



Joint Stock Company
“LATVIJAS JŪRAS MEDICĪNAS CENTRS”
(Registration number 40003306807)

ANNUAL REPORT FOR 2016
(13th financial year)

**PREPARED IN ACCORDANCE WITH THE ‘ANNUAL REPORTS AND
CONSOLIDATED ANNUAL REPORT LAW’ OF THE REPUBLIC OF LATVIA
AND INDEPENDENT AUDITORS’ REPORT**

Rīga, 2017

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Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Registration number, place and date	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the common registration number 4000 330 6807	
Core business:	Hospital activities (86.10) Retail sale of medical and orthopaedic goods in specialised stores (47.74) Other education n.e.c. (85.59) General medical practice activities (86.21) Special medical practice activities (86.22) Dental practice activities (86.23) Other human health activities (86.90) Residential nursing care activities (87.10) Other residential care activities (87.90) Other social work activities without accommodation n.e.c. (88.99) Physical well-being activities (96.04) Other personal service activities n.e.c. (96.09)	
Legal address	Patversmes iela 23 Rīga, LV-1005 Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) Ilze Aizsilniece (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairperson of the Board Juris Imaks – Board Member Vita Švarcberga – Board Member until 6.07.2016 Anatolijs Ahmetovs – Board Member from 13.01.2017	
Names of the Council members, their positions	Mārtiņš Birks – Chairperson of the Council Viesturs Šiliņš – Deputy Chairman of the Council Ineta Gadzjus – Council Member Jevgeņijs Kalējs – Council Member Uldis Osis – Council Member	
Reporting year	1 January - 31 December 2016	
Name and address of the certified auditor in charge	KPMG Baltics SIA Licence No.55 Vesetas iela 7 Rīga, LV-1013 Latvia	Certified auditor in charge: Armine Movsisjana Certificate No.178


Statement of the Board's Responsibility

The Board of AS Latvijas Jūras Medicīnas Centrs (hereinafter – the Company) is responsible for preparing the financial statements of the Company.

The financial statements on pages 7 to 29 are prepared based on accounting records and source documents and present fairly the financial position of LJMC as at 31 December 2016 and the results of its operations, and cash flows for the year then ended.

The above mentioned financial statements of the Company are prepared in accordance with the laws "On accounting" and "Annual Reports and Consolidated Annual Reports Law" effective in the Republic of Latvia, on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The management of the Company is responsible for the maintenance of a proper accounting system, safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The management is also responsible for compliance with laws of the Republic of Latvia.



Chairperson of the Board
Jānis Birks

Board Member
Jūris Imāks

Board Member
Anatolijs Ahmetovs

28 April 2017

Management Report

Line of business

AS Latvijas Jūras medicīnas centrs (LJMC or the Company) is a certified and advanced private medical facility available to everyone, which consists of Sarkandaugava Ambulatory Healthcare Centre at 23 Patversmes iela, Rīga, Central Hospital at 23 Patversmes iela, Rīga, Vecmīlgravis Hospital and Northern Diagnostics Centre 26 Vecmīlgrāvja 5.līnija, Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2016, the average number of employees of LJMC was 345. The shares of AS Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Riga. Full information on the Company is provided on: www.ljmc.lv.

On 5 September 2013, AS Latvijas Jūras medicīnas centrs was entered on the list of medical facilities approved by the Health Inspectorate of Latvia, which provides medical tourism services, namely, LJMC provides medical tourism services as a reliable partner and this provides an insight into the overall Latvian health care system because the list only includes those healthcare institutions which have been registered with the register of health care institutions for at least 3 years and control has been carried out in the health care institution during the past three years.

In 2013, LJMC Northern Diagnostics Centre received from DNV Certification OY/AB Finland quality certificate ISO 9001:2008 in functional diagnostics and radiology diagnostics valid until 14 March 2016. This certificate was renewed at the beginning of 2016 to be valid until 15 September 2018. In 2017, LJMC will continue working on implementing ISO quality standards in other structural units of the centre.

LJMC has accredited Clinical Diagnostics Laboratory at 23 Patversmes iela with the Latvian National Accreditation Bureau.

LJMC has signed cooperation agreements with all health insurance companies operating in Latvia.

Activities in the 12 months of 2016 and further development

In 2016, LJMC signed an agreement with National Health Service for provision of state paid medical services in the amount provided by the budget for 2016.

One of the focus areas for 2016 was the attraction of patients living abroad. LJMC employs excellent Latvian doctors and knowledgeable medical staff, so the quality of medical examinations is high and competitive also beyond the borders of Latvia. It is proven by the growing number of foreign patients and the fact that LJMC is entered in the registry of medical tourism service providers maintained by the Health Inspectorate of Latvia. In 2016, LJMC continued attracting medical tourists from the EU by improving its service offering and actively advertising paid medical services for local inhabitants. To attract more foreign and local patients in 2017 LJMC will continue making investments to implement innovative solutions for providing medical services, improve qualification of staff in servicing patients, continuing the state policy in re-profiling of hospitals to ambulatory healthcare institutions.

In 2013, LJMC completed a significant 3 year investment project of EUR 2.3 million, using also EBRD support. The above investment project included a renovation of the old building complex of Latvijas Jūras Medicīnas Centrs and improvement of its territory according to the standards of modern medical facilities and investments were made in new medical equipment establishing Sarkandaugavas Ambulatorās Veselības Aprūpes Centrs (SAVAC). This way Latvijas Jūras Medicīnas Centrs is actively promoting its competitiveness on the Baltic medical market, attracting patients from the Baltic countries and the rest of EU by providing high quality medical services. Since Sarkandaugavas Ambulatorās Veselības Aprūpes Centrs (SAVAC) was established the number of new clients increased by 25%. The partial re-profiling from in-patient to out-patient services has already increased, and is expected to continue to increase, the effectiveness of operation of LJMC by enabling maximum use of the resources available to the centre and providing a higher quality medical care to patients.

On 24 March 2016, a construction contract was signed with SIA Selva būve for reconstruction of the building owned by LJMC and construction of Radiology Department at 23 Patversmes iela, Rīga. The contractual amount is EUR 920 792 excluding VAT. Construction work will be paid for according to the degree of completion of the project and based on a payment schedule set in the contract. As at the date of these financial statements, the building was prepared for completion to be approved by the State Construction Control Office. The implementation and payment schedules of the construction project were amended.

Management Report

Financial results

In the 12 months of 2016, LJMC operated in accordance with the budget approved for 2016. The profit of LJMC is EUR 241 870.

LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. The planned amount of investment for 2017 is EUR 500 000.

Risk Management

LJMC continues carrying out activities seeking to limit the negative impact of potential financial risks on the financial position of LJMC by implementing a set of control and analysis measures.

Financial assets exposed to credit risk are mostly cash, trade receivables and other receivables. Credit risk is managed by LJMC by performing regular debtor control procedures and debt collection measures aiming to identify and solve any problems on a timely basis.

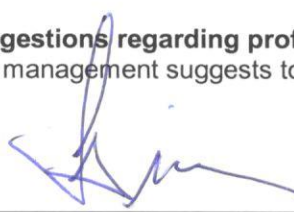
Liquidity risk is managed by LJMC in line with the principle of prudence ensuring that appropriate credit resources are available to cover liabilities as they fall due. LJMC does not use loans.

Subsequent events

On 31 March 2017 AS Latvijas Jūras medicīnas centrs has provided public information that on 23 March 2017 in Annual shareholders meeting of SIA Neirožu Klīnika it has been decided to distribute dividends, and as a result AS Latvijas Jūras medicīnas centrs has received EUR 636 966. No significant subsequent events have occurred from the reporting date to the date of these financial statements that would have a material impact on the financial results or financial position of LJMC or require disclosures to be made in these financial statements.

Suggestions regarding profit distribution

The management suggests to distribute dividends of EUR 0.30 per share.



Chairperson of the Board
Jānis Birks

Board Member
Jūris Imaks

Board Member
Anatolijs Ahmetovs

28 April 2017

Financial statements

Profit and Loss Statement for 2016

	Note	2016 EUR	2015 EUR
1. Net sales from other types of operations	2	5 603 742	5 349 116
2. Cost of services	3	(5 182 962)	(5 181 179)
3. Gross profit		420 780	167 937
4. Administrative expenses	4	(470 765)	(441 819)
5. Other operating income	5	273 545	220 489
6. Other operating expenses	6	(8 419)	(202 679)
7. Income from investments in related companies	7	25 514	6 191
8. Other interest and similar income	8	176	554
9. Profit or loss before corporate income tax		240 831	(249 327)
10. Corporate income tax for the reporting year	9	(17 602)	-
11. Profit or loss after corporate income tax		223 229	(249 327)
12. Income from changes in balances of deferred tax liabilities	9	18 641	24 426
13. Profit / (loss) of the reporting year		241 870	(224 901)
Number of shares		800 000	800 000
Earnings/(loss) per share (EUR)		0.30	(0.28)
Return on Equity (ROE)*		4.5%	(4.1%)

* Profit or loss after corporate income tax/ total shareholders' equity

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.

Chairperson of the Board
Jānis Birks

Board Member
Juris Imaks

Board Member
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

28 April 2017

Balance Sheet as at 31 December 2016

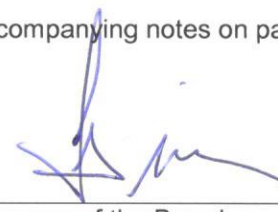
	Note	31.12.2016. EUR	31.12.2015. EUR
Assets			
Long-term investments			
I Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights		8 283	8 568
Total intangible assets:	10	8 283	8 568
II Fixed assets:			
1. Land, buildings and engineering structures		4 011 423	4 342 682
2. Equipment and machinery		168 467	342 812
3. Other fixed assets		48 754	57 516
4. Construction in progress		864 159	102 880
Total fixed assets:	10	5 092 803	4 845 890
III Long term financial investments:			
1. Investments in subsidiaries	11	155 301	155 301
Total long term financial investments:		155 301	155 301
Total long term investments:		5 256 387	5 009 759
Current assets			
I Stock:			
1. Raw materials	12	131 307	102 959
2. Prepayments for stock		155	112
Total stock:		131 462	103 071
II Receivables:			
1. Trade receivables	13	189 611	185 903
2. Due from related parties	14	23 447	-
3. Other receivables	15	112 259	8 010
4. Prepaid expenses	16	13 616	4 366
Total receivables:		338 933	198 279
III Cash:	17	1 102 979	1 558 325
Total current assets:		1 573 374	1 859 675
Total assets		6 829 761	6 869 434

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.

Balance Sheet as at 31 December 2016


	Note	31.12.2016. EUR	31.12.2015. EUR
Liabilities and equity			
Shareholders' equity:			
1. Share capital	18	1 120 000	1 120 000
2. Long term investment revaluation reserve	20	2 057 203	2 379 400
3. Reserves:			
b) reserves provided by the Company's Statutes		63 819	63 819
4. Retained earnings	19		
a) retained earnings carried forward from previous years		1 913 216	2 138 117
b) (loss)/profit for the reporting year		241 870	(224 901)
Total shareholders' equity:		5 396 108	5 476 435
Liabilities:			
Long term liabilities:			
1. Deferred income	23	421 247	449 174
2. Deferred tax liabilities	9	390 878	423 140
Total long term liabilities:		812 125	872 314
Short term liabilities:			
1. Customer advances		1 755	1 983
2. Accounts payable to suppliers and contractors		133 719	71 705
3. Taxes and compulsory state social security contributions	22	134 693	115 836
4. Other liabilities	21	146 328	130 378
5. Deferred income	23	27 926	30 232
6. Accrued liabilities	24	177 107	170 551
Total short term liabilities:		621 528	520 685
Total liabilities:		1 433 653	1 392 999
Total liabilities and equity		6 829 761	6 869 434

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.


Chairperson of the Board
Jānis Birks


Board Member
Juris Imaks


Board Member
Anatolijs Ahmetovs

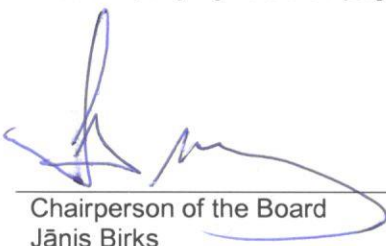

Chief Accountant
Gunta Kaufmane

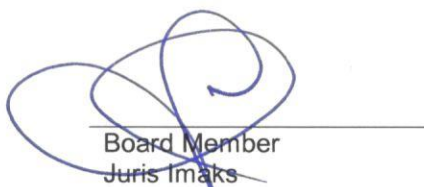
28 April 2017

Statement of Changes to the Shareholders Equity for 2016

	Share capital	Long term investment revaluation reserve	Reserves set in the Company's statutes	Retained earnings brought forward from previous years	Profit/loss for the year	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2014	1 120 000	2 379 400	63 819	1 872 113	266 004	5 701 336
Profit of 2014 transferred to retained earnings of previous years	-	-	-	266 004	(266 004)	-
Loss for the reporting year	-	-	-	-	(224 901)	(224 901)
Balance as at 31 December 2015	1 120 000	2 379 400	63 819	2 138 117	(224 901)	5 476 435
Loss of 2015 transferred to retained earnings of previous years	-	-	-	(224 901)	224 901	-
Result of revaluation of fixed assets, net of deferred tax impact (see Note 20)	-	(322 197)	-	-	-	(322 197)
Profit for the year	-	-	-	-	241 870	241 870
Balance as at 31 December 2016	1 120 000	2 057 203	63 819	1 913 216	241 870	5 396 108

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.


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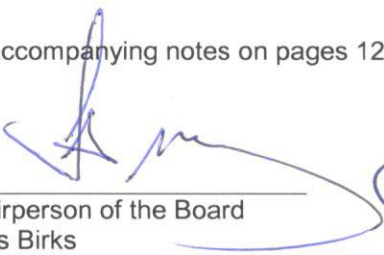

Chief Accountant
Gunta Kaufmane

28 April 2017

Statement of Cash Flows for 2016


	Note	2016 EUR	2015 EUR
I. Cash flows from operating activities			
1. Profit or loss before corporate income tax		240 831	(249 327)
<u>Adjustments for:</u>			
a) depreciation of fixed assets, amortization and adjustment of impairment of intangible assets		381 233	665 174
b) income from investments in related companies		(25 514)	(6 191)
2. Profit before adjustments for the effect of changes to current assets and short term liabilities;		596 550	409 656
<u>Adjustments for:</u>			
a) decrease/(increase) in trade receivables		(140 654)	63 883
b) decrease/(increase) in stock		(28 391)	1 256
c) (decrease)/increase in accounts payable to suppliers and other liabilities		55 314	(127 984)
2. Gross cash flows from operating activities		482 819	346 811
3. Net cash flows from operating activities		482 819	346 811
II. Cash flows from investing activities			
1. Dividends received	7	25 514	6 191
2. Purchase of fixed and intangible assets	10	(963 679)	(258 864)
3. Income from disposals of assets held for trading		-	118 000
4. Net cash flows used in investing activities		(938 165)	(134 673)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(455 346)	212 138
Cash and cash equivalents at the beginning of the year		1 558 325	1 346 187
Cash and cash equivalents at the end of the year	17	1 102 979	1 558 325

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.


Chairperson of the Board
Jānis Birks


Board Member
Juris Imaks


Board Member
Anatolijs Ahmetovs


Chief Accountant
Gunta Kaufmane

28 April 2017

Notes to the Financial Statements

(1) Information on the Company's activities and summary of significant accounting principles – general principles

Information on the Company

The legal address of AS Latvijas Jūras medicīnas centrs (the 'Company') is 22 Patversmes iela, Rīga, Republic of Latvia. The Company was registered with the Commercial Register under the common registration number 40003306807. The largest shareholders of the Company are Ilze Birka (17.50%), Mārtiņš Birks (17.50%), Jānis Birks (12.80%), Guna Švarcberga (10.36%), Ilze Aizsilniece (8.82%), Adomas Navickas (6.85%).

The Board comprises Jānis Birks (Chairperson of the Board), Juris Imaks (Board Member) and Anatolijs Ahmetovs (Board Member). The Chairperson of the Council is Mārtiņš Birks, Council Members are Viesturs Šiliņš, Ineta Gadzjus, Jevgēnija Kalējs and Uldis Osis.

The core business of the Company according to NACE rev 2. is Hospital activities (NACE 86.10); Retail sale of medical and orthopaedic goods in specialised stores (47.74); Education n.e.c. (85.59); General medical practice activities (86.21); Special medical practice activities (86.22); Dental practice activities (86.23); Other human health activities (86.90); Residential nursing care activities (87.10); Other residential care activities (87.90); Other social work activities without accommodation n.e.c. (88.99); Physical well-being activities (96.04); Other personal service activities n.e.c. (96.09).

Basis of preparation

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia. The Company used the exemption provided by the law and recognised deferred tax.

The profit and loss statement was prepared according to the turnover costing method. The statement of cash flows was prepared according to the indirect method. The financial statements are prepared on the historical cost basis except for the fixed assets disclosed under Land, buildings and engineering structures – land and buildings, which are measured using a revaluation method.

Accounting principles

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately.
- f) In 2016, changes were made to the classification of the balance sheet items compared to 2015. The reclassification has no impact on the financial result. The comparative information for 2015 disclosed in the financial statements for 2016 was classified in line with the principles used in 2016 and is comparable. The opening balances before reclassification agree with the prior year closing balances.
- g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

A new law on the preparation of annual reports and consolidated annual reports applicable in Latvia, which applies to these financial statements

Effective from 1 January 2016 the new Annual Reports and Consolidated Annual Reports Law and the related Cabinet of Ministers Regulation No. 775 entered into force in Latvia superseding the

Notes to the Financial Statements

Annual Reports Law and the related Cabinet of Ministers Regulations No. 488 and 481 that were used as the framework for preparing the financial statements for the previous year.

According to the new law, balance sheet items *Investment Property*, *Biological Assets*, *Deferred Tax Assets*, *Long-term Investments Held for Sale* and *Deferred Tax Liabilities* are to be used only by a company that following an exemptions stipulated in the law, recognises and measures these items in accordance with the International Accounting Standards (international Financial Reporting Standards as adopted by the EU).

The new law further simplifies the preparation of financial statements of small and medium-sized companies but, meanwhile, stipulates that the financial statements should give a true and fair view of the company's financial position and profit or loss and of its cash flows.

According to Article 3(6) of the Annual Reports and Consolidated Annual Reports Law, the Company applies the requirements of the law applicable to large companies as its transferable securities are included in the regulated market of the Republic of Latvia.

When preparing these financial statements, the management of the Company assessed that the recognition and presentation of deferred tax provides a more true and fair view of the financial position of the Company, and the Company also prepares the consolidated financial statements in accordance with the International Accounting Standards, and these financial statements are available on – www.nasdaqbaltic.com. Accordingly, the Company used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements it continued to recognise, measure and disclose deferred tax liabilities according to the International Accounting Standards and provided appropriate disclosures on these items. For the impact of the exemption on the profit and loss statement please refer to Note 9.

The management believes that the accounting policies used in the preparation of these financial statements are largely consistent with those used last year.

Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. Both entities are joint ventures of the same third party;
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a);
 - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Notes to the Financial Statements

Investments

Investments in subsidiary

The Company owns 50.4% shares in the company Neirožu klīnika SIA. Investments in subsidiary are initially recognized at cost. If the value of such investments at the balance sheet date is lower than the acquisition cost or valuation in the previous year's balance sheet, and such decrease is expected to be permanent, investments are recognized at the lower value.

Financial instruments and financial risks

Financial instrument is an agreement that simultaneously results in a financial asset of one party and a financial liability of the other party.

The key financial instruments held by the Company are financial assets such as trade receivables, amounts due from related parties and other receivables, and financial liabilities such as prepayments from clients, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

Financial risks connected with the Company's financial instruments, financial risk management

Key financial risks related to the Company's financial instruments are:

- Credit risk is the risk that the Company may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables;
- Currency risk – risk that the Company may suffer unexpected losses arising from fluctuations in the foreign exchange rates; the Company is not exposed to currency risk as it does not significant amounts of currencies other than EUR.
- Interest rate risk – risk that the Company may incur losses due to fluctuations in interest rates;
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented procedures to control the key risks.

Credit risk

The inability of insurance companies and patients to pay for the services provided by the Company in due time and in full amount. Most of the services are paid for within a short period of time after the provision of services or are funded by state or insurance providers, so the credit risk is low.

Interest rate risk

Management believes that interest rate risk is not material.

Liquidity risk

The Company has no external loans and it has significant financial resources to settle its liabilities.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Financial assets and financial liabilities are carried at cost which according to management approximates their fair value at acquisition plus any related additional expenses. Purchase costs are acquisition costs of goods or services (net of discounts received) with added additional costs related to the purchase.

Reporting period

The reporting period is the 12 months from 1 January 2016 to 31 December 2016.

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR) which is the Company's functional currency.

Foreign currency transactions are translated into EUR according to currency exchange rates effective at the date of transaction and determined by reconciliation of the system of the European Central Bank and other central banks and which is published on the website of the European Central Bank.

Notes to the Financial Statements

As at the reporting date, all monetary assets and liabilities are translated into EUR according to exchange rates published on the website of the European Central bank. Non-monetary items of assets and liabilities are revalued to euros in accordance with the reference exchange rate published by the European Central Bank on the transaction date.

Exchange rates per EUR 1:

	31.12.2016.	31.12.2015.
USD	1.0541	1.0887

Gain or loss resulting from payments under transactions executed in foreign currencies and the translation of monetary assets and liabilities denominated in foreign currencies is reflected in the profit and loss statement of the respective period.

Estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

(i) Impairment of fixed assets

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the highest of the fair value less selling expenses or value in use. Impairment losses are recognised in the profit and loss statement.

(ii) Useful lives of fixed and intangible assets

Management estimates the useful lives of fixed and intangible assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. Land is not subject to depreciation. For other assets, depreciation and amortization is calculated on a straight-line basis over the entire useful life of the respective intangible asset and fixed asset in order to write their value or revalued value down to the estimated book value at the end of the useful life based on the following rates:

	%
Intangible assets	20
Buildings and constructions	2.5 - 2.85
Communication equipment and instruments	33.33
Other fixed assets	20

Current maintenance and repair costs of fixed assets are recognized in the profit and loss statement as incurred.

(iii) Fixed assets

Fixed assets other than land, buildings and constructions are carried at cost less accumulated depreciation and impairment losses.

Land, buildings and constructions are measured by the Company using the revaluation model. The balance sheet item Land, buildings and engineering structures of the financial statements of the Company is presented at revalued amounts, which equals fair value at the revaluation date net of subsequent accumulated depreciation and impairment loss.

Revaluation is performed on a regular basis by professional qualified appraisers (no less than once in five years) so that the carrying amount would not be significantly different from fair value at the balance sheet date.

In case the fair value of fixed assets at the balance sheet date is lower than their carrying amount, and such impairment is expected to be permanent, fixed assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except where a previously

Notes to the Financial Statements

recognized increase in the value of fixed assets offsets an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

In case the fair value of fixed assets at the balance sheet date is significantly higher than the valuation in the balance sheet, fixed assets are revalued to the higher value, if the increase in value may be assumed to be other than temporary. The increase in value resulting from revaluation is recognized under 'Long term investment revaluation reserve'. If an increase in the value resulting from revaluation compensates for the impairment of the same fixed asset which was previously recognized as an expense in the profit and loss statement, then the increase resulting from revaluation is recognized as income in the profit and loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable.

The increase in value recognized in the long term investment revaluation reserve under equity is reversed by recognizing a decrease in the profit and loss statement upon liquidation or disposal of the revalued fixed asset.

(iv) Valuation of receivables

Receivables are disclosed at amortised cost net of impairment allowances. Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable when objective evidence exists that the Company will not be able to recover the full amount of receivables according to the previously agreed repayment terms. The amount of allowance represents the difference between the carrying and recoverable amount of receivables. The allowance is charged to the profit and loss statement.

(v) Provisions

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk.

Revenue recognition

Income from sales of goods

Revenue from the sales of goods is recognized in the profit and loss statement after the risks and rewards of ownership are transferred to the client.

No revenue is recognized if according to the provisions of the transaction the Company retains significant risks pertaining to the ownership of goods and the goods can be returned.

Income from services

Income from services provided is recognized in the profit and loss statement as generated. Income is received and recorded according to signed cooperation agreements.

Rental income

Rental income is recognised on a straight-line basis over the rental term.

Dividend income

Dividends are recognized when the Company incurs a legal right to receive them.

Long and short-term classification

Amounts whose terms of receipt, payment or write off are due more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within one year are classified as short-term.

Lease transactions

Operating lease – (the Company as a Lessor)

The Company leases premises, which are part of revalued fixed assets. Depreciation is calculated on a straight-line basis over the entire useful life of the respective tangible asset in order to write their value down to the estimated book value at the end of the useful life based on the rates set for similar

Notes to the Financial Statements

tangible assets. Income from operating lease and client prepayments is charged to the profit and loss statement on a straight-line basis over the period of lease.

Operating lease

Payments for operating lease are recognized in the profit and loss statement on a straight line basis over the period of lease.

Fixed assets

All fixed assets other than land, buildings and constructions are recognised on the balance sheet at historical cost less depreciation.

For other assets, depreciation and amortization is calculated in accordance with the straight-line method over the entire useful life of the respective intangible assets and fixed assets in order to write their value or revalued value down to the estimated book value at the end of the useful life.

The depreciation method is reviewed at least on an annual basis, at the year-end.

Subsequent expenses are added to the book value of the asset or recognized as a separate asset only where it is highly probable that future benefits related to this item would flow into the Company and expenses of this item can be estimated reliably. Such expenses are written off over the entire useful life of the respective asset. When capitalizing the costs of installed spare parts, the book value of the spare parts is written off in the profit and loss statement.

Profit or loss from disposal of fixed assets is calculated as the difference between the carrying amount of the asset and income generated from sale, and income from the reversal of the revaluation reserve of the respective fixed asset, and charged to the profit and loss statement as incurred.

Accounting and valuation of stock

Stock is carried at the lower of cost and net realizable value. Stock has been valued according to the FIFO method. Stock accounting is based on the perpetual method. Stock has been counted during the annual stock take.

Grants

Grants received for special types of capital investments are treated as deferred income which is gradually recognised as revenue over the useful life of the fixed assets received or acquired using grants. Grants received to cover expenses are recognised in the same period when the related expenses have arisen, if all the conditions of receiving the grant are met.

Corporate income tax

Corporate income tax comprises current and deferred tax. Corporate income tax is recognized in the profit and loss statement except to the extent it refers to items recognized directly in equity.

Current tax

Current tax is calculated in accordance with the law "On Corporate Income Tax" by setting the amount of taxable income and applying a tax rate of 15%. Taxable income is determined without reference to the results of revaluation of balance sheet items and contingent liabilities.

Deferred tax

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting using the balance sheet method providing for purposes and the amounts used for taxation purposes. These differences have primarily occurred due to different depreciation rates used for fixed assets in tax accounting and financial accounting.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is calculated based on the current statutory rate of 15%.

Deferred tax assets and liabilities are offset when legally permissible and these assets and liabilities relate to revenues administered by the same tax authority.

Notes to the Financial Statements

(2) Net sales

Net sales represents revenue generated during the reporting period from the Company's basic activities – sales of services, net of value added tax and discounts.

	2016 EUR	2015 EUR
Ambulatory medical services	5 012 115	4 691 801
Services covered by insurance	505 057	426 370
<i>Paid ambulatory medical services</i>	<i>280 812</i>	<i>230 239</i>
<i>Paid in-patient care</i>	<i>224 245</i>	<i>196 131</i>
In-patient care	59 099	191 136
Dental services	24 008	19 520
Resident training	3 463	20 018
Other income	-	271
	5 603 742	5 349 116

The Company provides services only in the territory of the Republic of Latvia.

The Company does not disclose information on distribution of net sales by lines of business in accordance with Regulation No. 1893/2006 (EK) of the European Parliament and European Council of 20 December 2006, with which the statistic classification of business activity NACE rev 2 is established, as its disclosure could have a severe negative impact on the interests of the Company.

(3) Cost of services

The item represents costs incurred for generating net sales – such as costs of goods and services at acquisition cost, and costs related to purchase of goods and services.

	2016 EUR	2015 EUR
Remuneration	2 369 998	2 274 693
Medicines, medical materials	688 773	678 453
Compulsory state social security contributions	542 556	520 105
Depreciation	377 447	464 352
Non-deductible value added tax	276 008	298 715
Utilities and maintenance	218 332	238 036
Lease of equipment	151 314	50 634
Repair costs	147 257	173 292
Office items and equipment, other materials	134 183	133 204
Medical examinations and other services	58 401	41 396
Advertisement expenses	30 908	28 451
Security	23 809	20 461
IT expenses	22 720	21 078
Patient catering expenses	16 059	30 270
Medical fund risk expenses	13 500	13 063
Transport	12 275	14 212
Office expenses	10 138	13 484
Real estate tax	7 845	9 254
Changes in cost of accrued vacations	6 556	52 099
Insurance	5 793	5 070
Staff training	4 937	3 284
Risk duty	1 361	1 360
Benefits and gifts to employees	1 338	3 009
Doubtful debt allowance	-	3 711
Other costs related to services	61 454	89 493
	5 182 962	5 181 179

Notes to the Financial Statements

(4) Administrative expenses

	2016 EUR	2015 EUR
Remuneration	297 342	319 748
Compulsory state social security contributions	68 370	74 106
Communication expenses	56 175	13 431
Audit of the financial statements	13 813	14 000
Office expenses	9 293	7 452
Legal services	8 250	28
Bank services	8 043	8 748
Representation expenses	4 440	1 755
Other	5 039	2 551
	470 765	441 819

(5) Other operating income

	2016 EUR	2015 EUR
Income from rent	131 153	106 182
Amortisation of funds received from EBRD	30 232	36 499
Recovered overpaid taxes	19 876	19 201
Other income	92 284	58 607
	273 545	220 489

(6) Other operating expenses

	2016 EUR	2015 EUR
Loss on disposal of fixed assets, net	3 786	-
Loss on disposal of long-term asset held for sale	-	200 822
Other expenses	4 633	1 857
	8 419	202 679

(7) Income from investments in related companies

	2016 EUR	2015 EUR
Dividends received from investment in SIA Neirožu Klīnika	25 514	6 191
	25 514	6 191

(8) Other interest and similar income

	2016 EUR	2015 EUR
Foreign exchange gain	176	554
	176	554

Notes to the Financial Statements

(9) Corporate income tax

(i) Corporate income tax recognised in the profit and loss statement

	2016 EUR	2015 EUR
Current tax	17 602	-
Deferred tax	(18 641)	(24 426)
	(1 039)	(24 426)

(ii) Reconciliation of income tax rate

Income tax amounts disclosed for the years ended 31 December 2016 and 2015 are different from the amounts calculated by applying the statutory rate to the Company's profit before taxes as reflected below:

	2016 EUR	2015 EUR
Profit/(loss) before corporate income tax	240 831	(249 327)
Theoretically calculated corporate income tax, 15%	36 125	(37 399)
Effect of non-deductible expenses	2 874	1 727
Effect of non-taxable income	(1 208)	(929)
Effect of changes in other unrecognized temporary differences	-	12 175
Correction of deferred tax	(36 752)	-
Corporate income tax for the reporting year	(1 039)	(24 426)

(iii) Deferred tax

The Company offsets deferred tax assets and liabilities only when it is legally rightful to do so, and the deferred tax relates to the same tax administration.

Deferred tax arises from the temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred tax relates to the following temporary differences:

	2016 EUR		2015 EUR	
	assets	liabilities	assets	liabilities
Depreciation	-	(390 878)	-	(456 658)
Tax losses brought forward	-	-	7 193	-
Provisions	-	-	26 325	-
Net deferred tax liability	-	(390 878)	-	(423 140)

Total movements in deferred tax:

	2016 EUR	2015 EUR
Deferred tax liabilities, beginning of the period	423 140	447 566
Changes in deferred tax recognized in the income statement	(18 641)	(24 426)
Recognised deferred tax changes from revaluation	(50 373)	-
Adjustments to deferred tax in the revaluation reserve	36 752	-
Deferred tax liabilities, end of the period	390 878	423 140

Notes to the Financial Statements

(10) Intangible assets and fixed assets

	Intangible assets EUR	Land, buildings and engineering structures EUR	Equipment and machinery EUR	Other fixed assets EUR	Construction in progress EUR	Total EUR
Historical cost						
31.12.2014.	70 366	4 458 593	3 601 362	462 419	370 035	8 962 775
Additions	11 245	-	34 835	50 199	162 585	258 864
Reclassification to other balance sheet item	-	429 740	-	-	(429 740)	-
Disposals	(2 522)	-	(24 292)	(42 896)	-	(69 710)
31.12.2015.	79 089	4 888 333	3 611 905	469 722	102 880	9 151 929
Additions	4 668	-	44 212	22 738	892 061	963 679
Reclassification to other balance sheet item*	-	130 782	-	-	(130 782)	-
Revaluation	-	(335 818)	-	-	-	(335 818)
Disposals	(1 797)	-	(160 374)	(17 886)	-	(180 057)
31.12.2016	81 960	4 683 297	3 495 743	474 574	864 159	9 599 733
Accumulated depreciation						
31.12.2014.	62 699	422 107	2 997 960	420 063	-	3 902 829
Depreciation	10 344	123 544	295 425	35 039	-	464 352
Depreciation of disposed fixed assets	(2 522)	-	(24 292)	(42 896)	-	(69 710)
31.12.2015.	70 521	545 651	3 269 093	412 206	-	4 297 471
Depreciation	4 953	126 223	214 905	31 366	-	377 447
Depreciation of disposed fixed assets	(1 797)	-	(156 722)	(17 752)	-	(176 271)
31.12.2016.	73 677	671 874	3 327 276	425 820	-	4 498 647
Balance as at 31.12.2014	7 667	4 036 486	603 402	42 356	370 035	5 059 946
Balance as at 31.12.2015	8 568	4 342 682	342 812	57 516	102 880	4 854 458
Balance as at 31.12.2016	8 283	4 011 423	168 467	48 754	864 159	5 101 086

* Transferred from construction in progress to 26 Vecmīlgrāvja 5. līnija (repairs of Rehabilitation Department of EUR 33 205 and EUR 97 577 for PET/CT Department) during May – November.

In 2016 and during the preparation of these financial statements land, buildings and constructions were valued by independent experts. The valuation was carried out by the independent experts using a combination of the comparable transactions method and income method. According to the management, the fair value of these assets approximates their carrying amount after revaluation as at 31 December 2016. The result of a downward revaluation of buildings and constructions by EUR 335 818 was recognised as a decrease in the previously recognised long-term investment revaluation reserve, net of the impact of deferred tax (see Note 20).

Notes to the Financial Statements

Information on changes due to revaluation

	2016 EUR	2015 EUR
Impairment due to revaluation	(335 818)	-
Net changes in the value of fixed assets due to revaluation, including:	(335 818)	-
Gross decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	(335 818)	-
	(335 818)	-

The fair value of land and building was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The land and building have been categorised as a Level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value of core real estate items included in position "Buildings and land", as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 852 122 located in Riga	Fair value has been estimated based on the average of a fair values determined based on:		
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings	Price per m2 EUR 349	The fair value would increase (decrease) if the price per m2 was higher (lower).
	Discounted cash flows technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 – 3.5 EUR – 5 EUR Capacity - 90% Capitalisation rate of 10%	The estimated fair value would increase (decrease) if: Rent rate was higher (lower); Capacity percentage higher (lower); The capitalisation rate was lower (higher).
Buildings and land in the amount of EUR 380 000 located in Riga	Fair value has been estimated based on the average of a fair values determined based on:		
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings	Price per m2 EUR 156	The fair value would increase (decrease) if the price per m2 was higher (lower).
	Discounted cash flows technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 – 1.5 EUR – 3.5 EUR Capacity 50% - 95% Capitalisation rate of 10%	The estimated fair value would increase (decrease) if: Rent rate was higher (lower); Capacity percentage higher (lower); The capitalisation rate was lower (higher).

Notes to the Financial Statements

Buildings and land in the amount of EUR 2 052 536 located in Riga	Fair value has been estimated based on the average of a fair values determined based on:		
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings	Price per m2 EUR 367	The fair value would increase (decreased) if the price per m2 was higher (lower).
	Discounted cash flows technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 – 2 EUR – 5 EUR Capacity 90% Capitalisation rate of 9%	The estimated fair value would increase (decrease) if: Rent rate was higher (lower); Capacity percentage higher (lower); The capitalisation rate was lower (higher).
Buildings and land in the amount of EUR 554 358 located in Riga	Fair value has been estimated based on the average of a fair values determined based on:		
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings	Price per m2 EUR 309 EUR	The fair value would increase (decreased) if the price per m2 was higher (lower).
	Discounted cash flows technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 – 1 EUR – 4.5 EUR Capacity 90% Capitalisation rate of 9.5%	The estimated fair value would increase (decrease) if: Rent rate was higher (lower); Capacity percentage higher (lower); The capitalisation rate was lower (higher).

According to Section 52(2)(2) of the Annual Reports and Consolidated Annual Reports Law, disclosures are provided concerning revalued fixed assets indicating their value had revaluation not taken place:

The carrying amount of land, buildings and constructions as at 31.12.2016 had revaluation not taken place would be EUR 1 365 362 (31.12.2015 – EUR 1 302 521).

Including:

	31.12.2016. EUR	31.12.2015. EUR
-historical cost	2 344 861	2 214 079
-accumulated depreciation	(979 499)	(911 558)

(11) Investment in subsidiaries

Investments in subsidiaries

	EUR
Carrying amount	
31.12.2015.	155 301
31.12.2016.	155 301

Notes to the Financial Statements

31.12.2016:

Name of the company	Number of shares held as at 31.12.2016 %	Carrying amount of investments as at 31.12.2016 EUR	Equity of the subsidiary as at 31.12.2016 EUR	Profit of the subsidiary in the reporting year EUR
Neirožu klīnika SIA	50.4	155 301	1 533 713	1 203 097
		155 301	1 533 713	1 203 097

Dividends received during the reporting year are disclosed in Note 7.

31.12.2015:

Name of the company	Number of shares held as at 31.12.2015 %	Carrying amount of investments as at 31.12.2015 EUR	Equity of the subsidiary as at 31.12.2015 EUR	Profit of the subsidiary in the reporting year EUR
Neirožu klīnika SIA	50.4	155 301	398 860	662
		155 301	398 860	662

(12) Stock

	31.12.2016. EUR	31.12.2015. EUR
Medicines in warehouse, pharmacy	113 973	88 056
Medicines in departments	8 569	14 870
Other materials	8 765	33
	131 307	102 959

(13) Trade receivables

	31.12.2016. EUR	31.12.2015. EUR
National Health Service	109 033	116 593
P.Stradiņa klīniskā universitātes slimnīca	-	10 687
Insurance companies	37 477	40 078
Other institutions, companies and individuals	55 889	31 333
Doubtful debt allowance	(12 788)	(12 788)
	189 611	185 903

(14) Due from related parties

	31.12.2016. EUR	31.12.2015. EUR
Due from related parties, gross value	23 447	-
	23 447	-

The item presents the amount due from related party Kodolmedicīnas klīnika SIA for rent payments.

Notes to the Financial Statements

(15) Other receivables

	31.12.2016. EUR	31.12.2015. EUR
Overpaid taxes (see Note 22)	8 807	6
Value added tax on unpaid services	2 827	4 976
Security deposit *	92 079	-
Other receivables	8 546	3 028
	112 259	8 010

*Security deposit paid to SIA Selva būve in accordance with agreement No. 2016/SB2016-03.

(16) Prepaid expenses

	31.12.2016. EUR	31.12.2015. EUR
Insurance	3 549	3 582
Advertising	690	676
Press subscription	126	98
Rent	9 251	-
Other	-	10
	13 616	4 366

(17) Cash

By currency:

		2016		2015	
	Currenc y	EUR	Currenc y	EUR	
Current account	USD	5 840	5 840	5 364	
Current account	EUR	-	1 091 295	1 548 858	
Cash on hand	EUR	-	6 144	4 103	
		1 102 979		1 558 325	

(18) Share capital

Share capital of the Company as at 31 December 2016 is EUR 1 120 000 and it is divided into 800 000 shares with the nominal value of EUR 1.40.

The share capital of the Company is owned by the following shareholders:

	31.12.2016.		31.12.2015.	
	Number of shares	Holding %	Number of shares	Holding %
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
Ilze Aizsilniece	70 565	8.82%	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 880	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.16%	209 356	26.17%
Total	800 000	100.00%	800 000	100.00%
Share capital (EUR)	1 120 000		1 120 000	

All shares of the Company are name (publicly issued shares) shares.

Notes to the Financial Statements

(19) Retained earnings

According to the shareholders decision, losses of 2015 were transferred to retained earnings brought forward from previous years.

Retained earnings, including the profit of 2016 of EUR 241 870, as at 31 December 2016 amount to EUR 2 155 086 (2015: EUR 1 913 216).

The Board of the Company suggests to distribute the profit of the reporting year in dividends of EUR 0.30 per share.

(20) Revaluation reserves

Revaluation reserve as at 31 December 2016 includes the amount of revaluation of fixed assets. The negative result of revaluation of fixed assets amounting to EUR 335 818 was recognised in revaluation reserve under equity net of a deferred tax effect of EUR 13 621.

Long term investment revaluation reserve

	2016 EUR	2015 EUR
Revaluation reserves as at 1 January	2 379 400	2 379 400
Decrease as a result of revaluation	(335 818)	-
Changes in deferred tax from revaluation	50 373	-
Correction of deferred tax	(36 752)	-
Revaluation reserves as at 31 December	2 057 203	2 379 400

(21) Other liabilities

	31.12.2016. EUR	31.12.2015. EUR
Salaries	145 219	129 279
Payments to the trade union	602	615
Deposited remuneration for work and injunctions	507	484
	146 328	130 378

(22) Taxes and compulsory state social security contributions

	Balance as at 31.12.2015 EUR	Calculated for 2016 EUR	Paid in 2016 EUR	Balance at 31.12.2016 EUR
Corporate income tax	-	17 602	-	17 602
VAT	13 326	169 907	(191 702)	(8 469)
Real estate tax	(6)	7 845	(7 845)	(6)
Natural resources tax	778	1 032	(2 142)	(332)
Risk duty	111	1 361	(1 357)	115
Social contributions	66 284	863 384	(853 059)	76 609
Personal income tax	35 337	482 421	(477 391)	40 367
Total	115 830	1 543 552	(1 533 496)	125 886

Including:

Overpaid taxes	(6)	(8 807)
Tax liabilities	115 836	134 693

Overpaid taxes are disclosed under "other receivables".

Notes to the Financial Statements

(23) Deferred income

	31.12.2016. EUR	31.12.2015. EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	421 247	449 174
Deferred income, long term	421 247	449 174
The part of capital grants to be charged to profit or loss within one year	27 926	30 232
Deferred income, short term	27 926	30 232

In 2012, the Company received EBRD funding to purchase fixed assets. In 2016, the Company recognised revenue of EUR 30 232 (2015: EUR 36 499) (see Note 5).

(24) Accrued liabilities

	31.12.2016. EUR	31.12.2015. EUR
Accrued expenses on unused vacations	177 107	170 551
	177 107	170 551

As at the year-end, the following provisions for employee salaries have been recognized, which are calculated for 2016 and paid in 2017 in accordance to the order of calculation of remuneration approved by the management of the Company.

(25) Average number of employees by category

	2016	2015
Average number of employees in the reporting year:	345	340
incl. Board Members	3	3
Members of the Council	5	5
Staff	337	332

(26) Personnel costs

Type of costs	2016 EUR	2015 EUR
Remuneration	2 667 340	2 594 441
Compulsory state social security contributions	610 926	594 211
	3 278 266	3 188 652

Notes to the Financial Statements

(27) Remuneration to management

	2016 EUR	2015 EUR
Members of the Board		
remuneration	70 248	87 296
· compulsory state social security contributions	16 259	16 593
Remuneration to the Council Members		
	27 319	27 319
· compulsory state social security contributions	5 951	5 951
Remuneration to other administrative staff		
	199 775	205 133
· compulsory state social security contributions	46 160	51 562
	365 712	393 854

(28) Future liabilities

As at 31 December 2016, future payment liabilities of the Company under effective agreements related to the purchase and establishment of fixed assets are EUR 402 thousand (2015: EUR 98 thousand): EUR 328 000 for finishing construction, EUR 35 000 for improvement of premises, EUR 34 852 for internal networks and EUR 4 100 for other expenses.

The management of the Company has no information on issued guarantees, legal proceedings and other contingent liabilities, which could impact the financial position of the Company as at 31 December 2016.

(29) Related party transactions

In 2016, the Company made transactions with related parties:

- received dividends from SIA Neirožu klīnika of EUR 25 514 (2015: EUR 6 191),
- issued invoices to SIA Kodolmedicīnas klīnika for rent payments of EUR 23 447 (2015: no such income).

(30) Remuneration to the certified auditor

	2016 EUR	2015 EUR
Audit of the financial statements	13 813	14 000
	13 813	14 00

(31) Information on operating lease and rent agreements with a significant impact on the Company's activities

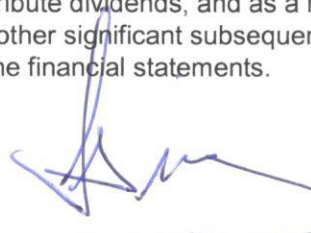
The Company has 25 effective operating lease agreements regarding equipment. According to this agreement, lease payments are the following:

In 2017	265 222 EUR
In 2018-2020	1 326 109 EUR

Notes to the Financial Statements


(32) Subsequent events

On 31 March 2017 AS Latvijas Jūras medicīnas centrs has provided public information that on 23 March 2017 in Annual shareholders meeting of SIA Neirožu Klīnika it has been decided to distribute dividends, and as a result AS Latvijas Jūras medicīnas centrs has received EUR 636 966. No other significant subsequent events have occurred that would materially impact the presentation of the financial statements.



Chairperson of the Board
Jānis Birks

Board Member
Juris Inaks

Board Member
Ahmetovs Anatolijs

Chief Accountant
Gunta Kaufmane

28 April 2017



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Independent Auditors' Report

To the shareholders of AS Latvijas Jūras medicīnas centrs

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS Latvijas Jūras medicīnas centrs ("the Company") set out on pages 7 to 29 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2016,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS Latvijas Jūras medicīnas centrs as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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



Key Audit Matters

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

Recognition of revenue from medical services	
Key audit matter	Key audit matter
<p>Revenues from medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2016: EUR 5.52 million.</p> <p>We refer to the financial statements Note 1 (accounting policy) and Note 2 (financial disclosures).</p> <p>The Company offers a wide variety of healthcare services with complex pricing structure. 57% of the revenues from medical services represent financing received from the National Health Service. As the state funding is allocated to particular periods, there is a risk of manipulations in the timing and amount of revenue recognized in order utilize the available funds more efficiently.</p> <p>Furthermore, remuneration of professional staff is tied to the revenues recognized and may create further incentive to manipulate revenues. As a consequence, there is an increased risk of misstatement in revenue balances, either by fraud or error, including through potential override of controls by management.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Performing a walkthrough of revenue from medical services recognition process and testing design and implementation of controls over revenue recognition including the comparison of monthly cash register reports to amounts recognized in the financial statements. • Performing analytical procedures and journal entry testing in order to identify and test potential risk of misstatement arising from management override of controls. We performed substantive analytical procedures to consider trends that could indicate material misstatements, and reconciled recognized revenue with reports from cash registers as well as obtained external turnover confirmations received from the National Health Service and insurance companies. Remaining revenue has been tested against payments received on a sample basis. • The timeliness of cash payments from all of the main customer streams has been corroborated to provide additional audit evidence for accuracy of revenue recognition. We obtained a breakdown of cash settlements to verify the recoverability of debtors as at 31 December 2016. • We also performed cut-off testing for a sample of revenue recognized shortly before and after year-end to obtain audit evidence that revenue is recognised in the correct period.



Completeness of remuneration expenses	
Key audit matter	Our response
<p>Remuneration expenses in the financial statements as at and for the year ended 31 December 2016: EUR 2.67 million.</p> <p>We refer to the financial statements Note 1 (accounting policy) and Notes 3, 4 and 27 (financial disclosures).</p> <p>Nearly 50% of Remuneration expenses for the year ended 31 December 2016 is comprised of variable pay that is calculated based on the volume and type of services provided by professional medical staff and rates set by the management or in the agreement with National Health Service for state funded services. The remuneration calculation process in the Company, which is inherently complex and involves multiple inputs, is not automated. This significantly increases the risk of error and led us to select completeness of remuneration expenses as a significant risk.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Performing a walkthrough of variable pay calculation by recalculating pay for different kinds of ambulatory medical services. • Performing substantive analytical procedures by setting expectation for variable pay for services funded by the National Health Service. The inputs used in the analytical procedures included list of services provided throughout the reporting year obtained from the National Health Service and applied rates set by the management to these services. As variable pay rates for family doctors are determined by the National Health Service, we have agreed the remuneration expenses to reports from the National Health Service on a sample basis. • Variable pay for paid medical services was recalculated on a sample basis. We have compared supporting calculations for selected employees to the report for total paid medical services provided throughout the year to test the completeness of variable pay. We have also compared the variable pay rates used in calculations to rates approved by the management and referred to in the employment contracts.

Other Matters

The respective prior period information is based on the Company's financial statements for the year ended 31 December 2015, which was audited by another audit firm who expressed an unqualified opinion on these financial statements in their auditors' report dated 9 May 2016.



Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 5 to 6 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage www.ljmc.lv and publicly available.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the



Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Armine Movsisjana.

KPMG Baltics SIA
Licence No 55

A handwritten signature in blue ink, appearing to be 'A. Movsisjana'.

Armine Movsisjana
Chairperson of the Board
Sworn Auditor
Certificate No 178
Riga, Latvia
28 April 2017

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.