



**JOINT STOCK COMPANY**  
**“LATVIJAS JŪRAS MEDICĪNAS CENTRS”**  
(Unified registration number: 40003306807)

**ANNUAL REPORT FOR 2017**  
(14<sup>th</sup> financial year)

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

**Riga, 2018**

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### *Information on the Company*

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Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Number, place and date of registration	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the unified 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 – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs - Member of the Board, since 13.01.2017	
Names of the Council members, their positions	Mārtiņš Birks – Chairman of the Council Viesturs Šiliņš – Deputy Chairman of the Council Ineta Gadzjus – Member of the Council Jevgeņijs Kalējs – Member of the Council Uldis Ōsis – Member of the Council	
Reporting period	1 January 2017 – 31 December 2017	
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


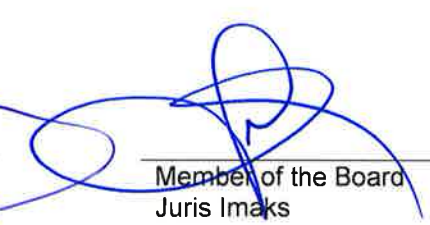

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The Board of AS Latvijas Jūras Medicīnas Centrs (hereinafter – the Company) is responsible for preparing the financial statements of the Company.

The financial statement on pages 8 to 30 is prepared based on accounting records and source documents and present fairly the financial position of LJMC as at 31 December 2017 and the results of its operations, and cash flows for the 12-month period of 2017.

The above mentioned financial statement of the Company is 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 judgements and estimates have been made by the Management in the preparation of the financial statement.

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  
\_\_\_\_\_  
Member of the Board  
Juris Imaks  
\_\_\_\_\_  
Member of the Board  
Anatolijs Ahmetovs

27 April 2018

## ***Management Report***

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### **Line of business**

A/S 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.linija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2017, the average number of employees of LJMC was 343. The shares of A/S Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Rīga.

As of 5 September 2013, A/S Latvijas Jūras medicīnas centrs has been included 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.

LJMC has received certificate No. 065 issued by Exova BM TRADA confirming the compliance of the energy management system with ISO 50001:2011 requirements.

### **Activities in the 12 months of 2017 and further development**

#### *The Company's activities in the 12 months of 2017*

In 2017 LJMC continued to provide high-quality medical services and attract new local and foreign patients. Similar to prior years, also in 2017 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality, and to establish attraction of foreign patients as one of the development directions for 2017. This, along with the development of services helped to increase the number of foreign patients in 2017, and facilitated the inclusion of LJMC in the registry of medical tourism service providers maintained by the Health Inspectorate of Latvia.

LJMC not only successfully attracted foreign patients in 2017, but also actively popularised paid medical services among local public, thus ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

In 2017, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2017.

On 24 March 2016, a construction contract was signed with SIA Selva būve for the 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. On 2 May 2017 the Construction State Control Office concluded a commissioning certificate regarding Radiology Department at Patversmes iela 23, Rīga. After the commissioning Radiology Department became fully operational in 2017 offering all planned services (magnetic resonance, X-ray examinations and ultrasonography), gradually increasing the amount and quality of services (both state paid services and services paid by patients). A cooperation agreement on the availability and payment of PET/CT radiological examinations has been concluded.

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

## ***Management Report***

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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). In 2017 SAVAC in its operation has attracted by 20% more new customers than in 2016. 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 resources available to the centre and providing a higher quality medical care to patients.

LJMC has made a public announcement that on 23 March 2017, in an ordinary shareholders' meeting SIA Klīnika Dzintari (previously – SIA Neirožu klīnika) has made a decision on profit distribution, as a result LJMC has received EUR 636 966. On 2 August 2017 the Board has made a decision to determine the possible realisable value of shares of SIA Klīnika Dzintari owned by LJMC, to identify the potential buyers and to conclude a purchase agreement in case of an appropriate price bid, and, if necessary, reclassify the asset from 'Investment in related party equity' to 'Assets held for sale'.

### ***Further development of the Company***

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 and enhance patient service. LJMC will also continue the state policy in re-profiling of hospitals to ambulatory healthcare institutions.

Continuing to improve the available services with highly-qualified and professional diagnostics service, LJMC's Radiology Department as one of the most modern and innovative cancer diagnostics centre in Eastern Europe will promote the increase in the number of local and foreign patients.

By attracting patients not only from Latvia and other Baltic countries, but also from other EU countries and offering high-quality medical services, LJMC will increase its competitiveness in the Baltics medical market.

### **Financial results**

In the 12 months of 2017, LJMC operated in accordance with the budget approved for 2017. The profit of LJMC is EUR 506 489. In the 12 months of 2017 LJMC has operated in accordance with the budget approved for 2017: the income plan has been fulfilled by 112% and expenses – by 107%. Increase of income is related to the receipt of one-off dividends from SIA Klīnika Dzintari, and the total expenses were exceeded due to downward revaluation result not included in the budget. LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. In 2017, investments were realised not exceeding the planned amount.

### **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.

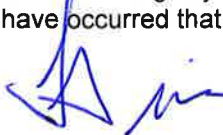
## *Management Report*

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### **Subsequent events**

On 23 February 2018, LJMC made a public announcement that it has sold its 50.4% shares of SIA Klīnika Dzintari and has received payment of EUR 69 049 in return.

In March 2018 AS Latvijas Jūras medicīnas centrs has provided public information that it has sold its real estate at Vecmīlgrāvja 5. līnijā 26 in the amount of EUR 190 000. No other significant subsequent events have occurred that would materially impact the presentation of the financial statements.



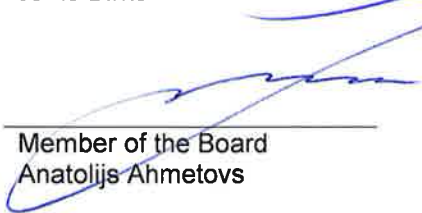
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Chairperson of the Board  
Jānis Birks



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Member of the Board  
Juris Imaks



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Member of the Board  
Anatolijs Ahmetovs

27 April 2018

## Financial statements

### Profit and Loss Statement for 2017

	Note	2017 EUR	2016 EUR
1. Net sales from other types of operations	2	5 877 282	5 603 742
2. Cost of services	3	(5 465 933)	(5 182 962)
<b>3. Gross profit</b>		<b>411 349</b>	<b>420 780</b>
4. Administrative expenses	4	(498 739)	(470 765)
5. Other operating income	5	233 691	273 545
6. Other operating expenses	6	(344 435)	(8 419)
7. Income from investments in related companies	7	636 966	25 514
8. Interest and similar income	8	54 930	176
<b>9. Profit before income taxes</b>		<b>493 762</b>	<b>240 831</b>
10. Corporate income tax for the reporting year	9	(15 115)	(17 602)
<b>11. Profit after corporate income tax</b>		<b>478 647</b>	<b>223 229</b>
12. Income from changes in balances of deferred tax liabilities	9	27 842	18 641
<b>13. Profit for the year</b>		<b>506 489</b>	<b>241 870</b>
<b>Number of shares</b>		<b>800 000</b>	<b>800 000</b>
<b>Earnings per share (EUR)</b>		<b>0.63</b>	<b>0.30</b>
<b>Return on Equity (ROE)*</b>		<b>8.7%</b>	<b>4.5%</b>

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

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
 Jānis Birks

Member of the Board  
 Jūris Imāks

Member of the Board  
 Anatolijs Ahmetovs

Chief Accountant  
 Gunta Kaufmane

27 April 2018



**Balance Sheet as at 31 December 2017**

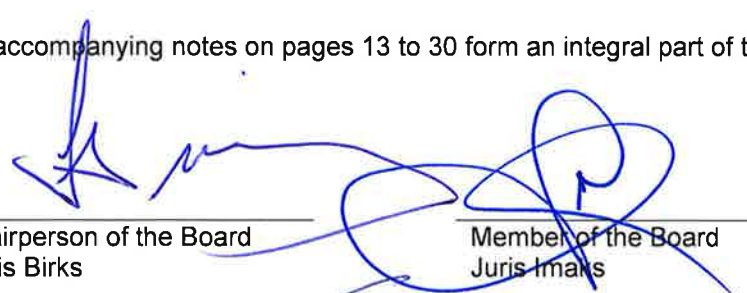
	Note	31.12.2017 EUR	31.12.2016 EUR
<b>Assets</b>			
<b>Long-term investments</b>			
<b>I Intangible assets:</b>			
Concessions, patents, licenses, trademarks and similar rights		2 923	8 283
<b>Total intangible assets:</b>	10	<b>2 923</b>	<b>8 283</b>
<b>II Fixed assets:</b>			
1. Land, buildings and engineering structures		4 603 395	4 011 423
2. Equipment and machinery		113 259	168 467
3. Other fixed assets		60 176	48 754
4. Construction in progress		1 332	864 159
<b>Total fixed assets:</b>	10	<b>4 778 162</b>	<b>5 092 803</b>
<b>III Long term financial investments:</b>			
1. Investment in subsidiaries	11	-	155 301
<b>Total long term financial investments:</b>		-	<b>155 301</b>
<b>Total long term investments:</b>		<b>4 781 085</b>	<b>5 256 387</b>
<b>Current assets</b>			
<b>I Stock:</b>			
1. Raw materials	12	120 393	131 307
2. Prepayments for stock		-	155
<b>Total stock:</b>		<b>120 393</b>	<b>131 462</b>
<b>II Receivables:</b>			
1. Trade receivables	13	235 826	189 611
2. Due from related parties	14	40 391	23 447
3. Other debtors	15	8 935	112 259
4. Prepaid expenses	16	26 760	13 616
<b>Total receivables:</b>		<b>311 912</b>	<b>338 933</b>
<b>III Assets held for sale:</b>	11	<b>259 660</b>	-
<b>IV Cash:</b>	17	<b>1 391 298</b>	<b>1 102 979</b>
<b>Total current assets:</b>		<b>2 083 263</b>	<b>1 573 374</b>
<b>Total assets</b>		<b>6 864 348</b>	<b>6 829 761</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

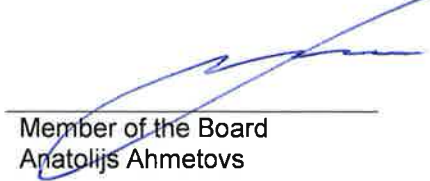
**Balance Sheet as at 31 December 2017**


	Notes to the Financial Statemen ts	31.12.2017	31.12.2016
		EUR	EUR
<b>Equity and Liabilities</b>			
<b>Shareholders' equity:</b>			
1. Share capital	18	1 120 000	1 120 000
2. Long term investment revaluation reserve	20	2 292 360	2 057 203
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		1 835 086	1 913 216
b) profit of the reporting year		506 489	241 870
<b>Total shareholders' equity:</b>		<b>5 817 754</b>	<b>5 396 108</b>
<b>Liabilities:</b>			
<b>Long term liabilities:</b>			
1. Next period income	23	411 669	421 247
2. Deferred tax liabilities	9	-	390 878
<b>Total long term liabilities:</b>		<b>411 669</b>	<b>812 125</b>
<b>Short term liabilities:</b>			
1. Customer advances		1 755	1 755
2. Accounts payable to suppliers and contractors		131 714	133 719
3 Taxes and compulsory state social security contributions	22	146 686	134 693
4. Other liabilities	21	158 911	146 328
5. Next period income	23	18 752	27 926
6. Accrued liabilities	24	177 107	177 107
<b>Total short term liabilities:</b>		<b>634 925</b>	<b>621 528</b>
<b>Total liabilities:</b>		<b>1 046 594</b>	<b>1 433 653</b>
<b>Total equity and liabilities</b>		<b>6 864 348</b>	<b>6 829 761</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

  
Chairperson of the Board  
Jānis Birks

  
Member of the Board  
Juris Imaks

  
Member of the Board  
Anatolijs Ahmetovs

  
Chief Accountant  
Gunta Kaufmane

27 April 2018

*Statement of Changes to the Shareholders Equity for 2017*

	Share capital	Long term investment revaluation reserve	Reserves	Retained earnings brought forward from previous years	Profit/loss of the reporting year	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31 December 2015</b>	<b>1 120 000</b>	<b>2 379 400</b>	<b>63 819</b>	<b>2 138 117</b>	<b>(224 901)</b>	<b>5 476 435</b>
Loss of 2015 transferred to retained earnings of previous years	-	-	-	(224 901)	224 901	-
Profit of the reporting year	-	-	-	-	241 870	241 870
Result of revaluation of fixed assets, net of deferred tax impact (see Note 20)	-	(322 197)	-	-	-	(322 197)
<b>Balance as at 31 December 2016</b>	<b>1 120 000</b>	<b>2 057 203</b>	<b>63 819</b>	<b>1 913 216</b>	<b>241 870</b>	<b>5 396 108</b>
Profit of 2016 transferred to retained earnings of previous years	-	-	-	241 870	(241 870)	-
Reversal of deferred tax (see Note 9)	-	363 036	-	-	-	363 036
Result of revaluation of fixed asset (see Note 20)	-	(92 952)	-	-	-	(92 952)
Disposal of disposed fixed asset reserve	-	(34 927)	-	-	-	(34 927)
Dividends for 2016	-	-	-	(320 000)	-	(320 000)
Profit for the year	-	-	-	-	506 489	506 489
<b>Balance as at 31 December 2017</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>1 835 086</b>	<b>506 489</b>	<b>5 817 754</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
Jānis Birks

Member of the Board  
Juris Imaks

Member of the Board  
Anatolijs Ahmetovs

Chief Accountant  
Gunta Kaufmane

27 April 2018

## Statement of Cash Flows for 2017

	Note	2017 EUR	2016 EUR
<b>I. Cash flows from operating activities</b>			
1. Profit before corporate income tax		491 762	240 831
<u>Adjustments for:</u>			
a) depreciation and amortisation		271 379	381 233
b) negative revaluation of fixed assets, net	6, 8	330 396	-
c) loss from disposal of fixed assets		(6 953)	-
d) income from investments in related companies		(636 966)	(25 514)
2. Profit before adjustments for the effect of changes to current assets and short term liabilities;		<b>449 618</b>	<b>596 550</b>
<u>Adjustments for:</u>			
a) decrease/(increase) in trade receivables		27 021	(140 654)
b) decrease/(increase) in stock		11 069	(28 391)
c) increase in the accounts payable to suppliers and other liabilities		25 911	55 314
<b>3. Gross cash flows from operating activities</b>		<b>513 619</b>	<b>482 819</b>
4. Corporate income tax		(35 207)	-
<b>5. Net cash flows from operating activities</b>		<b>478 412</b>	<b>482 819</b>
<b>II. Cash flows from investing activities</b>			
a) dividends received	7	636 966	25 514
b) purchase of fixed and intangible assets	10	(605 510)	(963 679)
c) profit from the decrease of subsidiary's equity		85 641	-
d) profit from disposal of fixed and intangible assets		12 810	-
<b>6. Net cash flows used in investing activities</b>		<b>129 907</b>	<b>(938 165)</b>
<b>III. Cash flows from financing activities</b>			
a) dividends paid		(320 000)	-
<b>7. Net cash flows used in financing activities</b>		<b>(320 000)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents in the reporting year</b>		<b>288 319</b>	<b>(455 346)</b>
Cash and cash equivalents at the beginning of the year		1 102 979	1 558 325
<b>Cash and cash equivalents at the end of the year</b>	17	<b>1 391 298</b>	<b>1 102 979</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
Jānis Birks

Member of the Board  
Juris Imaks

Member of the Board  
Anatolijs Ahmetovs

Chief Accountant  
Gunta Kaufmane

27 April 2018

## *Notes to the Financial Statements*

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

#### ***Information on the Company***

The legal address of A/s Latvijas Jūras medicīnas centrs is 22 Patversmes iela, Rīga. 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, Jevgēņija 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. Until July 2017 the Company's management used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements – available on [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) – it continued to recognise, measure and disclose deferred tax liabilities according to the International Accounting Standards (International Financial Reporting Standards as adopted by the EU) and provided appropriate disclosures on these items. See Note 9 and 20, as well as Section 'Corporate income tax' of Note 1 regarding the impact of changes in tax legislation to deferred tax as at 31 December 2017.

In addition, the Company's management used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements it recognises and measures Assets held for sale according to the International Accounting Standards and provided appropriate disclosures on these items in Note 11.

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.

The profit and loss statement was prepared according to the turnover costing method. The cash flow statement 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' and 'Assets held for sale' – 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.

## **Notes to the Financial Statements**

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- f) The opening balance agrees with the prior year closing balance;
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

### **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.

### **Investments**

#### **Investments in subsidiary**

As at 31 December 2017 the Company owns 50.4% shares in SIA Klīnika Dzintari (previously – SIA Neirožu Klīnika). In 2017 the management decided to reclassify investment in SIA Klīnika Dzintari to 'Assets held for sale', as in August 2017 a decision was made on the alienation of shares and sales process has been initiated. See Note 11, as well as section 'Assets held for sale' of Note 1. Until reclassification investment was carried at cost.

### **Financial instruments and financial risks**

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities 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.

## ***Notes to the Financial Statements***

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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 2017 to 31 December 2017.

### **Currency unit and revaluation of foreign currency**

All amounts in these financial statements are expressed in the official currency of Latvia – euro (EUR), the functional currency of the Company.

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.

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 rate per EUR 1:

	31.12.2017	31.12.2016
USD	1.19930	1.0541

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 judgements***

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:

## *Notes to the Financial Statements*

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### **(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 value. 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 value, which equals fair value at the revaluation date net of subsequent accumulated depreciation and impairment loss.

Based on the Company's position as at 31 December, the Company has estimated the value of the balance sheet item 'Land, buildings and engineering structures', and in accordance with the estimation, determined the carrying amount of all land, buildings and engineering structures in line with market value and based on valuation of external certified valuers.

According to the policy, revaluation of a single building or construction requires the whole category to be revalued. To determine the impact of revaluation at the date of revaluation accumulated depreciation is eliminated against the cost or other value, which replaces cost in the financial statements, and the gross carrying amount is increased or decreased according to the revalued value of the building or structure in the following manner: accumulated depreciation to the date of revaluation is written-off against the current carrying amount of fixed asset, and afterwards the residual value is increased or decreased according to the fair value of fixed asset as a result of revaluation.

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 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 value of fixed assets at the balance sheet date is higher than the valuation on 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.



## ***Notes to the Financial Statements***

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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 12 months 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 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 – (the Company as a lessee)***

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.

## ***Notes to the Financial Statements***

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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.

### ***Assets held for sale***

Assets held for sale are such objects for which the balance sheet value will be recovered in a trading transaction rather than in the course of further utilization, and that comply with both of the classification criteria:

- these objects in their current condition are available for immediate sale and are subject only to common selling conditions of such objects;
- their trading transaction is credible.

Assets held for sale are not subject to amortisation.

In 2017 the management decided to reclassify investment in SIA Klīnika Dzintari equity to Assets held for sale at cost. In February 2018 LJMC sold its 50.4% shares in SIA Klīnika Dzintari. Refer to Note 11.

In December 2017 the Company began the sales process of one of the land and building objects it owns, therefore this real estate property consisting of land plot and a two-floor building was reclassified to Assets held for sale at fair value. In March 2018 the object was sold. See Notes 10 and 11.

Assets held for sale that prior to reclassification were carried at cost are recognised according to the carrying amount at the date of reclassification. Assets held for sale that prior to reclassification were measured using revaluation method cost are recognised at fair value.

Assets held for sale are recognized at the lowest of carrying amount, comparing the carrying amount and net realisable value of those assets.

### ***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***

#### ***(a) Current tax***

##### ***In the reporting year***

Current tax for the reporting year is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax

## ***Notes to the Financial Statements***

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payable in respect of previous years. See below for information on changes effective as of 1 January 2018.

### ***Changes to the calculation of Corporate Income Tax as of 1 January 2018***

As of 1 January 2018, the new Law on Enterprise Income Tax of the Republic of Latvia comes into effect setting out a new regime for paying taxes. As of the date, the tax rate will be 20% instead of the current 15%, the taxation period will be one month instead of a year and the taxable base will include:

- distributed profit (dividends calculated, payments equalled to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

### ***(B) Deferred tax***

In accordance with the Annual Reports and Consolidated Annual Reports Law of the Republic of Latvia, companies are permitted to recognise deferred tax supported by justified reasons. In such cases, deferred tax should be recognised, assessed and disclosed in the financial statements in line with the International Financial Reporting Standards as adopted by the EU. Under IAS 12 Income taxes, whenever there is a difference to tax rates being applied to distributed and undistributed profits deferred tax assets and liabilities should be recognised by applying the rate applicable to undistributed profits.

According to the new Law on Enterprise Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profit, while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount. This principle has been applied in the Company's financial statements for the year ended 31 December 2017.

Deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period, except when deferred tax was recognised in relation to revaluation reserves. In that case, reversal of deferred tax was charged to revaluation reserves as disclosed in Note 9.

## 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.

	2017 EUR	2016 EUR
Ambulatory medical services	5 347 200	5 012 115
Services covered by insurance	507 431	505 057
<i>Paid ambulatory medical services</i>	282 131	280 812
<i>Paid in-patient care</i>	225 300	224 245
In-patient care	-	59 099
Dental services	17 395	24 008
Resident training	5 256	3 463
	<b>5 877 282</b>	<b>5 603 742</b>

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.

	2017 EUR	2016 EUR
Remuneration	2 479 681	2 369 998
Medicines, medical materials	721 768	688 773
Compulsory state social security contributions	571 812	542 556
Non-deductible value added tax	313 778	276 008
Lease of equipment	289 104	151 314
Depreciation	271 379	377 447
Utilities and maintenance	241 120	218 332
Office items and equipment, other materials	170 485	134 183
Repair costs	128 494	147 257
Medical examinations and other services	49 064	58 401
IT expenses	26 861	22 720
Advertisement expenses	24 273	30 908
Security	24 368	23 809
Changes in doubtful debt allowances	21 578	-
Medical fund risk expenses	14 160	13 500
Transport	11 181	12 275
Office expenses	11 787	10 138
Patient catering expenses	10 684	16 059
Real estate tax	7 845	7 845
Insurance	4 388	5 793
Staff training	4 509	4 937
Risk duty	1 361	1 361
Benefits and gifts to employees	1 207	1 338
Changes in cost of accrued vacations	-	6 556
Other costs related to services	65 046	61 454
	<b>5 465 933</b>	<b>5 182 962</b>

## Notes to the Financial Statements

### (4) Administrative expenses

	2017 EUR	2016 EUR
Remuneration	318 077	297 342
Compulsory state social security contributions	72 936	68 370
Communication expenses	60 770	56 175
Audit of the financial statements	13 750	13 813
Office expenses	10 372	9 293
Bank services	7 833	8 043
Legal activities	5 646	8 250
Representation expenses	2 141	4 440
Other	7 214	5 039
	<b>498 739</b>	<b>470 765</b>

### (5) Other operating income

	2017 EUR	2016 EUR
Income from rent	122 680	131 153
Amortisation of funds received from EBRD	18 752	30 232
Recovered overpaid taxes	-	19 876
Other income	92 259	92 284
	<b>233 691</b>	<b>273 545</b>

Other income consists of income from catering and laundry service, advertising and beauty care services.

### (6) Other operating expenses

	2017 EUR	2016 EUR
Loss from revaluation of long-term assets (see Note 10)	333 390	-
Loss on disposal of fixed assets, net	5 857	3 786
Penalties	2 802	-
Other expenses	2 386	4 633
	<b>344 435</b>	<b>8 419</b>

### (7) Income from investments in related companies

	2017 EUR	2016 EUR
Dividends received from investment in SIA Klīnika Dzintari	636 966	25 514
	<b>636 966</b>	<b>25 514</b>

### (8) Interest and similar income

	2017 EUR	2016 EUR
Insurance compensation	51 452	-
Realised profit on disposal of fixed assets	2 994	-
Foreign exchange gain	-	176
Other income	484	-
	<b>54 930</b>	<b>176</b>

2017 LJMC received insurance compensation for the damaged part of medical equipment.

## Notes to the Financial Statements

### (9) Corporate income tax

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

	2017 EUR	2016 EUR
Current tax	15 115	17 602
Deferred tax	(27 842)	(18 641)
	<b>(12 727)</b>	<b>(1 039)</b>

#### (ii) Reconciliation of effective income tax rate

Income tax expenses disclosed for the years ended 31 December 2017 and 2016 are different from the amounts calculated by applying the statutory rate to the Company's profit before taxes as reflected below:

	2017 EUR	2016 EUR
Profit/(loss) before corporate income tax	<b>493 762</b>	<b>240 831</b>
Theoretically calculated corporate income tax, 15%	74 064	36 125
Effect of non-deductible expenses	54 457	2 874
Effect of non-taxable income	(113 406)	(1 208)
Reversal of deferred tax	(27 842)	(36 752)
<b>Corporate income tax for the reporting year</b>	<b>(12 727)</b>	<b>(1 039)</b>

#### (iii) Deferred tax

Deferred tax relates to the following temporary differences:

	2017 EUR		2016 EUR	
	assets	liabilities	assets	liabilities
Depreciation	-	-	-	(390 878)
<b>Net deferred tax liabilities</b>	-	-	-	<b>(390 878)</b>

Total movements in deferred tax:

	2017 EUR	2016 EUR
<b>Deferred tax liabilities, beginning of the period</b>	<b>390 878</b>	<b>423 140</b>
Changes in deferred tax recognized in the profit or loss statement	(27 842)	(18 641)
Recognised deferred tax changes from revaluation	-	(50 373)
Adjustment to deferred tax recognized in the revaluation reserve	(363 036)	36 752
<b>Deferred tax liabilities, end of the period</b>	<b>-</b>	<b>390 878</b>

## Notes to the Financial Statements

### (10) Intangible assets and fixed assets

	Intangible assets	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Historical cost</b>						
<b>31.12.2016</b>	<b>81 960</b>	<b>4 683 297</b>	<b>3 495 743</b>	<b>474 574</b>	<b>864 159</b>	<b>9 599 733</b>
Additions	-	-	42 424	35 462	527 624	605 510
Reclassification*	-	1 382 824	-	7 627	(1 390 451)	-
Accumulated depreciation allocated to historical cost before revaluation	-	(616 518)	-	-	-	(616 518)
Negative result of revaluation allocated to the profit and loss statement	-	(333 390)	-	-	-	(333 390)
Negative result of revaluation allocated to reserves	-	(218 354)	-	-	-	(218 354)
Positive result of revaluation allocated to reserves	-	125 402	-	-	-	125 402
Reclassified to assets held for sale	-	(190 000)	-	-	-	(190 000)
Disposals	(1 412)	(151 622)	(745 100)	(17 702)	-	(915 836)
<b>31.12.2017</b>	<b>80 548</b>	<b>4 681 639</b>	<b>2 793 067</b>	<b>499 961</b>	<b>1 332</b>	<b>8 056 547</b>
<b>Accumulated depreciation</b>						
<b>31.12.2016</b>	<b>73 677</b>	<b>671 874</b>	<b>3 327 276</b>	<b>425 820</b>	-	<b>4 498 647</b>
Depreciation for 2017	5 360	142 577	91 777	31 665	-	271 379
Depreciation of disposed fixed assets	(1 412)	(119 689)	(739 245)	(17 700)	-	(878 046)
Accumulated depreciation allocated to historical cost before revaluation	-	(616 518)	-	-	-	(616 518)
<b>31.12.2017</b>	<b>77 625</b>	<b>78 244</b>	<b>2 679 808</b>	<b>439 785</b>	-	<b>3 275 462</b>
<b>Balance as at 31.12.2016</b>	<b>8 283</b>	<b>4 011 423</b>	<b>168 467</b>	<b>48 754</b>	<b>864 159</b>	<b>5 101 086</b>
<b>Balance as at 31.12.2017</b>	<b>2 923</b>	<b>4 603 395</b>	<b>113 259</b>	<b>60 176</b>	<b>1 332</b>	<b>4 781 085</b>

\* Transferred from construction in progress at Radiology Department, Patversmes 23 (EUR 1 382 824).

In February 2018, 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 2017. The result of a upward revaluation of buildings and

## Notes to the Financial Statements

constructions at Melīdas iela 10 by EUR 95 402 was recognised as an increase in long-term investment revaluation reserve. The result of a upward revaluation of land at Patversmes iela 23 by EUR 30 000 was recognised as an increase in long-term investment revaluation reserve.

The result of revaluation of buildings and constructions at Patversmes iela 23 by EUR 336 931 was recognised as a decrease in previously recognised long-term investment revaluation reserve.

The result of a downward revaluation of buildings and constructions at Vecmīlgrāvja 5. līnija by EUR 214 813 was recognised as a decrease in previously recognised long-term investment revaluation reserve.

### Information on changes due to revaluation

	2017 EUR	2016 EUR
Appreciation due to revaluation	125 402	-
Impairment due to revaluation	(551 744)	(335 818)
Net changes in the value of fixed assets due to revaluation, including:	<b>(426 342)</b>	<b>(335 818)</b>
Increase from revaluation allocated to the decrease in the long term investment revaluation reserve	125 402	-
Gross decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	(218 354)	(335 818)
Decrease from revaluation allocated to the profit and loss statement	(333 390)	-
	<b>(426 342)</b>	<b>(335 818)</b>

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

The following table shows the valuation technique used in measuring the fair value of core real estate items included in position 'Land, buildings and engineering structures', as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 3 100 000 at Patversmes iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 470  Rent rate per m2 – EUR 2.3-9 Capacity – 90% Capitalisation rate – 9%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher);
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Comparison approach: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow method: The model is based on discounted cash flows from rendering services	Price per m2 EUR 349  Rent rate per m2 – EUR 3.5-5 Capacity – 90% Capitalisation rate – 10%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).



## Notes to the Financial Statements

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 640 000 at Melīdas iela, Rīga	Fair value has been estimated based on the average of:		Fair value would increase (reduce) if the price per m <sup>2</sup> was higher (lower)
	Comparison approach: The fair value was based on results of comparable sales of similar buildings.	Price per m2 EUR 334	The estimated fair value would increase (decrease), if:
	Discounted cash flow method: The model is based on discounted cash flows from rendering services	Rent rate per m2 EUR 1-4.7 Capacity – 90% Capitalisation rate – 9.0%	Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).

In 2017, the management initiated sales process for a real estate at Vecmīlgrāvja 5. līnijā 26. This real estate property was reclassified to Assets held for sale at fair value. In March 2018 the object was sold. Refer to Note 11.

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 engineering structures' as at 31.12.2017 had revaluation not taken place would be EUR 3 071 601 (31.12.2016 – EUR 1 784 151).

Including:

	31.12.2017	31.12.2016
	EUR	EUR
-historical cost	4 021 290	2 790 088
-accumulated depreciation	(949 689)	(1 005 937)

### (11) Long-term investments held for trading

	31.12.2017	31.12.2016
	EUR	EUR
Investment in SIA Klīnika Dzintari	69 660	-
Building and land, Vecmīlgrāvja 5. līnija	190 000	-
	<b>259 660</b>	<b>-</b>

Share capital of SIA Klīnika Dzintari was decreased from EUR 269 918 to EUR 100 000. In this process LJMC received EUR 85 641.

On 02 August 2017, the shareholders' meeting made a decision to initiate sales process regarding shares. Thus on 31 December 2017 asset was reclassified from Investments in related party's equity' to 'Assets held for sale'. In February 2018 LJMC sold the shares at the amount equal to the carrying amount as at 31 December 2017.

In December 2017 the management also initiated sales process regarding one of the land and buildings it owns. In March 2018 the object was sold for EUR 190 000.

## Notes to the Financial Statements

### (12) Stock

	31.12.2017 EUR	31.12.2016 EUR
Medicines in warehouse, pharmacy	103 994	113 973
Medicines in departments	8 588	8 569
Other materials	7 811	8 765
	<b>120 393</b>	<b>131 307</b>

### (13) Trade receivables

	31.12.2017 EUR	31.12.2016 EUR
National Health Service	157 746	109 033
Insurance companies	50 238	37 477
Doubtful debt allowance*	(11 757)	(12 788)
Other institutions, companies and individuals	39 599	55 889
	<b>235 826</b>	<b>189 611</b>

\* In 2017 the Company excluded from accounting records bad debts in the amount of EUR 5 299 due to their non-recoverability.

### (14) Due from related parties

	31.12.2017 EUR	31.12.2016 EUR
Due from related parties, gross value	57 701	23 447
Doubtful debt allowance	(17 310)	-
	<b>40 391</b>	<b>23 447</b>

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

### (15) Other debtors

	31.12.2017 EUR	31.12.2016 EUR
Overpaid taxes (see Note 22)	2 496	8 807
Value added tax on unpaid services	4 979	2 827
Security deposit *	-	92 079*
Other receivables	1 460	8 546
	<b>8 935</b>	<b>112 259</b>

\*Security deposit paid to SIA Selva būve in accordance with agreement No. 2016/SB2016-03 which was finalised in 2017.

## Notes to the Financial Statements

### (16) Prepaid expenses

	31.12.2017 EUR	31.12.2016 EUR
Insurance	3 472	3 549
Advertising	297	690
Press subscription	-	126
Rent	22 952	9 251
Other	39	-
	<b>26 760</b>	<b>13 616</b>

### (17) Cash

#### By currency:

		2017		2016	
	Currency	EUR	Currency	EUR	
Current account	USD	5 840	4 870	5 840	5 540
Current account	EUR	-	1 381 862	-	1 091 295
Cash on hand	EUR	-	4 566	-	6 144
		<b>1 391 298</b>		<b>1 102 979</b>	

### (18) Share capital

Share capital of the Company as at 31 December 2017 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:

	31.12.2017		31.12.2016	
	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	26.17%	209 356	26.17%
<b>Total</b>	<b>800 000</b>	<b>100.00%</b>	<b>800 000</b>	<b>100.00%</b>
<b>Share capital (EUR)</b>	<b>1 120 000</b>		<b>1 120 000</b>	

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

### (19) Retained earnings

Retained earnings, including the profit of 2017 of EUR 506 489, as at 31 December 2017 amount to EUR 2 341 575 (2016: EUR 2 155 086).

### (20) Revaluation reserves

Revaluation reserve as at 31 December 2017 includes the amount of revaluation of fixed assets. The negative result of revaluation of fixed assets amounting to EUR 92 952 was recognised under 'Revaluation reserve' in equity.

## Notes to the Financial Statements

Long term investment revaluation reserve

	2017 EUR	2016 EUR
<b>Revaluation reserves as at 1 January</b>	<b>2 057 203</b>	<b>2 379 400</b>
Decrease as a result of revaluation	(92 952)	-
Disposal of disposed fixed asset reserve	(34 927)	(335 818)
Deferred tax changes from revaluation	-	50 373
Reversal of deferred tax	363 036	-
Adjustment in deferred tax	-	(36 752)
<b>Revaluation reserves as at 31 December</b>	<b>2 292 360</b>	<b>2 057 203</b>

### (21) Other liabilities

	31.12.2017 EUR	31.12.2016 EUR
Salaries	158 337	145 219
Payments to the trade union	574	602
Deposited remuneration for work and injunctions	-	507
	<b>158 911</b>	<b>146 328</b>

### (22) Taxes and compulsory state social security contributions

	Balance as at 31.12.2016 EUR	Calculated for 2017 EUR	Paid in 2017 EUR	Balance as at 31.12.2017 EUR
Corporate income tax	17 602	15 115	(35 207)	(2 490)
VAT	(8 469)	124 927	(98 720)	17 738
Real estate tax	(6)	7 845	(7 845)	(6)
Natural resources tax	(332)	2 422	(480)	1 610
Risk duty	115	1 361	(1 361)	115
Social contributions	76 609	931 746	(925 758)	82 597
Personal income tax	40 367	514 430	(510 171)	44 626
<b>Total</b>	<b>125 886</b>	<b>1 597 846</b>	<b>(1 579 542)</b>	<b>144 190</b>

Including:

Overpaid taxes	(8 807)	(2 496)
Tax liabilities	134 693	146 686

Overpaid taxes are disclosed under "other receivables".

### (23) Next period income

	31.12.2017 EUR	31.12.2016 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	411 669	421 247
<b>Deferred income, long term</b>	<b>411 669</b>	<b>421 247</b>
The part of capital grants to be charged to profit or loss within one year	18 752	27 926
<b>Deferred income, short term</b>	<b>18 752</b>	<b>27 926</b>

In 2012, the Company received EBRD funding to purchase fixed assets. In 2017, the Company recognised revenue of EUR 18 752 (2016: EUR 27 926) (see Note 5).

## Notes to the Financial Statements

### (24) Accrued liabilities

	31.12.2017 EUR	31.12.2016 EUR
Accrued expenses on unused vacations	177 107	177 107
	<b>177 107</b>	<b>177 107</b>

As at the year-end, the following provisions for employee salaries have been recognized, which are calculated for 2017 and will be paid in 2018 in accordance to the order of calculation of remuneration approved by the management of the Company.

### (25) Average number of employees by category

	2017	2016
Average number of employees in the reporting year:	343	345
incl. Board Members	3	3
Members of the Council	5	5
Other employees	335	337

### (26) Personnel expenses

Type of costs	2017 EUR	2016 EUR
Remuneration	2 797 758	2 667 340
Compulsory state social security contributions	644 748	610 926
	<b>3 442 506</b>	<b>3 278 266</b>

### (27) Remuneration to management

	2017 EUR	2016 EUR
Members of the Board		
remuneration	78 158	70 248
· compulsory state social security contributions	18 436	16 259
Members of the Council		
remuneration	27 319	27 319
· compulsory state social security contributions	6 011	5 951
Other members of the administration		
remuneration	212 600	199 775
· compulsory state social security contributions	48 489	46 160
	<b>391 013</b>	<b>365 712</b>

### (28) Future liabilities

As at 31 December 2017, the Company has not incurred future payment liabilities under effective agreements related to the purchase and establishment of fixed assets (2016: EUR 402 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 2017.

## Notes to the Financial Statements

### (29) Related party transactions

In 2017, the Company made transactions with related parties:

- received dividends from SIA Klīnika dzintari of EUR 636 966 (2016: EUR 25 514),
- issued invoices to SIA Kodolmedicīnas klīnika for rent payments of EUR 57 701 (2016: EUR 23 447).

### (30) Remuneration to the certified auditor

	2017 EUR	2016 EUR
Audit of the financial statements	13 750	13 813
	<b>13 750</b>	<b>13 813</b>

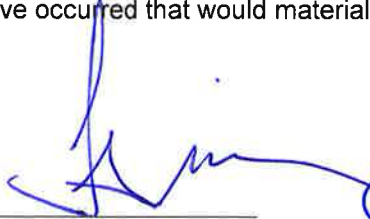
### (31) Information on operating lease and rent agreements with a significant impact on the Company's activities

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


In 2018	EUR 337 920
In 2019-2021	EUR 979 121

### (32) Subsequent events

In February 2018 LJMC sold its 50.4% shares in SIA Klīnika Dzintari in the amount of EUR 69 049. In March 2018 AS Latvijas Jūras medicīnas centrs has provided public information that it has sold its real estate at Vecmīlgrāvja 5. līnijā 26 in the amount of EUR 190 000. No other significant subsequent events have occurred that would materially impact the presentation of the financial statements.

  
Chairperson of the Board  
Jānis Birks

  
Member of the Board  
Juris Imaks

  
Member of the Board  
Anatolijs Ahmetovs

  
Chief Accountant  
Gunta Kaufmane

27 April 2018



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## **Independent Auditors' Report**

### **To the shareholders of AS Latvijas Jūras medicīnas centrs**

#### **Report on the Audit of the Financial Statements**

##### *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 8 to 30 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2017,
- 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 2017, 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.



We have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of revenue from medical services	
Key audit matter	Key audit matter
<p>Revenues from ambulatory medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2017: EUR 5.85 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. 59% of the revenues from medical services are financed by 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 to 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"> <li>• updating our understanding of revenue recognition from medical services process by inquiring the process set-up with the relevant Company's personnel involved in the revenue recognition process and inspecting relevant documentation;</li> <li>• assessing the completeness and existence of revenue by analysing revenue trend by month in the current period and comparing to the prior period monthly trend and challenging any unusual fluctuations using our knowledge of the Company.</li> <li>• obtaining third party confirmations for revenues from medical services financed by the National Health Service and insurance companies and agreeing the amounts from those confirmations to the revenues recognized by the Company for the year ended 31 December 2017.</li> <li>• inspecting incoming cash receipts in 2018 for a sample of outstanding balances due from key customers as at 31 December 2017.</li> <li>• for a sample of revenue transactions recognized shortly before and after year-end assessing whether revenue was recognised in the appropriate period by reference to the relevant documentation supporting delivery of services.</li> </ul>





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 2017: EUR 2.79 million.</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Notes 3, 4 and 26 (financial disclosures).</p> <p>Nearly 54% of Remuneration expenses for the year ended 31 December 2017 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"> <li>• updating our understanding of variable pay recognition and measurement by recalculating pay for a sample of different ambulatory medical services types.</li> <li>• comparing the recognized amounts of variable pay for services funded by the National Health Service against the expectation developed by us. The inputs used in the development of expectation included list of services provided throughout the reporting year obtained by us directly 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.</li> <li>• recalculating variable pay for paid medical services on a sample basis. We have compared supporting calculations for selected employees to the report for total paid medical services provided throughout the year. We have also compared the variable pay rates used in calculations to rates approved by the management and referred to in the employment contracts.</li> </ul>



## Valuation of land, buildings and engineering structures

### *Key audit matter*

The carrying amount of land, buildings and engineering structures in the financial statements as at 31 December 2017: EUR 4.6 m; net negative revaluation recognised in 2017: EUR (0.33) m;

We refer to the financial statements: Note 1 (accounting policy) and Note 6 and 10 (financial disclosures).

Land, buildings and engineering structures are measured applying revaluation method and carried at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Estimation of fair values of land, buildings and engineering structures was performed by the management as at 31 December 2017. This process requires the management to apply significant judgement and produce complex estimates, using the input obtained from the external contracted appraisers, particularly in relation to the key assumptions, being those relating to discount rates, cash flow projections and/or comparable market transactions.

Due to the above factors, we considered this area to be our key audit matter.

### *Our response*

Our procedures in the area included, among others:

- updating our understanding of the Company's approach to estimating the fair value of land, buildings and engineering structures;
- assessing the competence, experience and objectivity of the external appraisers engaged by the Company to perform valuations of their land, buildings and engineering structures;
- assisted by our own valuation specialists, assessing the reasonableness of the key assumptions and inputs in those valuations, such as the discount rates and cash flow projections by reference to our understanding of the underlying assets and the real estate market, and also assessing the appropriateness of the comparable transactions and comparable properties used in the valuations.
- assessing the accuracy and completeness of the Company's disclosures related to the assumptions and significant judgements used to estimate the fair values of land, buildings and engineering structures against the requirements of the relevant financial reporting standards.



### *Reporting on Other Information*

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying Annual Report,
- the Management Report, as set out on pages from 5 to 7 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage [www.ljmc.lv](http://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 Related to Other Information* 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 Related to Other Information*

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 objectivity, 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.

## **Report on Other Legal and Regulatory Requirements**

### *Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities*

We were appointed by those charged with governance on 8 June 2017 to audit the financial statements of AS Latvijas Jūras medicīnas centrs for the year ended 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2016 to 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.



For the period to which our statutory audit relates, in addition to the audit, we have provided the following services to the Company which are not disclosed in the Management Report or in the financial statements of the Company:

- Consultation service about IFRS 15 Revenue from Contracts

KPMG Baltics SIA  
Licence No. 55

*Armine Movsisjana*

Armine Movsisjana  
Chairperson of the Board  
Latvian Certified Auditor  
Certificate No. 178  
*Riga, Latvia*  
27 April 2018

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