

National Centre for Neurosurgery JSC

Nonconsolidated reporting forms
in accordance with the list, forms approved by the regulatory
act of the authorised government body of the Republic of Kazakhstan
according to the Law of the Republic of Kazakhstan dated 28 February
2007 No. 234-III on Accounting and Financial Reporting

*For the year until 31 December 2016
with independent auditor's report*

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Independent auditor's report

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Special purpose independent auditors' report

To the Shareholder and Management of National Centre for Neurosurgery JSC

We have audited the accompanying forms of the financial statements of National Centre for Neurosurgery JSC (hereinafter, the "Entity"), consisting of Forms 1, 2, 3, 4 and an explanatory note (hereinafter, the "reporting forms") as at 31 December 2016 and for the year then ended. These reporting forms were prepared by the Entity's management in accordance with the requirements of the Order of the Ministry of Finance of the Republic of Kazakhstan No. 143 dated 27 February 2015.

Management's responsibility for the reporting forms

The Entity's management is responsible for the preparation of these reporting forms in accordance with the requirements of the Order of the Ministry of Finance of the Republic of Kazakhstan No. 143 dated 27 February 2015, and for such internal control as management determines is necessary to enable the preparation of the reporting forms that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these reporting forms based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) issued in the Republic of Kazakhstan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the reporting forms are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the reporting forms. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the reporting forms, 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 reporting forms 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 reporting forms.

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 reporting forms were prepared, in all material respects, in accordance with the requirements of the Order of the Ministry of Finance of the Republic of Kazakhstan No. 143 dated 27 February 2015.

Basis of preparation of reporting forms and limited use

We draw attention to the fact that the reporting forms were prepared to assist the Entity to meet the requirements of the Order of the Ministry of Finance of the Republic of Kazakhstan No. 143 dated 27 February 2015. Therefore, these reporting forms may be inapplicable for any other purposes.

Ernst & Young LLP



Gulmira Turmagambetova
Auditor / General Director
Ernst & Young LLP

Auditor Qualification Certificate No. 0000374
dated 21 February 1998

Kazakhstan 050060, Almaty
Al-Farabi Ave., 77/7

1 March 2017



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 No. 1

As at 31 December 2016

Note 2
to the Order of the Minister of Finance
of the Republic of Kazakhstan
dated 27 February 2015 No. 143

Form No. 1

Name of the entity: National Centre for Neurosurgery JSC
Type of activities: Activities of broad-spectrum hospitals and specialized hospitals
Organizational-legal form: Joint Stock Company
Form of reporting: Consolidated/non-consolidated
Average annual number of employees: 599 persons
Business entity: Large
Legal address: street 34/1 Turan, Astana, Republic of Kazakhstan

In thousands of Tenge

Assets	Line code	Closing balance	Beginning balance
I. Current assets			
Cash and cash equivalents	010	4,949,234	1,512,160
Financial assets available-for-sale	011	-	-
Derivative financial instruments	012	-	-
Financial assets at fair value through profit or loss	013	-	-
Held to maturity financial assets	014	-	-
Other current financial assets	015	-	1,896,912
Short-term trade and other accounts receivable	016	70,856	87,290
Current income tax	017	-	-
Inventories	018	327,573	273,812
Other current assets	019	11,997	3,947
Total current assets (sum of lines 010 through 019)	100	5,359,660	3,774,121
Assets (or groups of disposal) available-for-sale	101	-	-
II. Non-current assets			
Financial assets available-for-sale	110	5,957	-
Derivative financial instruments	111	-	-
Financial assets at fair value through profit or loss	112	-	-
Held to maturity financial assets	113	-	-
Other non-current financial assets	114	41,580	41,580
Long-term trade and other accounts receivable	115	1,524,985	76,975
Investments accounted for under the equity method	116	-	-
Investment property	117	-	-
Property and equipment	118	5,936,413	6,253,792
Biological assets	119	-	-
Exploration and evaluation assets	120	-	-
Intangible assets	121	19,953	23,943
Deferred tax assets	122	-	-
Other non-current assets	123	-	-
Total non-current assets (sum of lines 110 through 123)	200	7,528,888	6,396,290
Balance (line 100 + line 101 + line 200)		12,888,548	10,170,411

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

BALANCE SHEET (continued)

Form No. 1

In thousands of Tenge

Liability and equity	Line code	Closing balance	Beginning balance
III. Current liabilities			
Loans	210	-	-
Derivative financial instruments	211	-	-
Other current financial liabilities	212	-	-
Short-term trade and other accounts payable	213	24,303	67,140
Short term provisions	214	-	-
Current income tax liabilities	215	-	-
Employee benefit	216	66,277	81,513
Other current liabilities	217	251,024	151,504
Other current liabilities (sum of lines 210 through 217)	300	341,604	300,157
Liabilities of disposal groups held for sale	301	-	-
IV. Non-current liabilities			
Loans	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	2,506,724	1,475,817
Total non-current liabilities (sum of lines 310 through 316)	400	2,506,724	1,475,817
V. Equity			
Charter (share) capital	410	9,223,040	7,443,026
Additional paid-in capital	411	-	-
Treasury instruments	412	-	-
Allowances	413	409,259	409,259
Retained earnings (uncovered loss)	414	407,921	542,152
Total equity attributable to the equity holders of the parent (sum of lines 410 through 414)	420	10,040,220	8,394,437
Non-controlling interest	421	-	-
Total equity (line 420 +/- line 421)	500	10,040,220	8,394,437
Balance (line 300 + line 301 + line 400 + line 500)		12,888,548	10,170,411

Chairman of the Management Board





 Akshulakov S.K.

Finance director



 Kairlenov K.A.

Chief Accountant



 Yermaganbetova A.A.

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

INCOME STATEMENT

Form No. 2

For the year ended 31 December 2016

Annex 3
to the Order of the Minister of Finance
of the Republic of Kazakhstan
dated 27 February 2015 No. 143

Form No. 2

In thousands of Tenge

Name	Line code	Reporting period	Previous period
Revenue	010	4,867,092	4,130,118
Cost of sales	011	(4,658,237)	(4,642,379)
Gross revenue (line 010 – line 011)	012	208,855	(512,261)
Selling expenses	013	-	-
Administrative expenses	014	(371,926)	(335,779)
Other expenses	015	(281,045)	(105,821)
Other income	016	324,368	1,565,273
Total operating profit (loss) (+/- lines 012 through 016)	020	(119,748)	611,412
Finance income	021	120,440	63,203
Finance costs	022	-	-
Entity's share in income (loss) of associates and joint ventures accounted for under the equity method	023	-	-
Other non-operating income	024	-	-
Other non-operating expenses	025	-	-
Profit (loss) before tax (+/- lines 020 through 025)	100	692	674,615
Income tax expenses	101	-	-
Profit (loss) after tax from continuing operations (line 100 – line 101)	200	692	674,615
Profit (loss) after tax from discontinued operations	201	-	-
Profit for the year (line 200 + line 201) attributable to:	300	692	674,615
Equity holders of the parent		-	-
Non-controlling interest		-	-
Other comprehensive income, total (sum of lines 410 through 420)	400	-	-
Including:			
Revaluation of property and equipment	410	-	-
Revaluation of financial assets available-for-sale	411	-	-
Share in other comprehensive income (loss) of associates and joint ventures accounted for under the equity method	412	-	-
Actuarial gains (loss) on pension liabilities	413	-	-
Effect of change in income tax rate to the deferred tax of subsidiaries	414	-	-
Cash flows hedging	415	-	-
Exchange difference on investments to foreign operations	416	-	-
Hedging of net investments in foreign operations	417	-	-
Other components of other comprehensive income	418	-	-
Adjustment at reclassification within profit (loss)	419	-	-
Tax effect of components of other comprehensive income	420	-	-

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

INCOME STATEMENT (continued)

Form No. 2

In thousands of Tenge

Name	Line code	Reporting period	Previous period
Total comprehensive income (line 300 + line 400)	500	692	674,615
Total comprehensive income attributable to:			
Equity holders of the parent		692	674,615
Non-controlling interest		-	-
Earnings per share	600	-	-
Including:			
Basic earnings per share:			
From continuing operations		-	-
From discontinued operations		-	-
Diluted earnings per share:			
From continuing operations		-	-
From discontinued operations		-	-

Chairperson of the Board



Akshulakov S.K.

Finance director

Kairlenov K.A.

Chief Accountant

Yermaganbetova A.A.

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

STATEMENT OF CASH FLOWS (direct method)

Form No. 3

For the year ended 31 December 2016

Annex 4
to the Order of the Minister of Finance
of the Republic of Kazakhstan
dated 27 February 2015 No. 143

Form No. 3

In thousands of Tenge

Name	Line code	Reporting period	Previous period
I. Cash flows from operating activities			
1. Cash inflow, total (sum of lines 011 through 016)	010	6,013,594	5,727,709
Sales	011	3,834,311	3,631,133
Other revenue	012	-	-
Advances received from buyers, customers	013	1,018,947	541,650
Proceeds from insurance contracts	014	-	-
Interest received	015	125,961	61,808
other proceeds	016	1,034,375	1,493,118
2. Cash outflow, total (sum of lines 021 through 027)	020	(5,488,907)	(4,098,808)
Including:			
Payments to suppliers for goods and services	021	(2,405,869)	(2,017,805)
Advances given to suppliers of goods and services	022	(67,563)	(59,575)
Salary payments	023	(1,441,006)	(1,464,939)
Interest payment	024	-	-
Payments under insurance contracts	025	-	-
Income tax and other budget payments	026	(443,580)	(283,842)
Other payments	027	(1,130,889)	(272,647)
3. Net cash from operating activities (line 010 – line 020)	030	524,687	1,628,901
II. Cash flows from investing activities			
1. Cash inflow, total (sum of lines 041 through 051)	040	2,103,557	-
Sale of property and equipment	041	-	-
Sale of intangible assets	042	-	-
Sale of other non-current assets	043	206,645	-
Sale of equity instruments of other entities (except for subsidiaries) and equity shares in joint ventures	044	-	-
Sale of debt instruments of other entities	045	-	-
Reimbursement at loss of control over subsidiaries	046	-	-
Sale of other financial assets	047	1,896,912	-
Futures and forward contracts, options and swaps	048	-	-
Dividends received	049	-	-
Interest received	050	-	-
other proceeds	051	-	-
2. Cash outflow, total (sum of lines 061 through 071)	060	(1,920,035)	(1,898,677)
Including:			
Acquisition of property and equipment	061	(1,920,035)	(1,205,275)
Purchase of intangible assets	062	-	-
Purchase of other non-current assets	063	-	-
Purchase of equity instruments of other entities (excluding subsidiaries) and shares in joint venture	064	-	-
Purchase of debt instruments of other entities	065	-	-
Acquisition of control over subsidiaries	066	-	-
Purchase of other financial assets	067	-	(693,402)
Issuing loans	068	-	-
Futures and forward contracts, options and swaps	069	-	-
Investments in associates and subsidiaries	070	-	-
Other payments	071	-	-

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

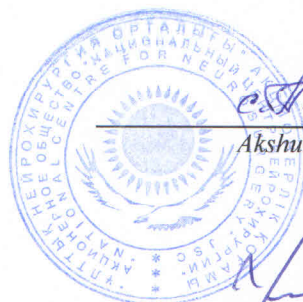
STATEMENT OF CASH FLOWS (direct method) (continued)

Form No. 3

In thousands of Tenge

Name	Line code	Reporting period	Previous period
3. Net cash from investing activities (line 040 – line 060)	080	183,522	(1,898,677)
III. Cash flows from financing activities			
1. Cash inflow, total (sum of lines 091 through 094)	090	2,863,788	779,127
Including:			
Issue of shares and other financial instruments	091	1,780,014	-
Loans obtained	092	-	-
Interest received	093	-	-
other proceeds	094	1,083,774	779,127
2. Cash outflow, total (sum of lines 101 through 105)	100	(134,923)	-
Including:			
Repayment of loans	101	-	-
Interest payment	102	-	-
Distribution of dividends	103	(134,923)	-
Distribution to the shareholders	104	-	-
Other disposals	105	-	-
3. Net cash from financing activities (line 090 – line 100)	110	2,728,865	779,127
4. Effect of exchange rates to Tenge	120	-	-
5. Increase +/- decrease in cash (line 030 +/- line 080 +/- line 110 +/- line 120)	130	3,437,074	509,351
6. Cash and cash equivalents, beginning	140	1,512,160	1,002,809
7. Cash and cash equivalents, ending	150	4,949,234	1,512,160

Chairman of the Management Board



Akshulakov S.K.

Finance director

Kairlenov K.A.

Chief Accountant

Yermaganbetova A.A.

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

National Centre for Neurosurgery JSC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

In thousands of Tenge

Name	Line code	Equity of the parent						Non-controlling interest	Total equity
		Charter (share) capital	Share premium	Treasury equity instruments	Provisions	Retained earnings			
Balance at 1 January of the previous year	010	7,443,026	-	-	409,259	(132,463)	-	7,719,822	
Change in accounting policy	011	-	-	-	-	-	-	-	
Restated balance (line 010 +/- line 011)	100	7,443,026	-	-	409,259	(132,463)	-	7,719,822	
Total comprehensive income	200	-	-	-	-	674,615	-	674,615	
Profit/(loss) for the year	210	-	-	-	-	674,615	-	674,615	
Other comprehensive income, total	220	-	-	-	-	-	-	-	
Including:									
Gain from revaluation of property and equipment (net of tax effect)	221	-	-	-	-	-	-	-	
Transfer of amortization from revaluation of property and equipment (net of tax effect)	222	-	-	-	-	-	-	-	
Revaluation of available-for-sale financial assets (net of tax effect)	223	-	-	-	-	-	-	-	
Share in other comprehensive income (loss) of associates and joint ventures accounted for under the equity method	224	-	-	-	-	-	-	-	
Actuarial gains (loss) on pension liabilities	225	-	-	-	-	-	-	-	
Effect of change in income tax rate to the deferred tax of subsidiaries	226	-	-	-	-	-	-	-	
Cash flow hedging (net of tax effect)	227	-	-	-	-	-	-	-	
Exchange difference on investments to foreign operations	228	-	-	-	-	-	-	-	

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

STATEMENT OF CHANGES IN EQUITY (continued)

Form No. 4

In thousands of Tenge

Name	Line code	Equity of the parent				Non-controlling interest	Total equity
		Charter (share) capital	Share premium	Treasury equity instruments	Provisions		
Hedging of net investments in foreign operations	229	-	-	-	-	-	-
Transactions with owners, total (sum of lines 310 through 318)	300	-	-	-	-	-	-
Including:							
Benefits to employees in the form of shares	310	-	-	-	-	-	-
Including:							
Cost of employees services		-	-	-	-	-	-
Issue of shares according to the scheme of benefits to employees in the form of shares		-	-	-	-	-	-
Tax benefit with respect to the scheme of benefits to employees in the form of shares		-	-	-	-	-	-
Contributions from owners	311	-	-	-	-	-	-
Issue of treasury equity instruments (shares)	312	-	-	-	-	-	-
Issue of equity instruments related to business combination	313	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-
Payment of dividends	315	-	-	-	-	-	-
Other distributions to owners	316	-	-	-	-	-	-
Other transactions with owners	317	-	-	-	-	-	-
Change in ownership in subsidiaries, not resulting in loss of control	318	-	-	-	-	-	-
Balance at 1 January of the reporting year (line 100 + line 200 + line 300)	400	7,443,026	-	-	409,259	542,152	8,394,437
Change in accounting policy	401	-	-	-	-	-	-
Restated balance (line 400 +/- line 401)	500	7,443,026	-	-	409,259	542,152	8,394,437
Total comprehensive income (line 610 + line 620)	600	-	-	-	-	692	692
Profit/(loss) for the year	610	-	-	-	-	692	692

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

STATEMENT OF CHANGES IN EQUITY (continued)

Form No. 4

In thousands of Tenge

Name of components	Line code	Equity of the parent					Non-controlling interest	Total equity
		Charter (share) capital	Share premium	Treasury equity instruments	Provisions	Retained earnings		
Other comprehensive income, total (sum of lines 621 through 629)	620	-	-	-	-	-	-	-
Including:								
Gain from revaluation of property and equipment (net of tax effect)	621	-	-	-	-	-	-	-
Transfer of amortization from revaluation of property and equipment (net of tax effect)	622	-	-	-	-	-	-	-
Revaluation of available-for-sale financial assets (net of tax effect)	623	-	-	-	-	-	-	-
Share in other comprehensive income (loss) of associates and joint ventures accounted for under the equity method	624	-	-	-	-	-	-	-
Actuarial gains (loss) on pension liabilities	625	-	-	-	-	-	-	-
Effect of change in income tax rate on the deferred tax of subsidiaries	626	-	-	-	-	-	-	-
Cash flow hedging (net of tax effect)	627	-	-	-	-	-	-	-
Exchange difference on investments to foreign operations	628	-	-	-	-	-	-	-
Hedging of net investments in foreign operations	629	-	-	-	-	-	-	-
Transactions with owners, total (sum of lines 710 through 718)		1,780,014	-	-	-	(134,923)	-	1,645,091
Including:								
Benefits to employees in the form of shares	710	-	-	-	-	-	-	-
Including:								
Cost of employees services		-	-	-	-	-	-	-
Issue of shares according to the scheme of benefits to employees in the form of shares		-	-	-	-	-	-	-
Tax benefit with respect to the scheme of benefits to employees in the form of shares		-	-	-	-	-	-	-

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

STATEMENT OF CHANGES IN EQUITY (continued)

Form No. 4

In thousands of Tenge

Name of components	Line code	Equity of the parent					Non-controlling interest	Total equity
		Charter (share) capital	Share premium	Treasury equity instruments	Provisions	Retained earnings		
Contributions from owners	711	-	-	-	-	-	-	-
Issue of treasury equity instruments (shares)	712	1,780,014	-	-	-	-	1,780,014	-
Issue of equity instruments related to business combination	713	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-	-
Payment of dividends	715	-	-	-	-	-	-	-
Other distributions to owners	716	-	-	-	-	(134,923)	(134,923)	-
Other transactions with owners	717	-	-	-	-	-	-	-
Change in ownership in subsidiaries, not resulting in loss of control	718	-	-	-	-	-	-	-
Balance at 31 December of the reporting year (line 500 + line 600 + line 700)	800	9,223,040	-	-	409,259	407,921	10,040,220	-

Chairperson of the Board



Akshulakov S.K.

Finance director

Kairilenov K.A.

Chief Accountant

Yermaganbetova A.A.

The accompanying explanatory notes on pages 11 to 29 are an integral part of these nonconsolidated reporting forms.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS**

Form No. 5

For the year ended 31 December 2016

1. GENERAL

National Centre for Neurosurgery JSC (the "Company") was established as the Republican State Entity "Republican Research Center for 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 joint-stock company Republican Research Centre for Neurosurgery JSC 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 Center of Neurosurgery JSC was renamed into National Center for Neurosurgery JSC.

Until 31 March 2016, the sole shareholder of the Company was National Medical Holding JSC (hereinafter, "NMH"), which in accordance with the Resolution of the Government No.162 dated 31 March 2016 and letter No. 04-1853 dated 12 December 2016 transferred the package of the Company's shares to SE "Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan" ("GosKom"). This procedure was registered in Information and accounting center JSC in accordance with order No. 2855204 dated 12 December 2016.

On 25 January 2017, GosKom transferred the state-owned stake of the Company to the Ministry of Healthcare and Social Development of the Republic of Kazakhstan in accordance with the act of acceptance of ownership and use rights.

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 is registered at the address: Turan ave., 34/1, Astana, Kazakhstan.

These financial statements of the Company were approved for issue by the Chairperson of the Management Board, Financial Director and the Chief Accountant of the Company on 1 March 2017.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued 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" or "KZT") and all monetary amounts are rounded to the nearest thousand, except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. 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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

Functional and presentation currency

The functional currency is determined as the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Tenge. Tenge is the functional currency of the Company and presentation currency of these financial statements.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the reporting date. All differences are recognized in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

As at 31 December 2016 the currency exchange rate of Kazakhstan Stock Exchange ("KSE") was 333.29 Tenge for 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollars at 31 December 2016 (31 December 2015: KZT 339.47 to USD 1).

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

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

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

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. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

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 *Business Combinations* principles for business combination 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 if joint control is retained. Further, IFRS 11 has a scope exception, according to which the amendments do not apply if the parties that exercise a joint control (including the reporting entity) are under the common control of the same ultimate controlling party.

The amendments are applied both to the acquisition of the initial interest in a joint operation, and to the acquisition of additional interests in the same joint operation, and these amendments are effective prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendment to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property and Equipment* and IAS 38 *Intangible Assets* 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 and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

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. The amendments have no impact on the Company's financial statements.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended standards and interpretations (continued)***Annual IFRS improvements 2012-2014 cycle*

The document comprises the following amendments:

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 transition from one method to another will not be considered as a new disposal method, but as a continuation of the initial plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment is to be applied prospectively.

*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 disclosure of information is not required for period starting prior the annual period when an entity applies the amendment for the first time.

(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 is 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. In absence of mature market of high quality corporate bonds denominated in a certain currency it is necessary to apply government bond rates. This amendment is 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 is applied retrospectively.

The amendments have no impact on the Company's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 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 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 have no impact on financial statements of the Company.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New and amended standards and interpretations (continued)***Annual IFRS improvements 2012-2014 cycle (continued)**Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 28) Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and have no impact on the Company's financial statements since the Company is not a subsidiary of the investment entity.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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 the standard is applied retrospectively, however comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. These amendments have no impact on financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. In 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Besides, the Company considering the amendments issued by the IASB in April 2016 and will monitor any further developments.

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. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

EXPLANATORY NOTES TO THE NONCONSOLIDATED REPORTING FORMS (continued)

Form No. 5

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not yet effective (continued)***Amendments to IAS 7 Disclosure Initiative*

Amendments to IAS 7 *Statement of Cash Flows* form a part of the IASB's initiative in the area of disclosure, and require an entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financial activities, including changes resulting and non-resulting from cash flows. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. These amendments become effective for annual periods beginning on or after 1 January 2017. Early application is allowed. Application of these amendments requires the Company to disclose additional information.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments become effective for annual periods beginning on or after 1 January 2017. Early application is allowed. An entity must disclose application of the amendments for an earlier period. It is expected that these amendments will have no impact on the Company's financial statements.

Amendments to IFRS 2 – Classification and measurement of share-based payment transactions

The IASB issued amendments to IFRS 2 *Share-based Payments* where three main aspects are reviewed: The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; classification of a share-based payment transaction with net settlement features for withholding tax obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendment is effective for annual periods beginning on or after 1 January 2018. Early application is allowed. The Company is currently assessing the possible impact of these amendments on its financial statements.

IAS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Standards issued but not yet effective (continued)
IAS 16 Leases (continued)

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

Property and equipment

Property 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 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 statement of comprehensive income 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.

The estimate of useful lives of property and equipment by the management reflects respective information available at the date of the financial statements. During 2013 and 2014 the management determined that it is necessary to change the useful lives in connection with the reassessment of the assets' operating potential. 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*.

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
Vehicles	5-10 years
Other property and equipment	5-20 years

An item of property 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.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are used. In their absence the relevant valuation model is applied. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations (including impairment of inventory) are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive loss up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised 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 classifies its financial assets upon their initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not 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.

The Company's 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 at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. 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.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

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

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

Financial assets at fair value through profit and loss are carried in the 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 recognition, 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 amortized 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 costs. Expenses arising from impairment are recognized in financing costs. The Company did not have any held-to-maturity investments during the reporting periods ended 31 December 2015 and 31 December 2016.

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 trading 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 does not have investments held for sale at the periods ended 31 December 2015 and 2016.

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 and the maximum amount of consideration that the Company could be required to repay.

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. This reversal of the impairment loss is recognized as income.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Government grants**

Government grants are recognized if there is a reasonable certainty that they will be received and all associate conditions will be met. 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 recorded in the statement of comprehensive 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 of the underlying asset by equal annual instalments. When loans and similar grants are presented by the government or related entities at the rate below than the existing market rate, the effect of such beneficial interest rate is considered as additional government grant.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenues earned as a result of rendering the services and performing works are measured at the fair value of the consideration received or receivable. In majority of cases consideration is provided in form of cash and cash 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 current value of the financial asset.

Expense recognition

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

Charter capital

Contributions to the share capital are recognized at fair value. Expenses directly associated with issue of new shares, except for business combination, are deducted from the capital less any income tax.

Additional paid-in capital

Property and equipment, intangible assets and inventory obtained as additional contribution to capital are recognized as additional paid-in capital and recorded at fair value upon initial recognition. Such assets are recognized in the financial statements of the Company as soon as benefits and risks associated with use of such assets are transferred to the Company. In future, when issuing shares against transferred assets, the nominal amount of issued shares is transferred from the additional paid-in capital to the share capital.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 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 accounting estimates are reviewed below:

Impairment of property and equipment

The Company assesses property and equipment for impairment at each date of the consolidated statement of financial position. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Company makes an estimate of its recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the current amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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.

The determination of impairment of property and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors such as cash existing competition environment, expectations of growth in the industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

The recoverable amount and fair value are typically determined using a discounted cash flow method which incorporates reasonable assumptions of market participant. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

The Company carries out activities at healthcare market as part of the state programs. Therefore, the management of the Company believes that such indicators as the level of the Company's ability to provide the services to the population may be used instead of the common test for profitability (returns) of the Company. The level of ability to provide services to the population may be based both on financial and social and political factors. Thus, as at 31 December 2016, the Group rendered medical services to 3,247 patients (in 2015: 3,228 patients). Accordingly, the Company's management believes that as at 31 December 2016 and 2015 there was no evidence of impairment other than those recorded in the financial statements (*Note 5*).

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*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements.

EXPLANATORY NOTES TO THE NONCONSOLIDATED REPORTING FORMS (continued)

Form No. 5

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Income tax expenses

Under Article No. 254 of the Tax Code of the Republic of Kazakhstan, medical services are exempt from Value added taxes. The Company calculates corporate income tax liabilities in accordance with the provisions of the RK Tax Code, and particularly applies provisions of article 135-1 of the RK Tax Code on taxation of organisations operating in the social sphere.

In accordance with point 1 of Article 135 of the Tax Code of RK, organisations operating in the social sphere in measurement of corporate income tax payable to the budget decrease the amount of tax calculated in accordance with article 139 of the RK Tax Code by 100 percent.

Taking into account the fact that the Company according to paragraph 2 of article 135 of the RK Tax Code conducted activities in the social sphere, income from which comprising together with property received free-of-charge and interest on deposits was not less than 90 percent of comprehensive income, and the Company did not distribute net income or property to participants in the reporting period, the Company did not charge corporate income tax expenses and did not recognise deferred tax assets in these financial statements due to material uncertainty of having taxable income in future periods (Note 16).

5. BALANCE SHEET

118 Property and equipment

The movements in property and equipment were as follows:

<i>In thousands of Tenge</i>	Buildings and constructions	Medical equipment	Machinery and equipment	Vehicles	Other property and equipment	Construction in progress	Total
Cost							
At 31 December 2015	3,702,990	3,682,663	365,547	44,119	812,786	130,590	8,738,695
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)
At 31 December 2015	3,702,990	3,722,176	381,367	43,670	820,533	776,819	9,447,555
Additions	-	218,454	49,028	-	41,358	107,531	416,371
Disposals	-	(29,797)	-	-	-	-	(29,797)
Transfer to other assets	(237,509)	-	-	-	-	-	(237,509)
At 31 December 2016	3,465,481	3,910,833	430,395	43,670	861,891	884,350	9,596,620
Depreciation charge							
At 1 January 2015	(453,628)	(1,275,481)	(216,340)	(34,592)	(718,786)	-	(2,698,827)
Charge 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
At 31 December 2015	(552,792)	(1,621,035)	(250,285)	(36,595)	(733,056)	-	(3,193,763)
Charge for the year	(95,578)	(332,716)	(46,302)	(3,201)	(30,381)	-	(508,178)
Disposals	-	21,225	-	-	-	-	21,225
Transfer to other assets	20,509	-	-	-	-	-	20,509
At 31 December 2016	(627,861)	(1,932,526)	(296,587)	(39,796)	(763,437)	-	(3,660,207)
Net book value							
At 31 December 2015	3,150,198	2,101,141	131,082	7,075	87,477	776,819	6,253,792
At 31 December 2016	2,837,620	1,978,307	133,808	3,874	98,454	884,350	5,936,413

On 18 January 2016, in accordance with decision of the Management Board No. 2, lease option agreements were signed with the Company's employees to rent and buy 33 corporate apartments. As a result, these apartments were transferred from property and equipment to other assets in the amount of KZT 217,000 thousand. In connection with transfer of shares of National Center of Neurosurgery JSC to state ownership, employees indicated their willingness to buy the apartments ahead of schedule. In 2016, based on the positive decision of the housing commission, apartments were sold in the amount of 30 pieces at the cost of KZT 210,153 thousand, which were paid in cash in the amount of KZT 206,645 thousand, and the remaining amount of 3,508 was withheld from the salary of employees.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

5. BALANCE SHEET (continued)**118. Property and equipment (continued)****Advances paid for non-current assets**

In May 2016, the Company entered into an agreement with Diagnostics Central Asia LLP for the supply of medical equipment: "Radiotherapy complex for stereotactic radiosurgery of tumors and functional brain damage". In accordance with the terms and conditions of the agreement, the advance of 70% of the total amount of the agreement equal to KZT 1,246,000 thousand will be paid. The remaining amount of the agreement will be paid by 31 October 2017.

Also in 2016, the Company entered into an agreement with Medicus-Eurasia LLP to purchase a magnetic resonance imaging scanner and paid an advance of 30% equal to KZT 278,985 thousand. The remaining amount of 70% of the total amount of the agreement will be paid after delivery of equipment, which will take place within 120 days from the date of filing the application.

In 2015 the Company made an advance payment for the medical equipment in the amount of KZT 76,975 thousand.

These amounts are recorded in other long-term advances paid.

018 Inventory

Inventories comprise:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
Medical expendable materials	149,044	101,371
Surgical supplies	68,947	63,706
Medications	38,204	46,157
Household goods	15,525	3,431
Spare parts	10,584	12,000
Chemical agents	10,576	23,148
Hard inventory, dishware	8,379	7,321
Apartments for sale	7,498	-
Soft inventory	6,969	14,613
Materials for laboratories	6,504	2,400
Fuel	2,499	3,787
Computing materials	2,429	333
Office supplies	1,785	345
Foodstuff	-	72
Other	4,072	635
Less provision for slow-moving inventories	(5,442)	(5,507)
	327,573	273,812

016. RECEIVABLES

Accounts receivable comprise:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
Receivables from related parties (Note 19)	49,722	66,085
Receivables from third parties	21,134	21,205
	70,856	87,290

Accounts receivable are non-interest bearing and are settled on 30-90 day terms. As at 31 December 2016 accounts receivable was not impaired and its maturity does not exceed contractual maturities.

EXPLANATORY NOTES TO THE NONCONSOLIDATED REPORTING FORMS (continued)

Form No. 5

5. BALANCE SHEET (continued)**010 Cash and cash equivalents**

Cash and cash equivalents comprise:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
Cash at settlement accounts – US dollars	3,313,033	1,474,250
Cash at settlement accounts – Tenge	1,634,971	37,365
Cash on hand	1,230	545
	4,949,234	1,512,160

As at 31 December 2016, the weighted average interest rate on current accounts in Tenge was 6% per annum (2015: 4.5% per annum) and not pledged as collateral (2015: KZT nil).

410 Equity**Charter capital**

As at 31 December 2016, the declared and registered charter capital of the Company consisted of 9,223,040 common shares with a nominal value of KZT 1,000 each fully paid in cash in the amount of KZT 9,223,040 thousand (31 December 2015: 7,443,026 common shares with a nominal value of KZT 1,000 each in the amount of KZT 7,443,026 thousand).

On 11 March 2016 a certificate of state registration of the issue of securities under No. A5718 in the amount of 1,780,014 pieces for KZT 1,780,014 thousand (2015: nil).

Additional paid-in capital

As at 31 December 2016, additional paid-in capital of the Company comprises the contribution of the Ministry of Healthcare of the Republic of Kazakhstan in the form of property and equipment amounting to KZT 385,734 thousand (2015: KZT 385,734 thousand).

Dividends

In June 2016 the Company declared and paid dividends of KZT 134,923 thousand following the results of 2015 based on the decision of the sole shareholder, NMH.

No dividends were declared or paid by the Company as at 31 December 2015 and 2014.

316 Government grants

Government grants consisted of the following:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
At 1 January	1,525,061	793,984
Received during the year	1,083,774	779,127
Recorded in income and loss	(50,150)	(48,050)
Total	2,558,685	1,525,061
Less: short-term portion of Government grants	(51,961)	(49,244)
Long-term portion of Government grants	2,506,724	1,475,817

The Company received state grants for the purchase of MRI medical equipment in the amount of KZT 929,950 thousand, for the building roof repair in the amount of 140,623 and other in the amount of KZT 13,201 thousand. The Company does not have any unfulfilled terms or outstanding liabilities in connection with these grants. During 2016 the Company recognized amortization of income in the amount of KZT 50,150 thousand in the statement of comprehensive income within the amount of depreciation of the respective acquired property and equipment (2015: KZT 48,050 thousand).

EXPLANATORY NOTES TO THE NONCONSOLIDATED REPORTING FORMS (continued)

Form No. 5

5. BALANCE SHEET (continued)**216 Amounts due to employees**

Amounts due to employees comprise:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
Provision for unused vacations	44,671	63,110
Salary payable	19,303	16,761
Liabilities on pension deductions	2,303	1,642
	66,277	81,513

217 Other current liabilities

Other current liabilities comprise:

<i>In thousands of Tenge</i>	31 December 2016	31 December 2015
Other accounts payable	162,475	96,912
Advances received	3,126	1,392
Other	33,462	3,956
	199,063	102,260

6. INCOME STATEMENT**010 Revenue from rendering of services**

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

<i>In thousands of Tenge</i>	2016	2015
Medical services, including:		
Guaranteed volume of free medical care	4,252,995	3,689,935
Fee-based medical services	466,323	368,690
Educational services, including:		
Services related to scientific and research operations	67,594	31,500
State order	30,567	31,875
Hayka	27,117	8,118
Fee-based educational services	22,496	-
	4,867,092	4,130,118

011 Cost of services rendered

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

<i>In thousands of Tenge</i>	2016	2015
Salary and related taxes	1,587,447	1,656,279
Surgical supplies	1,275,418	1,412,646
Depreciation and amortisation	516,157	527,516
Medical expendable materials	419,044	291,610
Medications	122,365	107,702
Maintenance and repairs	111,884	210,834
Utilities	100,979	85,672
Provision for unused vacations	85,198	77,428
Food products (catering)	55,848	53,419
Fuel	2,767	1,921
Taxes other than income tax	1,217	1,030
Other	379,913	216,322
	4,658,237	4,642,379

EXPLANATORY NOTES TO THE NONCONSOLIDATED REPORTING FORMS (continued)

Form No. 5

6. INCOME STATEMENT (continued)**014 General and administrative expenses**

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

<i>In thousands of Tenge</i>	2016	2015
Salary and related taxes	318,228	287,453
Provision for unused vacations	18,525	18,246
Maintenance expenses	7,577	9,482
Bank charges	5,164	6,791
Consulting services	2,880	2,547
Travel expenses	1,178	1,051
Training expenses	780	396
Communication services	742	164
Office supplies	437	1,010
Depreciation and amortization	67	689
Taxes other than income tax	18	700
Other	16,330	7,250
	371,926	335,779

015-016 Other income and expenses

Other income and expenses for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2016	2015
Other income		
Income from disposal of assets (apartments – sale to employees)	210,153	–
income from assets obtained free of charge from NMH	8,621	–
Other income	55,444	51,630
	274,218	51,630
Other expenses		
Expenses for disposal of assets (apartments – sale to employees)	210,153	–
Other expenses	9,519	28,085
Accrued provision for impairment of assets	–	77,736
	219,672	105,821

101 Income tax expense

For the years ended 31 December, income tax expenses comprised the following:

<i>In thousands of Tenge</i>	2016	2015
Income tax expenses	–	–
Income tax expenses for the year	–	–

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20% in 2016 and 2015) to income tax expense was as follows for the years ended December 31:

<i>In thousands of Tenge</i>	2016	2015
Profit before taxation	692	674,615
Income tax rate	20%	20%
Income tax expense on accounting profit	138	134,923
Adjustment of corporate tax according to Article 135, paragraph 2	(138)	(134,923)
Income tax expense reported in the statement of comprehensive income	–	–

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

7. COMMITMENTS AND CONTINGENCIES**Operating environment**

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Decrease in oil prices negatively influences Kazakhstan economy. Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, and increase in uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Legal issues

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.

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 no third-party liability insurance to patients and third parties in respect of damages resulting from the Company's professional services. Until 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 financial position.

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, including opinions on approaches to revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe.

Penalties are generally 50% of the 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 tax audits 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 2016.

As of December 31 2016, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax positions will be sustained.

Contractual commitments

The Company entered into agreements with the Department of the Committee of Payment for Medical Services of the Ministry of Healthcare of the Republic of Kazakhstan in Astana for providing medical services within the limits of guaranteed free medical care No. 51 dated 1 January 2017 under the budget program 239 052 "Delivery of guaranteed free medical care except for lines financed at local level" under subprogram 102 "Specialized medical care delivery and subprogram 103 "Highly specialized medical care delivery". The amount of the agreements for 2017 is KZT 3,415,525 thousand. Under the terms of the agreements the Company shall provide medical care for 1,292 persons under the guaranteed volume of free medical care.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments consist of cash and cash equivalents, bank deposits, accounts receivable and accounts payable. The main risk arising from the Company's financial instruments is a credit risk. The company also monitors the market risk and liquidity risk arising from its financial instruments.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions that are considered in business planning process.

Credit risk

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

With respect to credit risk associated with cash and cash equivalents and short-term bank deposits, 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 instruments. 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 2016 and 2015 financial liabilities of the Company were represented by payables with 3 months' maturity.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As a result of significant amounts of bank deposits expressed in foreign currencies, changes in the exchange rates of foreign currencies may have a significant impact on the Company's statement of financial position.

The following tables demonstrate the sensitivity to a reasonably possible changes in the exchange rates of currencies, with all other variables held constant, of the Company's profit before income tax: There is no impact on the Company's equity.

<i>In thousands of Tenge</i>	Change in the exchange rate of US dollar	Effect on profit before tax
2016	13.00%	430,694
	-13.00%	(430,694)
2015	60.00%	2,022,697
	-20.00%	(674,232)

Fair value

The carrying/(current) amount of all financial assets and liabilities is estimated to be approximately equal to their fair value as at 31 December 2016 and 2015.

For the purpose of fair value disclosure, the Company determined classes of assets and liabilities based on their nature, characteristics and risks for an asset or liability, and the level of hierarchy of fair value sources.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**EXPLANATORY NOTES TO THE NONCONSOLIDATED
REPORTING FORMS (continued)**

Form No. 5

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value (continued)

As at 31 December 2016 and 2015, the Company did not have any financial instruments classified as financial instruments of 1 or 3 levels.

For the years ended 31 December 2016 and 2015 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

Capital management

The Group manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

As at 31 December 2016 and 2015, the Company's capital structure mainly comprised own equity, which includes paid capital, additional paid-in capital and retained earnings.

9. RELATED PARTY TRANSACTIONS AND SETTLEMENTS

Related parties include key management personnel of the Company, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's key management personnel, Shareholder, entities under common control of the Shareholder and University and other entities controlled by the Government of the Republic of Kazakhstan. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. The following table shows the total amount of transactions with related parties in 2016:

<i>In thousands of Tenge</i>	2016*	2015
Revenue	4,465,988	3,747,631
Purchases of goods and services	103,094	250,298
Accounts receivable (Note 7)	49,722	66,085
Payables	-	21,939
Government grant (Note 10)	2,506,724	1,475,817

* transactions with Companies under common control of Nazarbayev University are recorded prior to the date of disposal from the Group.

For the years ended 31 December 2016 and 2015, revenue from rendering of the services mainly represented reimbursement of expenses by the Ministry of Healthcare of the Republic of Kazakhstan on medical services to people. In 2016 the reimbursement amounted to KZT 4,434,568 thousand (2015: KZT 3,721,810 thousand).

Terms and conditions of transactions with related parties

Sales to related parties are performed on the basis of prices approved by the Ministry of Healthcare of the Republic of Kazakhstan.

Compensation to key management personnel

Key management personnel compensation is determined at the meetings of the founders and senior management on the basis of personnel management policy, staffing table, individual labour agreements, decisions of founders meetings and orders on allocation of bonuses.

The key personnel consists of 7 persons (2015: 9 persons). Compensation to key management personnel of the Company for the years ended 31 December 2016 and 2015 was KZT 80,788 thousand and KZT 83,780 thousand, respectively, and included salary and bonuses.

10. SUBSEQUENT EVENTS

On 25 January 2017, the act on acceptance of ownership and use of the state stake of National Center of Neurosurgery JSC was signed, according to which the procedures for transferring shares to the sole shareholder, the Committee on State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan were completed.