The fair value of property, plant and equipment recognised as a result of the business combinations is:

- the average between the market approach and the income approach for the buildings. Fair values based on the market approach were calculated by using market prices for similar items of property, being the estimated amount for which a building could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably. Fair values based on the income approach were calculated by converting a single year's net operating income expectancy into a value estimate (direct capitalization).
- the minimum of the cost approach and the market approach for the equipment. Fair values based on the market approach were calculated by using market prices for similar items being the estimated amount for which an item of equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Fair values based on the cost approach were calculated by using depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- Construction projects (including land, construction in progress and capital expenditure prepayments) were valued by using the income approach. Fair values based on income approach were calculated based on discounted cash flows expected to be derived from the use of these assets.

31. 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 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 mainly located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets risks 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. This consolidated financial statements reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Russian tax environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation

31. CONTINGENT LIABILITIES (Continued)

by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncement and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

32. COMMITMENTS

(a) Capital commitments

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

	2011	2010	2009
	RUB'000	RUB'000	RUB'000
Property, plant and equipment	4.077	—	—
Freehold buildings	33.940	—	—
Construction contracts	2.322.757	—	—
	2.360.774	—	—

(b) Pledged assets and guarantees

2009

As at 31 December 2009 the Group pledged freehold buildings amounting to RUB 1.403.883 thousand and medical equipment amounting to RUB 183.103 thousand in connection with bank loans and borrowings. The Group also pledged to the bank its long-term land rent right of the land plot. In addition third parties gave personal guarantees for the loan payable to the bank.

2010

As at 31 December 2010 there were no pledged assets and guarantees.

2011

On 26 April 2011 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB 2.809.467 thousand. The amount of outstanding loan was equal to RUB 1.029.692 thousand as at 31 December 2011. The guarantee maturity is 10 years. Loan agreement with the bank provides covenants for both CJSC MD PROJECT 2000 and LLC Khaven mainly in relation to revenue and net income. As at 31 December 2011 and 31 March 2012 both companies met their covenants.

Details in relation to pledged assets are given in note 12 on the consolidated financial statements.

33. SUPPLEMENTARY INFORMATION

United States Dollar amounts (US$) shown in the consolidated statements of comprehensive income, financial position, changes in equity and cash flows are translated from the Russian Ruble (RUB) amounts following the provisions of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", at the official rate of the Central Bank of the Russian Federation.

33. SUPPLEMENTARY INFORMATION (Continued)

The statement of financial position has been translated using the rate as at 31 December 2011 which was US$1= RUB 32,1961 for 2011, US$1= RUB 30,4769 for 2010 and US$1=RUB 30,2442 for 2009 and the statement of comprehensive income has been translated at the average exchange rate of the year which was US$1=RUB29,3874 for 2011, US$1 = RUB 30,3692 for 2010 and US$1=RUB 31,7231 for 2009. Differences arising on translation are recognized directly in Translation reserves.

34. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2012 a subsidiary company signed a loan agreement with a Russian bank in the total amount of RUB 404.919 thousand in order to finance the construction program of the Group. The loan is repayable in accordance with an approved schedule starting from 30 October 2014 to 31 January 2019. The annual interest rate is 10% per annum and is paid monthly.