

**National Centre for Neurosurgery JSC**

Forms of financial statements,  
In accordance with list, forms approved in statutory act of  
authorized state body of the Republic of Kazakhstan  
in accordance with Law of Republic of Kazakhstan  
as of 28 February 2007 № 234-III “Accounting and financial reporting”

*for the year ended 31 December 2015  
with independent auditors report*

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Independent auditors' report

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## **Independent auditors' report**

To the Shareholder and Management of Joint Stock Company "National Centre for Neurosurgery" JSC

We have audited the accompanying Forms of Financial Statements of Joint Stock Company "National Centre for Neurosurgery" (the "Company") as at 31 December 2015 and for the year then ended, comprising Forms 1, 2, 3, 4 and explanatory notes to the forms of financial statements (hereinafter referred to as the "reporting forms"). The Reporting Forms have been prepared by management in accordance with the order of the Minister of Finance of the Republic of Kazakhstan # 143 dated 27 February 2015.

### ***Management's responsibility for preparation of the reporting forms***

Management of the Company is responsible for the preparation and fair presentation of reporting forms in accordance with the order of the Minister of Finance of the Republic of Kazakhstan # 143 dated 27 February 2015, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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### Opinion

In our opinion, the reporting forms present fairly, in all material respects, the financial position of Joint Stock Company "National Centre for Neurosurgery" as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the order of the Minister of Finance of the Republic of Kazakhstan # 143 dated 27 February 2015.

### Basis of accounting

Without modifying our opinion, we draw attention to the fact that the reporting forms are prepared by the Company to meet the requirements of the order of the Ministry of Finance of the Republic of Kazakhstan # 143 dated 27 February 2015. As a result, the reporting forms may not be suitable for another purpose.

### Other matter

The Company has prepared financial statements for the year ended 31 December 2015 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholder and management of the Company dated 1 March 2016.

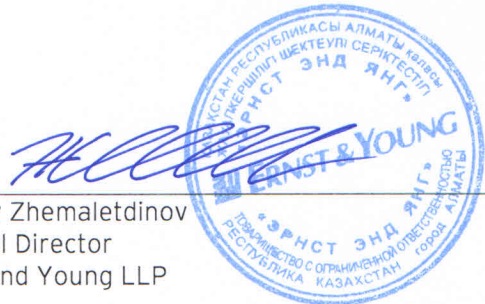
*Ernst & Young LLP*



Alexandr Nazarkulov  
Auditor

Auditor qualification certificate  
No. МФ-0000059 dated 6 January 2012

1 March 2016



Evgeny Zhemaletdinov  
General Director  
Ernst and Young LLP

State audit license for audit activities on the  
territory of the Republic of Kazakhstan: series  
МФЮ-2 No. 0000003 issued by the Ministry of  
Finance of the Republic of Kazakhstan  
on 15 July 2005

## BALANCE SHEET

Form № 1

As at 31 December 2015

Company name: National Centre of Neurosurgery JSCType of activities: Medical, educational activitiesForm of legal entity incorporation: Joint Stock CompanyForm of statements: non-consolidatedAverage number of employees: 552 employeesType of entrepreneurship: LargeLegal address of the Company: Republic of Kazakhstan, 010000, Astana city, Esil region, Turan avenue, 34/1

In thousands of Tenge

Assets	Line code	Closing balance	Beginning balance
<b>I. Current assets</b>			
Cash and cash equivalents	010	1.512.160	1.002.809
Financial assets available for sale	011		–
Derivative financial instruments	012		–
Financial assets at a fair value through profit and loss	013		–
Financial assets held to maturity	014		–
Other current financial assets	015	1.896.912	1.203.510
Short-term trade and other accounts receivable	016	87.290	133,816
Current income tax	017		
Inventory	018	273.812	181,285
Other current assets	019	3.947	3,059
<b>Total current assets (sum of lines from 010 to 019)</b>	100	3.774.121	2,524,479
Assets (or disposal groups) available for sale	101		–
<b>II. Non-current assets</b>			
Financial assets held for sale	110		–
Derivative financial instruments	111		–
Financial assets at fair value through profit and loss	112		–
Financial assets held to maturity	113		–
Other financial assets	114	41.580	41,580
Long-term trade and other accounts receivable	115		–
Investments accounted for using the equity method	116		–
Investment properties	117		–
Property, plant and equipment	118	6.253.792	6,039,868
Biological assets	119		–
Exploration and evaluation assets	120		–
Intangible assets	121	23.943	31,746
Deferred tax assets	122		–
Other non-current assets	123	76.975	29,208
<b>Total non-current assets (sum of lines from 110 to 123)</b>	200	6.396.290	6,142,402
<b>Balance (line 100 + line 101 + line 200)</b>		10.170.411	8,666,881

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

**BALANCE SHEET (continued)**

Form № 1

In thousands of Tenge

Equity and liabilities	Line code	Closing balance	Beginning balance
<b>III. Current liabilities</b>			
Borrowings	210	-	-
Derivative financial instruments	211	-	-
Other current financial liabilities	212	-	-
Short-term trade and other accounts payable	213	67.140	24.709
Short-term provisions	214	-	-
Current income tax liabilities	215	-	-
Due to employees	216	81.513	75.846
Other current liabilities	217	151.504	87.669
<b>Total current liabilities (sum of lines from 210 to 217)</b>	300	<b>300.157</b>	188.224
Liabilities of disposal groups held for sale	301	-	-
<b>IV. Non-current liabilities</b>			
Borrowings	310	-	-
Derivative financial instruments	311	-	-
Other non-current financial liabilities	312	-	-
Long-term trade and other accounts payable	313	-	-
Long-term provisions	314	-	-
Deferred tax liabilities	315	-	-
Other non-current liabilities	316	1.475.817	758.835
<b>Total non-current liabilities (sum of lines from 310 to 316)</b>	400	<b>1.475.817</b>	758.835
<b>V. Equity</b>			
Share capital	410	7.443.026	7.443.026
Share premium	411	-	-
Treasury shares	412	-	-
Capital reserves	413	409.259	409.259
Accumulated loss	414	542.152	(132.463)
<b>Equity attributable to owners of the parent (sum of lines from 410 to 414)</b>	420	<b>8.394.437</b>	7.719.822
Non-controlling interest	421	-	-
<b>Total equity (line 420 +/- line 421)</b>	500	<b>8.394.437</b>	7.719.822
<b>Balance (line 300 + line 301 + line 400 + line 500)</b>		<b>10.170.411</b>	8.666.881

Chairman of the Management Board


  
 Akshulakov S.K.

Financial Director

  
 Karlenov K.A.

Chief Accountant

  
 Yermaganbetova A.A.

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

**INCOME STATEMENT**

Form № 2

For the year ended 31 December 2015

*In thousands of Tenge*

Description	Line code	For the reporting period	For the previous period
Revenue	010	4.130.118	3.969.679
Cost of sales of goods and services	011	(4.642.379)	(3.813.240)
<b>Gross profit (line 010 – line 011)</b>	012	<b>(512.261)</b>	156.439
Selling expenses	013	–	–
Administrative expenses	014	(335.779)	(263.359)
Other expenses	015	(109.527)	(294)
Other income	016	1.568.979	91.113
<b>Operating loss (+/- lines from 012 to 016)</b>	020	<b>611.412</b>	(16.101)
Finance income	021	63.203	75.205
Finance costs	022	–	–
Share of profit/(loss) of an associate and of a joint-venture accounted for using equity method	023	–	–
Other non-operating income	024	–	–
Other non-operating expenses	025	–	–
<b>Profit/(loss) before tax (+/- lines from 020 to 025)</b>	100	<b>674.615</b>	59.104
Income tax expense	101	–	–
<b>Profit/(loss) after tax from continuing operations (line 100 – line 101)</b>	200	<b>674.615</b>	59.104
Profit/(loss) after tax from discontinued operations	201	–	–
<b>Profit for the year attributable to (line 200 + line 201)</b>	300	<b>674.615</b>	59.104
Owners of the parent		674.615	59.104
Non-controlling interests		–	–

*The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.*

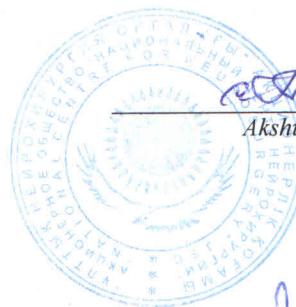
**INCOME STATEMENT (continued)**

Form № 2

*In thousands of Tenge*

Description	Line code	For the reporting period	For the previous period
<b>Other comprehensive income (sum of lines from 410 to 420)</b>	400	-	-
Including:		-	-
Revaluation of fixed assets	410	-	-
Revaluation of financial assets held for trading	411	-	-
Share of comprehensive income/(loss) of an associate and of a joint venture recognized per equity method	412	-	-
Actuarial gains/(losses) on defined benefit plans	413	-	-
Effect of tax rate changes on subsidiaries' deferred tax	414	-	-
Hedging of cash flows	415	-	-
Foreign exchange difference from investments into foreign companies	416	-	-
Hedging of a net investment into foreign operations	417	-	-
Other components of other comprehensive income	418	-	-
Reclassification entry of gain/(loss)	419	-	-
Income tax effect of components of other comprehensive income/loss	420	-	-
<b>Total comprehensive income/(loss) (line 300 + line 400)</b>	500	<b>674.615</b>	59.104
Total comprehensive income attributable to:			
Owners of the parent		<b>674.615</b>	59.104
Non-controlling interest		-	-
<b>Earnings per share</b>	600	-	-
Including:		-	-
Basic earnings per share:		-	-
from continued operations		-	-
from discontinued operations		-	-
Diluted earnings per share:		-	-
from continued operations		-	-
from discontinued operations		-	-

Chairman of the Management Board



Akshulakov S.K.

Financial Director

Kairlenov K.A.

Chief Accountant

Yermaganbetova A.A.

*The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.*

## STATEMENT OF CASH FLOWS

Form № 3

For the year ended 31 December 2015

In thousands of Tenge

Description	Line code	For the reporting period	For the previous period
<b>I. Operating activities</b>			
<b>1. Total cash inflow (sum of lines from 011 to 016)</b>	010	<b>5.727.709</b>	4.189.569
services rendered	011	<b>3.631.133</b>	3.288.459
other revenue	012	–	–
advances received from buyers, customers	013	<b>541.650</b>	739.999
proceeds from insurance agreements	014	–	–
interest received	015	<b>61.808</b>	70.512
other proceeds	016	<b>1.493.118</b>	90.599
<b>2. Total cash outflow</b>	020	<b>(4.098.808)</b>	(3.243.571)
payments to suppliers for goods and services	021	<b>(2.017.805)</b>	(1.610.652)
advances paid to suppliers for goods and services	022	<b>(59.575)</b>	(81.206)
payroll payment	023	<b>(1.464.939)</b>	(1.101.140)
interest paid	024	–	–
payments on insurance agreements	025	–	–
income tax and other payments to the budget	026	<b>(283.842)</b>	(390.693)
other payments	027	<b>(272.647)</b>	(59.880)
<b>3. Net cash flows from operating activities (line 010 – line 020)</b>	030	<b>1.628.901</b>	945.998
<b>II. Investing activities</b>			
<b>1. Total cash inflow (sum of lines from 041 to 051)</b>	040	–	–
sale of property, plant and equipment	041	–	–
sale of intangible assets	042	–	–
sale of other long-term assets	043	–	–
sale of share instruments of other companies (except for subsidiaries) and share participations in joint enterprises	044	–	–
sale of loan instruments of other companies	045	–	–
compensation for loss of control over subsidiaries	046	–	–
sale of other financial assets	047	–	–
futures and forward contracts, options and swaps	048	–	–
dividends received	049	–	–
interests received	050	–	–
other proceeds	051	–	–

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CASH FLOWS (continued)

Form № 3

In thousands of Tenge

Description	Line code	For the reporting period	For the previous period
<b>2. Total cash outflow (sum of lines from 061 to 071)</b>	060	<b>(1.898.677)</b>	(1.891.162)
purchase of property and equipment	061	(1.205.275)	(687.652)
purchase of intangible assets	062	-	-
purchase of long-term assets	063	-	-
purchase of share instruments of other companies (except for subsidiaries) and share participations in joint enterprises	064	-	-
purchase of loan instruments of other companies	065	-	-
purchase of control over subsidiaries	066	-	-
purchase of other financial assets	067	(693.402)	(1.203.510)
loans given to other companies	068	-	-
futures and forward contracts, options and swaps	069	-	-
investments in associates and subsidiaries	070	-	-
other payments	071	-	-
<b>3. Net cash flows from investing activities (line 040 – line 060)</b>	080	<b>(1.898.677)</b>	(1.891.162)
<b>III. Financing activities</b>			
<b>1. Total cash inflow (sum of lines from 091 to 094)</b>	090	<b>779.127</b>	484.886
issue of shares and other financial instruments	091	-	-
loans received	092	-	-
interest received	093	-	-
other proceeds	094	779.127	484.886
<b>2. Total cash outflow (sum of lines from 101 to 105)</b>	100	-	-
loan redemption	101	-	-
interest payments	102	-	-
dividend payments	103	-	-
payments to owners of shares of the organization	104	-	-
other payments	105	-	-
<b>3. Net cash flows from financing activities (line 090 – line 100)</b>	110	<b>779.127</b>	484.886
<b>4. Effect of exchange rate on tenge</b>	120	-	-
<b>5. Increase +/- decrease of cash (line 030 +/- line 080 +/- line 110)</b>	130	<b>509.351</b>	(460.278)
<b>6. Cash and cash equivalents beginning</b>	140	<b>1.002.809</b>	1.463.087
<b>7. Cash and cash equivalents ending</b>	150	<b>1.512.160</b>	1.002.809

Chairman of the Management Board



*(Signature)*  
Akshulakov S.K.

Financial Director

*(Signature)*  
Kairlenov K.A.

Chief Accountant

*(Signature)*  
Yermaganbetova A.A.

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

*In thousands of Tenge*

Description	Line code	Attributable to equity holders of the parent					Non-controlling interest	Total
		Share capital	Share premium	Treasury share	Provisions	Accumulated loss		
As at 1 January 2014	010	7.443.026	-	-	409.259	(191.567)	7.660.718	
Change in accounting policies	011	-	-	-	-	-	-	
<b>Restated balance (line 010 +/- line 011)</b>	<b>100</b>	<b>7.443.026</b>	<b>-</b>	<b>-</b>	<b>409.259</b>	<b>(191.567)</b>	<b>7.660.718</b>	
Comprehensive income (line 210 + line 220)	200	-	-	-	-	59.104	59.104	
Profit/(loss) for the period	210	-	-	-	-	59.104	59.104	
Total comprehensive income (sum of lines from 221 to 229)	220	-	-	-	-	-	-	
Including:								
Increase from revaluation of fixed assets (net of tax effect)	221	-	-	-	-	-	-	
Depreciation transfer from revaluation of fixed assets (net of tax effect)	222	-	-	-	-	-	-	
Revaluation of financial assets held for trading (net of tax effect)	223	-	-	-	-	-	-	
Share in other comprehensive income/(loss) of associates and joint ventures recognized per equity method	224	-	-	-	-	-	-	
Actuarial income/(loss) on pension obligations	225	-	-	-	-	-	-	
Tax effect of tax rate changes on subsidiaries' deferred tax	226	-	-	-	-	-	-	
Net movement on cash flow hedges (net of tax effect)	227	-	-	-	-	-	-	

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CHANGES IN EQUITY (continued)

Form № 4

In thousands of Tenge

Description	Line code	Attributable to equity holders of the parent					Non-controlling interest	Total
		Share capital	Share premium	Treasury share	Provisions	Accumulated loss		
Exchange difference on investments into foreign organizations	228	-	-	-	-	-	-	
Hedge of net investments in foreign companies	229	-	-	-	-	-	-	
<b>Total operations with shareholders (sum of lines from 310 to 318)</b>	300	-	-	-	-	-	-	
Including:								
Share based payments to employees	310	-	-	-	-	-	-	
Including:								
Cost of employee services		-	-	-	-	-	-	
Issuance of shares per employee benefits plan		-	-	-	-	-	-	
Tax gain on share-based employee benefits plan		-	-	-	-	-	-	
Contributions of shareholders	311	-	-	-	-	-	-	
Issue of share capital	312	-	-	-	-	-	-	
Issue of equity instruments related with business combination	313	-	-	-	-	-	-	
Share component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-	
Dividends	315	-	-	-	-	-	-	
Other distributions to shareholders	316	-	-	-	-	-	-	
Other operations with shareholders	317	-	-	-	-	-	-	
Change in share interest of subsidiaries without loss of control	318	-	-	-	-	-	-	

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CHANGES IN EQUITY (continued)

Form № 4

In thousands of Tenge

Description	Line code	Attributable to equity holders of the parent					Non-controlling interest	Total
		Share capital	Share premium	Treasury share	Provisions	Accumulated loss		
As at 1 January 2015 (line 100 + line 200 + line 300)	400	7,443,026	-	-	409,259	(132,463)	7,719,822	
Change in accounting policies	401	-	-	-	-	-	-	
Restated balance (line 400 +/- line 401)	500	7,443,026	-	-	409,259	(132,463)	7,719,822	
Comprehensive income (line 610 + line 620)	600	-	-	-	-	674,615	674,615	
Profit/(loss) for the period	610	-	-	-	-	674,615	674,615	
Other comprehensive income (sum of lines from 621 to 629)	620	-	-	-	-	-	-	
Including:								
Increase from revaluation of fixed assets (net of tax effect)	621	-	-	-	-	-	-	
Depreciation transfer from revaluation of fixed assets (net of tax effect)	622	-	-	-	-	-	-	
Revaluation of financial assets held for trading (net of tax effect)	623	-	-	-	-	-	-	
Share in other comprehensive income (loss) of associates and joint ventures recognized per equity method	624	-	-	-	-	-	-	
Actuarial income/(loss) on pension obligations	625	-	-	-	-	-	-	
Tax effect of tax rate changes on subsidiaries' deferred tax	626	-	-	-	-	-	-	

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CHANGES IN EQUITY (continued)

Form № 4

In thousands of Tenge

Description	Line code	Attributable to equity holders of the parent					Non-controlling interest	Total
		Share capital	Share premium	Treasury share	Provisions	Accumulated loss		
Net movement on cash flow hedges (net of tax effect)	627	-	-	-	-	-	-	-
Exchange difference on investments into foreign organizations	628	-	-	-	-	-	-	-
Hedge of net investments in foreign companies	629	-	-	-	-	-	-	-
<b>Total operations with shareholders (sum of lines from 710 to 718)</b>	700	-	-	-	-	-	-	-
Including:		-	-	-	-	-	-	-
Share based payments to employees	710	-	-	-	-	-	-	-
Including:		-	-	-	-	-	-	-
Cost of employee services		-	-	-	-	-	-	-
Issuance of shares per employee benefits plan		-	-	-	-	-	-	-
Tax gain on share-based employee benefits plan		-	-	-	-	-	-	-
Contributions of shareholders	711	-	-	-	-	-	-	-
Issue of share capital	712	-	-	-	-	-	-	-
Issue of equity instruments related with business combination	713	-	-	-	-	-	-	-

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## STATEMENT OF CHANGES IN EQUITY (continued)

Form № 4

In thousands of Tenge

Description	Line code	Attributable to equity holders of the parent					Non-controlling interest	Total
		Share capital	Share premium	Treasury share	Provisions	Accumulated loss		
Share component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-	-
Dividends	715	-	-	-	-	-	-	-
Other distributions to shareholders	716	-	-	-	-	-	-	-
Other operations with shareholders	717	-	-	-	-	-	-	-
Change in share interest of subsidiaries without loss of control	718	-	-	-	-	-	-	-
<b>As at 31 December 2015 (line 500 + line 600 + line 700)</b>	800	<b>7.443.026</b>	-	-	<b>409.259</b>	<b>542.152</b>	-	<b>8.394.437</b>

Chairman of the Management Board



Akshulakov S.K.



Financial Director



Kairlenov K.A.

Chief Accountant



Yermaganbetova A.A.

The accompanying notes on pages 12 to 28 are an integral part of these forms of financial statements.

## NOTES TO THE FORMS OF FINANCIAL STATEMENTS

Form № 5

For the year ended 31 December 2015

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**1. GENERAL INFORMATION**

“National Centre for Neurosurgery” joint-stock company (the “Company”) was formed as a Republican state entity “Republican Scientific Centre of Neurosurgery” under the Decree of the Government of the Republic of Kazakhstan No. 268 dated 19 March 2008. On 9 December 2008 the Company was reorganised into “Republican Scientific Centre for Neurosurgery” joint-stock company with 100% state participation in the charter capital. Based on the decision of the Board of Directors No. 9 dated 20 November 2013, “Republican Scientific Centre of Neurosurgery” JSC was renamed the “National Centre for Neurosurgery” JSC. The sole shareholder of the Company is “National Medical Holding” JSC (the “Shareholder” or “NMH”). “Nazarbayev University” Autonomous Organization of Education (the “University”) is a company controlling the NMH. The activities of the University are regulated by the special Law of the Republic of Kazakhstan dated 19 January 2011 *On Status of the Nazarbayev University, the Nazarbayev Intellectual Schools and the Nazarbayev Fund* (the “Law”). According to the Law, an Autonomous Organization of Education is a non-profit organization which has no membership, established by the government of the Republic of Kazakhstan, the legal status and the special legal regime are determined by Law. The founder of the University is the Government of the Republic of Kazakhstan. Founder has no property rights in the property of Autonomous Organizations of Education and is not responsible for the obligations created by Autonomous Organizations of Education, and they are not liable for the obligations of the founder. The supreme governing body of the University is the Supreme Board of trustees.

The main activities of the Company are to provide highly specialised medical services, research in the field of neurosurgery, as well as rendering of post-graduate education and training services.

The Company’s registered legal address: Turan Avenue 34/1, Astana, Kazakhstan.

The accompanying financial statements were authorized for issue by the Chairman of the Management Board, Chief Financial Officer and Chief Accountant on 1 March 2016.

**2. BASIS OF PREPARATION**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as approved by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a historical cost basis, except as described in the accounting policies in *Note 3*. These financial statements are presented in Kazakhstan Tenge (“Tenge”) and all monetary amounts are rounded to the nearest thousands, except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 4*.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS, which are effective for annual periods beginning on or after 1 January 2015:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*.
- Annual improvements cycle – 2010-2012.
- Annual improvements cycle – 2011-2013.

The nature and the impact of new standards and amendments are described below:

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2010-2012 cycle*

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Company had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Company's financial statements or accounting policies.

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not impact the Company's accounting policy.

*IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Company has not applied the aggregation criteria in IFRS 8.12 as the Company does not have operating segments.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Company's financial statements.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

*Annual improvements 2011-2013 cycle*

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements. They include:

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Company.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

Form № 5

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2011-2013 cycle (continued)**IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. These standards are not applicable to the Company's financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

*Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

*Annual improvements 2012-2014 cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***Annual improvements 2012-2014 cycle (continued)**IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the initially first applies the amendments.

*(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

*IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

*IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Company.

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to the financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

Form № 5

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalization criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Management review of the useful lives of fixed assets reflects the relevant information available at the date of the financial statements. During 2013, management has determined the need for changes of useful lives due to revision of operational capacity of fixed assets. Change regarding the useful lives is treated as changes in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and constructions	20-60 years
Medical equipment	5-20 years
Machinery and other equipment	4-10 years
Transportation	5-10 years
Other	5-20 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**Inventories**

Inventories are valued at the lower of: acquisition cost and net realizable value.

Costs incurred in the delivery of each product to its destination, and bringing it into proper condition, are recorded at FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an assets or groups of assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or group of assets' recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount of an assets or cash-generating unit (CGU) is determined for an individual asset, unless the asset generates cash inflows that are independent of the tributaries, other assets or CGUs. Where the carrying value of the asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset/CGU. In determining fair value less costs to sell an appropriate valuation model is applied. In case of the absence, the appropriate model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which individual assets are allocated. These budgets and forecasts generally cover for five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

Impairment losses of continuing operations are recognized in the separate statement of comprehensive income as part of the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine recoverable amount of the asset/CGU's since the last impairment loss was recognized. If that is the case, the carrying amount of the asset/CGU's is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

**Financial assets***Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value being increased in case of investments without revaluation at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets include cash and cash equivalents, accounts receivable and short-term deposits.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets valued at fair value through profit or loss include financial assets held for sale and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for sale if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for sale unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are stated in the separate statement of financial position at fair value with changes in fair value recognized in finance income or finance costs.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income of the current year. The losses arising from impairment are recognised as finance costs in the period when impairment was identified.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income. The losses arising from impairment are recognized in finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2014 and 2015.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Subsequent measurement (continued)*

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for sale nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company did not have any investments held for sale during the years ended 31 December 2014 and 2015.

*Derecognition*

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

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: the original current amount of the asset or the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation. Besides, such evidence include observable data indicating that there is a measurable decrease in the estimated future cash flows on a financial instrument such as changes in arrears or economic conditions that correlate with defaults. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded as income.

**Financial liabilities***Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the separate statement of comprehensive income/(loss).

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities (continued)***Subsequent measurement (continued)*

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the separate statement of comprehensive income/(loss) when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost.

*Derecognition*

A financial liability in the statement of financial position 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 values is recognized through profit or loss.

**The fair value of financial instruments**

The fair value of financial instruments, the trade of which held on active markets on each reporting date, are determined from market quotations or diallers' quotations (quotations on purchase of long positions and quotations on selling of short positions), without deduction of deal costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

**Netting**

Financial assets and financial obligations are subject to netting, and net-amount should be disclosed in separate statement of financial position if and only if:

- When there is just now probable juridical right to net recognized amounts;
- When there is an intention to pay on the net base, or to realize assets and simultaneously pay-off liabilities.

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition**

Revenue from medical services is recognized when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. The revenue is measured at fair value of received interest less any discounts. For revenue recognition in separate financial statement the following criterion should be implemented:

*Rendering of services*

The amount of revenue, received as a result of services provision and works performed is determined as fair value of interest received or to be received. In most cases, the compensation is provided in the form of cash and its equivalents.

*Interest income*

Interest income is recognized using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument, to the net carrying value of the financial asset.

**Expense recognition**

Expenses are recognized as incurred and are reported in the separate financial statements in the period to which they relate on the accrual basis.

**Share capital**

Share Capital contributions are recognized at fair value. Expenses directly attributable to the issue of new shares, other than business combinations, are deducted from Share Capital, net of any income tax.

**Additional paid-in capital**

Fixed Assets, intangible assets and inventory, received as additional contribution to the capital, recognized as additional paid-in capital and recorded as at fair value at initial recognition. Such type of assets are recognized in the financial statement of the Company from the moment of transfer the risks and benefits associated with the use of these assets. Further, upon the issue of the new shares with respect of those assets, nominal value of issued shares is transferred from additional paid-in capital to Share Capital.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the separate financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the separate financial statements and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. The most significant estimates are discussed below:

**Impairment of property and equipment**

The Company assesses at each reporting date whether there is an indication that the carrying amount of property and equipment may be impaired.

Determination of asset impairment evidence is based on a number of factors, such as changes in change in assets operational potential as the result of change in demand for services provided by the assets; technological obsolescence or physical damage of the assets; deviation of actual cash flows from operating activity from those planned initially; future availability of financing for operating need and purchase of assets from the Shareholder and other changes in circumstances that indicate that the impairment exists.

If any indicators exist, the recoverable amount of the asset is assessed and compared with the carrying amount of the asset. Impairment is recognized should the carrying amount exceed the recoverable amount of the asset. The recoverable amount is determined as the greater of: an asset's fair value less costs to sell and its value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that, in the opinion of the management, reflects current market assessments of the time value of money and the risks specific to the asset. The change in the estimated recoverable amount may result in the impairment or its recovery in future periods.

As at 31 December 2015 the management of the Company did not reveal any evidence of assets' impairment.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Useful life of property and equipment**

As indicated in *Note 3*, the Company reviews useful lives of property and equipment at the end of each reporting period. The estimate of the useful life of the asset depends on such factors as economic use, repair and maintenance programs, technological enhancements and other business conditions. The estimate of useful lives of property and equipment by the management reflects respective information available at the date of these financial statements. Change in expectations regarding the useful life is accounted for as a change in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

**BALANCE SHEET****010 Cash and cash equivalents**

Cash and cash equivalents comprise:

<i>In thousands of Tenge</i>	<b>31 December 2015</b>	31 December 2014
Cash on current bank accounts – USD	<b>1,474,250</b>	1,675
Cash on current bank accounts – Tenge	<b>37,365</b>	1,001,013
Petty Cash	<b>545</b>	121
	<b>1,512,160</b>	1,002,809

As of 31 December 2015 the weighted average interest rate on current account was 4,5% (2014: 6%)

**015 Other current financial assets**

As at 31 December 2015 short-term bank deposit of 1,896,912 thousand Tenge were placed in Tsesnabank JSC. Weighted average interest rate on these bank deposits were 2,5% p.a. in 2015 (2014: Eurasian bank JSC: 401,107 thousand Tenge, Tsesnabank JSC: 401,107 thousand Tenge, Bank RBK JSC: 401,107 thousand Tenge; weighted average interest rate on these bank deposits were 2,7% p.a.).

**016 Accounts receivable**

Accounts receivable comprise:

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Accounts receivable from related parties ( <i>Note 9</i> )	<b>66,085</b>	115,881
Accounts receivable from third parties	<b>21,205</b>	17,935
	<b>87,290</b>	133,816

Accounts receivable are non-interest bearing and are settled on 30-90 day terms. As at 31 December 2015 accounts receivable were not impaired and their maturity does not exceed contractual maturities.

## NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)

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## 5. BALANCE SHEET (continued)

## 018 Inventory

Inventory comprise:

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Medical materials	101,371	56,312
Surgical supplies	63,706	42,772
Pharmaceuticals	46,157	24,934
Chemical reactive	23,148	8,738
Soft inventory	14,613	20,947
Spare parts	12,000	6,629
Fuel	3,787	3,508
Hard inventory	7,321	8,367
Hardware line	3,431	2,953
Materials for laboratory	2,400	9,282
Stationary	345	387
Materials for computational technology	333	136
Foods	72	136
Other	635	1,751
Reserves	(5,507)	(5,567)
	<b>273,812</b>	<b>181,285</b>

## 118 Property, plant and equipment

The movements in property and equipment were as follows:

<i>In thousands of tenge</i>	Buildings and constructi ons	Medical Equipment	Machines and equipment	Transport	Other non- current assets	Constructi on in progress	Total
<b>Initial cost</b>							
<b>As at 1 January 2014</b>	3,702,990	3,120,483	357,179	44,119	799,484	22,403	8,046,658
Additions	–	565,330	15,162	–	3,743	108,187	692,422
Internal movements	–	(3,150)	(6,554)	–	9,704	–	–
Disposals	–	–	(240)	–	(145)	–	(385)
<b>As at 31 December 2014</b>	<b>3,702,990</b>	<b>3,682,663</b>	<b>365,547</b>	<b>44,119</b>	<b>812,786</b>	<b>130,590</b>	<b>8,738,695</b>
Additions	–	142,147	24,467	2,125	25,060	646,229	840,028
Disposals	–	(102,485)	(8,647)	(1,958)	(17,313)	–	(130,403)
Transfer to other assets	–	(149)	–	(616)	–	–	(765)
<b>As at 31 December 2015</b>	<b>3,702,990</b>	<b>3,722,176</b>	<b>381,367</b>	<b>43,670</b>	<b>820,533</b>	<b>776,819</b>	<b>9,447,555</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2014</b>	(354,474)	(948,903)	(181,865)	(30,604)	(447,316)	–	(1,963,162)
Changes for the year	(99,154)	(329,728)	(38,381)	(3,988)	(264,516)	–	(735,767)
Internal movements	–	3,150	3,856	–	(7,006)	–	–
Disposals	–	–	50	–	52	–	102
<b>As at 31 December 2014</b>	<b>(453,628)</b>	<b>(1,275,481)</b>	<b>(216,340)</b>	<b>(34,592)</b>	<b>(718,786)</b>	<b>–</b>	<b>(2,698,827)</b>
Changes for the year	(99,164)	(343,379)	(42,546)	(3,961)	(31,860)	–	(520,910)
Impairment	–	(77,736)	–	–	–	–	(77,736)
Disposals	–	75,561	8,601	1,958	17,590	–	103,710
<b>As at 31 December 2015</b>	<b>(552,792)</b>	<b>(1,621,035)</b>	<b>(250,285)</b>	<b>(36,595)</b>	<b>(733,056)</b>	<b>–</b>	<b>(3,193,763)</b>
<b>Residual value</b>							
<b>As at 31 December 2014</b>	<b>3,249,362</b>	<b>2,407,182</b>	<b>149,207</b>	<b>9,527</b>	<b>94,000</b>	<b>130,590</b>	<b>6,039,868</b>
<b>As at 31 December 2015</b>	<b>3,150,198</b>	<b>2,101,141</b>	<b>131,082</b>	<b>7,075</b>	<b>87,477</b>	<b>776,819</b>	<b>6,253,792</b>

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**5. BALANCE SHEET (continued)****121 Intangible assets**

The movements in intangible assets were as follows:

<i>In thousands of Tenge</i>	<b>Intangible assets</b>
<b>Initial Cost</b>	
<b>As at 1 January 2014</b>	77,651
Additions	-
<b>As at 31 December 2014</b>	77,651
Additions	<b>41</b>
<b>As at 31 December 2015</b>	<b>77,692</b>
<b>Accumulated depreciation</b>	
<b>As at 1 January 2014</b>	(38,056)
Accumulated depreciation	(7,849)
<b>As at 31 December 2014</b>	(45,905)
Accumulated depreciation	<b>(7,844)</b>
<b>As at 31 December 2015</b>	<b>(53,749)</b>
<b>Net book Value</b>	
<b>As at 31 December 2014</b>	<b>31,746</b>
<b>As at 31 December 2015</b>	<b>23,943</b>

**213 Current trade and other accounts payable**

As of 31 December 2015 accounts payable was primarily represented by payables for suppliers for provided work and services in the amount of 67,140 thousand Tenge (2014: 24,709 thousand Tenge).

**410 Equity****Share capital**

As at 31 December 2015 the charter capital of the Company comprised 7,443,026 ordinary shares with nominal value of 1,000 Tenge each (2014: 7,443,026 ordinary shares with nominal value of 1,000 Tenge each).

**Additional paid-in capital**

As of 31 December 2015 Additional paid-in capital of the Company represents contribution of the Ministry of Health of the Republic of Kazakhstan in the form of fixed assets in the amount of 385,734 thousand Tenge (2014: 385,734 thousand Tenge).

**Dividends**

As at 31 December 2015 and 2014, the Company has not declared and paid the dividends.

**316 Other non-current liabilities**

Other non-current liabilities represent long term part of the government grants.

Government grants were as follows:

<i>In thousands of Tenge</i>	<b>31 December 2015</b>	31 December 2014
<b>At 1 January</b>	<b>793,984</b>	340,589
Received during the year	<b>779,127</b>	484,886
Reflected in statement of comprehensive income	<b>(48,050)</b>	(31,491)
<b>Total</b>	<b>1,525,061</b>	793,984
Less: short-term part of the government grants	<b>(49,244)</b>	(35,149)
<b>Long-term part of the government grants</b>	<b>1,475,817</b>	758,835

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**5. BALANCE SHEET (continued)****316 Other non-current liabilities (continued)**

Government grants have been received for the purchase of medical equipment and repair of the roof. The Company has no any unfulfilled conditions or contingencies related to these subsidies. During 2015, the Company recognized 48,050 thousand Tenge in the statement of comprehensive income as other income to the amount of amortization of the respective acquired assets (2014: 31,491 thousand Tenge).

**6. INCOME STATEMENT****010 Revenue**

Revenue from services rendered for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	<b>2015</b>	<b>2014</b>
Medical services, including:		
Guaranteed volume of free medical care	<b>3,689,935</b>	3,658,158
Paid medical services	<b>368,690</b>	254,070
Educational services, including:		
Government order	<b>31,500</b>	22,880
Paid services	<b>31,875</b>	25,153
Scientific research services	<b>8,118</b>	9,418
	<b>4,130,118</b>	3,969,679

**011 Cost of services rendered**

Cost of services rendered for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	<b>2015</b>	<b>2014</b>
Payroll and related taxes	<b>1,656,279</b>	1,229,270
Surgical supplies	<b>1,412,646</b>	1,057,531
Depreciation and amortization	<b>527,516</b>	742,078
Medical materials	<b>291,610</b>	231,269
Repair and maintenance	<b>210,834</b>	190,795
Medications	<b>107,702</b>	73,368
Utilities	<b>85,672</b>	79,095
Allowance for unused vacations	<b>77,428</b>	70,920
Foodstuff	<b>53,419</b>	43,493
Fuel	<b>1,921</b>	2,942
Taxes other than income tax	<b>1,030</b>	1,045
Other	<b>216,322</b>	91,434
	<b>4,642,379</b>	3,813,240

**014 General and administrative expenses**

General and administrative expenses for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	<b>2015</b>	<b>2014</b>
Payroll and related taxes	<b>287,453</b>	225,524
Allowance for unused vacations	<b>18,246</b>	11,326
Maintenance expenses	<b>9,482</b>	9,094
Bank services	<b>6,791</b>	2,871
Consulting services	<b>2,547</b>	2,426
Business trip expenses	<b>1,051</b>	250
Office supplies	<b>1,010</b>	676
Taxes other than income tax	<b>700</b>	91
Depreciation and amortization	<b>689</b>	1,538
Training expenses	<b>396</b>	3,135
Communication services	<b>164</b>	163
Other	<b>7,250</b>	6,265
<b>Total</b>	<b>335,779</b>	263,359

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**6. INCOME STATEMENT (continued)****101 Income tax expense**

According to Article 135-1 of the Tax Code, as autonomous organization of education is recognized: 1) a legal entity which simultaneously meets the following conditions: a joint stock company established by the decision of the Government of the Republic of Kazakhstan; 50 percent or more of the voting shares of the company belongs to the person specified in subparagraph 2) of paragraph 1; It operates in the field of health, in accordance with the legislative acts of the Republic of Kazakhstan;

2) the organization, with the exception specified in subparagraph 3) of paragraph 1 if it meets both of the following conditions: 50 and more percent of voting shares (participation interests) of such an organization owned by the persons referred to in subparagraphs 2) and 3) of paragraph 1 or a non-profit organization established exclusively by the persons specified in subparagraph 2) of paragraph 1; at least 90 percent of revenues in the aggregate annual income is income in the form of gratuitously received property, interest on deposits of the organization, as well as the income derived from the provision of medical services (except for cosmetology, sanatorium).

In determining the autonomous organization of education the amount of corporate income tax payable to the budget, the amount calculated in accordance with Article 139 of the Tax Code the corporate income tax is reduced by 100 percent. In tax periods in which net income or assets have been distributed among the participants, this provision does not apply.

For the years ended December 31, 2015 and 2014, the Company believes that its activities meet the definition of Article 135-1 of the Tax Code. In addition, the Company did not distribute net income or property to the participants.

However, for the year ended December 31, 2015 the Company's revenues in the form of gratuitously received property, interest on deposits, as well as the income derived from the provision of medical services (except for cosmetology, sanatorium) amounted to less than 90 percent of total annual revenue.

Accordingly, the Company calculated corporate income for year 2015 at 20% tax rate. Calculated corporate income tax expense was reduced by the use of tax losses carried forward. As of December 31, 2015 tax losses carried forward amounted to 1,273,090 thousand Tenge (2014: 2,002,042 thousand Tenge). The Company did not recognize deferred income tax assets and liabilities due to uncertainty about the occurrence of taxable or deductible temporary differences in determining taxable profit in future periods.

**7. COMMITMENTS AND CONTINGENCIES****Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2,5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2015.

**Insurance matters**

The insurance industry in the Republic of Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Company has third-party liability insurance to patients and third parties in respect of damages resulting from the Company's professional services in the amount of 20,000 thousand Tenge annually. If the Company obtains adequate insurance coverage, there is a risk that the loss could have a material adverse effect on the Company's operations and its financial position.

The Company estimates the possibility of occurrence of the significant liabilities and reflects the appropriate provision in its financial statements only when it is probable that the events leading to a liability to occur, and the amount of the commitment can be reasonably determined.

**Legal claims**

The Company may be involved in court proceedings and legal actions. Management believes that resolution of all possible business matters will not have a material impact on the Company's financial position or results of operations.

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**7. COMMITMENTS AND CONTINGENCIES (continued)****Contractual commitments**

The Company concluded Contracts as of 5 January 2015, for provision of medical services in the framework of guaranteed health care No. 23/4, 23/5, with the Department of the Committee of payment for medical services of the Ministry of Public Health of the Republic of Kazakhstan. The Contract were concluded in accordance with Budget Program No. 036 Provision of guaranteed volume of medical services, excluding those financed at the local level, subprogram No. 100 Provision of specialized medical services and subprogram No. 101 Provision of highly specialized medical services. The amount of the agreements for 2015 is 3,431,657 thousand Tenge. Under the terms of the agreement the Company shall provide medical care for 3,287 persons under the guaranteed volume of free medical care and 58 persons under the program "Unique technologies" in 2015.

**8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Summary of significant accounting policies**

Data on the summary of significant accounting policies and methods, including the criteria of recognition, the basis of estimation and the basis on which income and expenses are recognized in respect of each class of financial assets and liabilities and equity instrument are disclosed in *Note 3*.

**Financial risk management objectives**

Due to specific activity of the Company, Company is not significantly exposed to market risk, credit risk, and liquidity risk.

**Credit risk**

Credit risk is the risk that one party with financial instrument will not be able to fulfill an obligation and cause the other party to incur a financial loss.

With respect to credit risk associated with cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

As at 31 December 2015 and 2014, all amounts represented by trade and other accounts payable are due within 3 months and equal to their carrying balances.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Changes in exchange rates in significant amounts of bank loans which are denominated in foreign currency may have significant impact to the financial statements of the Company.

The following tables demonstrate the sensitivity of profit of the Company before tax (due to changes in the fair value of monetary assets and liabilities) to a reasonably possible change in exchange rates, with all other variables held constant. There is no impact on the Company's equity.

<i>In thousands of Tenge</i>	<b>Change in US dollar rate</b>	<b>Effect on profit before tax</b>
<b>2015</b>	<b>60,00%</b>	<b>2.022,697</b>
	<b>-20,00%</b>	<b>(674,232)</b>
<b>2014</b>	17.37%	209,341
	-17.37%	(209,341)

**NOTES TO THE FORMS OF FINANCIAL STATEMENTS (continued)**

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**8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Capital management**

Capital includes equity attributable to the sole equity holder of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital to the shareholder or obtain additional share contributions into the charter fund.

No changes were made in the capital management objectives, policies or processes during the years ending 31 December 2015 and 31 December 2014.

**Fair value of financial instruments**

The management of the Company believes that the current value of financial assets and liabilities in the statement of financial position as of 31 December 2015 and 2014 approximates to their fair value due to the short-term nature of these instruments.

**9. RELATED PARTY TRANSACTIONS AND SETTLEMENTS**

Related parties include key management personnel of the Company, organizations in which key management personnel of the Company, directly or indirectly, has a significant proportion of voting, Shareholder, entities under common control of the Shareholder and the University and other entities controlled by the Government of the Republic of Kazakhstan. Transactions with related parties are performed on terms agreed between the parties that do not necessarily correspond to market rates. The following table shows the total amount of transactions which have occurred with related parties in 2015 and 2014 and the related account balances as of 31 December 2015 and 2014:

<i>In thousands of Tenge</i>	2015	2014
Revenue from services rendered	3,747,631	3,722,504
Purchases of goods and services	250,298	181,733
Accounts receivable	66,085	115,882
Accounts payable	21,939	13,841
Government grants	779,127	484,886

For the years ended 31 December 2015 and 2014, revenue from medical services rendered consists basically of the reimbursement by the Ministry of Health of the Republic of Kazakhstan. In 2015, the amount of reimbursement was 3,721,180 thousand Tenge (2014: 3,690,691 thousand Tenge).

**Compensation to key management personnel**

As of December 31, 2015 key management personnel consists of 9 persons (2014: 8 persons). Compensation to key management personnel of the Company for the years ended 31 December 2015 and 2014 was 83,780 thousand Tenge and 47,649 thousand Tenge, respectively, and included salary and bonuses, reflected in statement of comprehensive income.

**10. SUBSEQUENT EVENTS**

On 18 January 2016 based on the decision of the Board number 2, it was decided to conclude a lease contracts with option to purchase apartments by employees of the Company.