



JOINT STOCK COMPANY
“LATVIJAS JŪRAS MEDICĪNAS CENTRS”
(UNIFIED REGISTRATION NUMBER 40003171237)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTH OF 2016
(13th financial year)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED
BY THE EU
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2016

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INFORMATION ON THE PARENT COMPANY

COMPANY NAME: LATVIJAS JŪRAS MEDICĪNAS CENTRS JSC

LEGAL STATUS: Joint stock company

REGISTRATION: Registered in Latvian Register of Enterprises at 27.08.2004.
Registration Number: 40003306807

LEGAL ADDRESS: 23, Patversmes str., Rīga, LV - 1005, Latvia

PRINCIPAL ACTIVITIES:

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)
Specialist 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)

SHARES 800 000 public registered shares with face value 1.40 EUR
ISIN code: LV0000100741
1 200 registered shares listed in the register of the Board

MAJOR SHAREHOLDERS:

Ilze Birka 17.50%
Mārtiņš Birks 17.50%
Jānis Birks 12.80%
Guna Švarcberga 10.36%
Ilze Aizsilniece 8.82%
Adomas Navickas 6.85%

NAMES AND POSITIONS OF THE COUNCIL MEMBERS

From April 28, 2010 till the financial statements signing day

Martins Birks - Chairman of the Council
Viesturs Siliņš - Member of the Council
Ineta Gadzjus - Member of the Council
Jevgēņijs Kalējs - Member of the Council
Uldis Ōsis - Member of the Council

NAMES AND POSITIONS OF THE BOARD MEMBERS

From 1 May 2014 till the financial statements signing day

Jānis Birks - Chairman of the Board
Vita Švarcberga - Member of the Board
Juris Imaks - Member of the Board

INFORMATION ON THE PARENT COMPANY (CONTINUED)

SUBSIDIARY COMPANY:

"Neirožu Klīnika" Ltd. - 50.40%
Registration Number: 40003461335
16 February 2004
Dzintaru prospekts 48, Jumala, LV 2015

REPORTING YEAR: 1 January 2016 - 30 June 2016

AUDITORS' NAME AND ADDRESS:

KPMG Baltics SIA
Licence No.55
Vesetas iela 7
Riga, LV-1013
Latvia

Certified auditor in charge:
Armine Movsisjana
Certificate No.178

REPORT OF THE MANAGEMENT

Type of activity

JSC Latvijas Juras medicinas centrs (LJMC or the Company) is a certified, high level and accessible to all private medical institution that consists of: Sarkandaugava outpatient health care centre in Patversmes Street 23, Riga, Central hospital in Patversmes street 23, Riga, Vecmīlgrāvis hospital and Ziemeļu diagnostic centre in Vecmīlgrāvja 5. līnija 26, Riga, Vecmīlgrāvis primary health care centre in Melīdas Street 10, Riga. In 2016 the average total number of employees in LJMC and its subsidiary is 380. LJMC shares are quoted in NASDAQ Riga stock exchange on the secondary market. Full information about the parent company is provided: www.ljmc.lv. Subsidiary SIA "Neirožu klinika" provides psychotherapeutic medical care in a clinic situated in Jurmala.

Starting from 5 September 2013 JSC Latvijas Juras medicinas centrs is included in the LR Health inspection approved list of medical institutions, that provide medical tourism services, meaning that LJMC provides medical tourism services as trusted partners, and it gives an idea about the Latvian healthcare system as a whole, because it includes only those medical institutions that are registered in the register of medical institutions for at least 3 years and over the last three years the medical institution has been subjugated to control.

JSC Latvijas Juras medicinas centrs „Ziemeļu diagnostikas centrs” received a quality certificate ISO 9001:2008 in functional diagnostics and radiology from DVN Certification OY/AB, Finland in 2013. This certificate was valid till March 14, 2016 and has been renewed in the beginning of 2016 to cover the period till 15 September 2018. LJMC continues the work to introduce ISO quality standards in their other structural units.

JSC Latvijas Juras medicinas centrs has accredited in Latvian National Accreditation Bureau Clinical diagnostic laboratory 23, Patversmes str., Riga.

LJMC have concluded cooperation agreements with all health insurance companies in Latvia.

Activity in the reporting year and future development

In 2016, both LJMC and Neurožu klīnika had signed contracts with the National Health Service regarding provision of state paid medical services within the magnitude of the budget of 2016.

One of LJMC development directions in 2016 is attracting foreign patients (so called medical tourism). LJMC combines excellent doctors in Latvia, as well as knowledgeable medical staff, therefore the quality of the medical examinations is also high and competitive outside of Latvia. It is demonstrated by the increasing number of foreign patients, as well as the fact that LJMC has been included in the official medical tourism service provider register kept by the LR Health inspection. In 2016 LJMC continue to attract medical tourists from the EU, by improving its service package, as well as actively promoted its chargeable services to the local inhabitants. To attract new foreign and local patients, LJMC in 2016 will continue making investments with the goal to implement innovative solutions in the medical service field, to improve staff qualifications in patient service by continuing to implement national policies on hospital redirection to ambulatory care.

In 2013, LJMC completed an ambitious 3-year investment project worth 2.3 million EUR with the ERAF support. As part of investment project - old A/S Latvijas Jūras medicīnas centrs building complex was renovated along with improvement of the related territory in accordance with the standards of modern medical facilities. Also investments in new medical equipment, and facilities, creating Sarkandaugavas outpatient health care center (SAVAC), to enhance the competitiveness of the Baltic medical market, attracting patients from both the Baltic and the rest of EU, offering high quality of medical services. Since creation of Sarkandaugavas outpatient health care center (SAVAC), the number of new customers has increased by 25%. Restructuring of inpatient services to outpatient services have already improved the reporting year and in the future will continue to

improve the LJMC operational efficiency, maximizing the use of existing resources held by the center and providing quality medical care to patients.

LJMC in 24th March 2016 is signed contract with “Selva buve” for bulding reconstruction and radiology department construction in Patversmes 23. The Agreement value is Eur 920 792, without VAT. The remuneration for the completed works will be carried out with realization of the project and payments schedule.

Financial performance

In 2016 the Group has operated according to the approved budget plan of 2016. The Group’s realize investment and development projects, loses before tax in 6 month of 2016 is EUR 26 778.

The Group continues to deploy an intensive investment policy, directed to increase the Group’s competitiveness and profitability in the future. In 2016 the investments set for the amount of EUR 1 100 000.

Risk management

The Group continues to perform activities to reduce the potential financial risk on the financial position of the Group companies, through use of control and analytical measures.

Financial assets exposed to credit risk consist mainly of cash, trade receivables and other debtors. To ensure credit risk management the Group carries out regular customer control procedures and measures for recovering debts, thus ensuring timely identification and resolution of problems.

The Group follows a prudent liquidity risk management, ensuring appropriate resources are made available for settlement of obligations within their terms. The Group companies do not use borrowed funds.

Events after the balance sheet date

During the period between the last day of the financial year and the date of signing this report there have not been such events after the balance sheet date which would have a significant impact on the financial position of the Group as at 31 December 2015.

Chairman of the board
Jānis Birks

Member of the board
Vita Švarcberga

Member of the board
Juris Imaks

Riga, 25 August 2016

STATEMENT OF MANagements' RESPONSIBILITY

The Board of Directors of JSC "Latvijas Jūras Medicīnas Centrs" (the Company) is responsible for the preparation of the consolidated financial statements of the Company and its subsidiary (the Group).

The consolidated financial statements on pages 8 to 29 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 30 June 2016 and the results of its operations and cash flows for 6 month of 2016.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union 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 Board of Directors in the preparation of the financial statements.

The Board of Directors of LJMC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board of Directors is also responsible for operating the Group in compliance with the legislation of the Republic of Latvia.

On behalf of the Board of Directors,

Chairman of the board
Jānis Birks

Member of the board
Vita Švarcberga

Member of the board
Juris Imaks

Riga, 25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTH OF 2016

	Note	June 30, 2016 EUR	December 31, 2015 EUR	June 30 2015 EUR
Revenue	4	2 979 199	5 787 684	2 907 088
Cost of sales	5	-2 916 608	-5 562 871	-2 921 472
Gross profit		62 591	224 813	-14 384
Administrative expenses	6	-274 550	-526 071	-261 151
Other operating income	7	164 685	275 912	130 790
Other operating expenses		-5 018	-715 022	-5 425
Operating profit / (loss)		-52 292	-740 368	-150 170
Finance income, net		-	-	-
Share of profit/ (loss) of investments accounted for using the equity method	9	25 514	-	6191
Interest income and similar income	10	-	-	19 368
Profit / (loss) before income tax		-26 778	-740 368	-124 611
Income tax expense		-	114 426	-
Profit / (loss) for the year		-26 778	-625 942	-124 611
Other comprehensive income		-	-	-
Total comprehensive income/ (loss) for the year		-26 778	-625 942	-124 611
Profit / (loss) attributable to:				
- Owners of the parent		-16 056	-375 316	-74 717
- Non-controlling interest	17	-10 722	-250 626	-49 894
Basic earnings per share:		-0.03	1.52	-0.16

The notes on pages 8 to 29 are an integral part of these financial statements.

On behalf of the board of directors

Chairman of the board
 Jānis Birks

Member of the board
 Vita Švarcberga

Member of the board
 Juris Imaks

Riga, 25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTH OF 2016

	Note	30.06.2016. EUR	31.12.2015. EUR	30.06.2015. EUR
ASSETS				
Non-current assets				
Property, plant and equipment	3	6 791 918	6 749 639	7 673 503
Intangible assets	10	6 738	9 396	17 782
Investments in associates		-	-	-
Total non-current assets		6 798 656	6 759 035	7 691 285
Current assets				
Inventories	14	110 136	104 493	96 457
Trade receivables	11	169 421	200 787	276 189
Current income tax receivable		-	-	-
Deferred expenditure		-	-	-
Other receivables		13 241	18 163	17 611
Cash and cash equivalents	13	1 756 039	1 739 013	1 385 850
Total current assets		2 048 837	2 062 456	1 776 107
TOTAL ASSETS		8 847 493	8 821 491	9 467 392

The notes on pages 8 to 29 are an integral part of these financial statements.

On behalf of the board of directors

 Chairman of the board
 Jānis Birks

 Member of the board
 Vita Švarcberga

 Member of the board
 Juris Imaks

Riga, 25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTH OF 2016

	Note	30.06.2016. EUR	31.12.2015 EUR	30.06.2015. EUR
EQUITY AND LIABILITIES				
Equity attributable to owners of parent				
Share capital		1 120 000	1 120 000	1 120 000
Revaluation reserve		2 379 400	2 379 400	2 379 400
Other reserves		63 819	63 819	63 819
Retained earnings		2 611 368	2 663 660	2 914 365
		6 174 587	6 266 879	6 477 584
Non-controlling interests	17	873 520	892 194	1 143 959
Total shareholders' equity		7 048 107	7 119 073	7 621 543
Provisions for liabilities and charges:				
Provisions for vacations		-	-	-
Deferred tax provisions		-	-	-
Total provisions				-
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	16	691 938	690 927	799 455
Deferred income	15	442 907	442 907	464 929
		1 134 845	1 133 834	1 264 384
Current liabilities				
Trade and other payables	19	646 291	532 085	550 012
Deferred income	15	18 250	36 499	31 453
		664 541	568 584	581 465
Total liabilities		1 799 386	1 702 418	2 989 808
TOTAL EQUITY AND LIABILITIES		8 847 493	8 821 491	9 467 392

The notes on pages 8 to 29 are an integral part of these financial statements.

On behalf of the board of directors

Chairman of the board
Jānis Birks

Member of the board
Vita Švarcberga

Member of the board
Juris Imaks

Rīga, 25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTH OF 2016

	Attributable to the owners of the parent					Non-control- ling interest	Total
	Share capital	Other reserves	Revaluatio n reserves	Retained earnings	Total		
	EUR	EUR	EUR	EUR	EUR		
Balance as at 1 January 2015	1 120 000	63 819	2 379 400	3 038 976	6 602 195	1148913	7 751 108
Conversion of the share capital into EUR	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-
Deffered taxation	-	-	-	-	-	-	-
Total comprehensive profit/(loss) for the year	-	-	-	-89 084	-89 084	-8428	-97 512
Balance as at 31 March 2015	1 120 000	63 819	2 379 400	2 949 892	6 513 111	1140485	7 653 596
Conversion of the share capital into EUR	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-6 093	-6 093
Total comprehensive profit/(loss) for the year	-	-	-	(286 232)	-286 232	-242 198	-528 430
Balance as at 31 December 2015	1 120 000	63 819	2 379 400	2 663 660	6 226 879	892 194	7 119 073
Acquisition of subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-25514	-25 514	-12559	-38 073
Total comprehensive profit/(loss) for the year	-	-	-	-26 778	-26 785	-6 115	-32 900
Balance as at 31 March 2016	1 120 000	63 819	2 379 400	2 611 368	6 174 580	873 520	7 048 100

The notes on pages 8 to 29 are an integral part of these financial statements,

On behalf of the board of directors

Chairman of the board
Jānis Birks

Member of the board
Vita Švarcberga

Member of the board
Juris Imaks

Rīga, 25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTH OF 2016

	June 30,	December	June 30
	2016	31,	2015
		2015	
Cash flows from operating activities			
Profit/(loss) before taxation	-26 778	-740 368	-124 611
<u>Adjustments for:</u>			
fixed asset depreciation	231 879	470 373	239 279
write-down of intangible assets	-	10 605	-
(profit)/loss from investment in associate	-	-	-
net (gain)/loss on acquisition of a subsidiary shares	-25 514	600 000	-6191
gain from disposal of fixed assets	-	90868	-19368
ERAF income recognized in profit or interest income, net	0	-	-
	179 587	431 478	89 109
<u>Adjustments for:</u>			
trade debtors' increase	36 288	60 686	-14165
inventories (increase) / decrease	-5 643	-198	7 838
<u>Corrections:</u>			
receivables	-	-	-
inventory	-	-	-
current liabilities	-	-	-
trade and other creditors' increase / (decrease)	56 568	-129 610	-105557
Cash generated from operations	266 800	362 356	-22 775
Net cash generated from operations	266 800	362 356	-22 775

**Cash flows from
 investing activities**

Acquisition of shares in subsidiary from non- controlling interest	-	-	-
Dividend	25 514	-6093	6 191
Acquisition of plant, property and equipment	-275 288	-260 055	-141 739
Received interest	-		19 368
Acquisition of subsidiary	-	118 000	-
Net cash flows used in investing activities	-249 774	-148 148	-116 180
Net cash flows generated from investing activities	-249 774	-148 148	-116 180
Net increase / (decrease) in cash and cash equivalents	17 026	214 208	-138 955
Cash and cash equivalents at the beginning of the period	1 739 013	1 524 805	1 524 805
Cash and cash equivalents at the end of the period	1 756 039	1 739 013	1 385 850

The notes on pages 8 to 29 are an integral part of these financial statements.

Chairman of the board
 Jānis Birks

Member of the board
 Vita Švarcberga

Member of the board
 Juris Imaks

Riga, 25 August 2016

NOTES TO THE FINANCIAL STATEMENTS

1 INCORPORATION AND ACTIVITIES

“Latvijas Juras Medicinas Centrs” (LJMC) is a joint-stock company (the Company) incorporated in the Republic of Latvia on 27 August 1996. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries – “Juras medicina” Ltd and “Neirožu klīnika” Ltd. (the Group). Since 21 May 2007 the shares of the Company are quoted on NASDAQ Riga Stock Exchange. The registered office of the Group’s Parent Company is 23 Patversmes Street, Riga, LV-1005, Latvia.

The Group’s companies are involved in provision of health care services. LJMC is a certified, high level and all available private medical institution and provides both ambulance and hospital medical services. SIA “Neirožu klīnika” provides psychotherapeutic medical care in a clinic situated in Jumala, Latvia.

On average during 2016 the Group employed 380 persons (2015: 373).

These consolidated financial statements have been approved by the Board of Directors on 25 August, 2016.

The shareholders of the Parent Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). Due to the European Union’s endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on financial statements of the Company in the following periods if endorsed.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment as disclosed in the Accounting policies Note (c) below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management’s best knowledge of current events and actions, actual results ultimately may differ from those.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The following new and amended IFRS and interpretations came into force in 2015 and had no impact on these financial statements:

Amendments to IAS 19 “Employee benefits plans” regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 February 2015);

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 January 2015). These amendments include changes that affect 3 standards:

- IFRS 3 “Business combinations”;
- IFRS 13 “Fair value measurement”; and
- IAS 40 “Investment property”.

A number of new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2016:

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 February 2015). These amendments include changes that affect 6 standards:

- IFRS 2 “Share-based payment”,
- IFRS 3 “Business Combinations”,
- IFRS 8 “Operating segments”,
- IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets”,
- IAS 24 “Related Party Disclosures”.

IFRS 14 “Regulatory deferral accounts” (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendment to IFRS 11 “Joint arrangements” on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016);

Amendments to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” regarding bearer plants (effective for annual periods beginning on or after 1 January 2016);

Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets” on depreciation and amortization (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 27 “Separate financial statements” on the equity method (effective for annual periods beginning on or after 1 January 2016);

Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 1 “Presentation of Financial Statements” regarding disclosure initiative (effective for annual periods beginning on or after 1 January 2016);

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016). The amendments include changes that affect 4 standards:

- IFRS 5 “Non-current assets held for sale and discontinued operations”
- IFRS 7 “Financial instruments: Disclosures” with consequential amendments to IFRS 1
- IAS 19 “Employee benefits”
- IAS 34 “Interim financial reporting”

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

IFRS 15 “Revenue from contracts with customers” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 16 “Leasing” (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). As this standard was endorsed at the beginning of 2016, the management did not manage to perform a detailed evaluation stemming from its adoption, however, it is anticipated that the standard will have an impact on the financial statements.

Recognition of deferred tax asset for unrealised losses – amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);

Disclosure initiative – amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

The Group's management believes that, except for the mentioned above, the adoption of new standards will not significantly affect the Group's financial statements.

(b) Foreign currency translation

All amounts in these financial statements are expressed in the Latvian national currency - euro (EUR).

Foreign currency transactions have been translated into euro applying the exchange rate determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates published on the European Central Bank's website.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

(c) Property, plant and equipment

Property, plant & equipment are recorded at historical cost or revalued amount net of accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets. The following fixed asset groups are revalued regularly but not less frequently than every five years:

- Buildings;
- Land.

Increase in the carrying amount arising on revaluation (revaluation surplus) is credited to “Revaluation reserve” in shareholders' equity. Revaluation reserve cannot be distributed to the shareholders. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the current year's profit and loss account. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

All other property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	35-40
Machinery and equipment	3
Other fixed assets	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit or loss during the period in which they are incurred. When revalued assets are disposed, the amounts included in Revaluation reserve are transferred to retained earnings.

(d) Intangible assets

Intangible assets primarily consist of software licences. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their useful lives. Generally intangible assets are amortised over a period of 5 years.

(e) Impairment of non-financial assets

All Group's non-financial assets have a finite useful life (except land). Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

The Group classifies all its financial assets as Loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit or loss. If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and deposits held at call with banks with original term less than 90 days and other short-term highly liquid investments, which can be easily converted to cash and are not subject of significant change in value.

(j) Share capital and recognition of dividends payable

Ordinary shares are classified as equity. Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

(k) Deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(k) Deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the temporary differences will reverse.

The principal temporary differences arise from different property, plant and equipment depreciation rates, revaluation of property, plant and equipment, as well for unused annual leave and other accruals and provisions. Deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Increase in deferred income tax liability that results from revaluation of property, plant and equipment is charged to other comprehensive income as deduction from respective increase in the Revaluation reserve. Decrease in deferred income tax liability that results from depreciation of revalued property, plant and equipment is charged to the income statement.

(l) Corporate income tax

Income tax is assessed for the period in accordance with Latvian tax legislation. The tax rate stated by Latvian tax legislation is 15 percent.

(m) Accrued unused annual leave expenses

Amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(o) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Healthcare services

Revenues from medical services, either hospital or ambulance services, are recognised as services are rendered, at the rates set for each type of service, irrespective of who is the payer for the service. Services which are paid for by the State Healthcare Service (NVD) are priced based on the Cabinet of Ministers Regulations No. 1529 "On organising and financing the health care".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Other services

All sales of services are recognised in the accounting period in which the services are rendered.

(p) Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

(r) Related parties

Related parties are defined as the Company's major shareholders that have a significant influence, members of the Council and the Board, their close relatives and companies in which they have a significant influence or control.

(s) Grants and deferred income

EC funding related to property, plant and equipment is recognized as deferred income and is credited to the profit or loss systematically over the expected lives of the related assets.

(t) Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

IFRS requires that in preparing the financial statements, management of the Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement and thus having significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are revaluation of property, plant and equipment, determination of frequency of revaluations, the management assumptions and estimates in determination of recoverable value of the impaired property, plant and equipment, determination of useful lives of property, plant and equipment, recoverable amount of accounts receivable and inventories.

3 FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Management Board is responsible for setting up risk management guidelines and risk monitor. The Company has identified the major risk factors and developed policies and mechanisms to control these factors. The major risks are defined as:

(a) Market risk - a country's economic deterioration, changes in the public and the insurer health care and its financing policy, competition, changes in utility tariffs, etc. can significantly affect the demand for Groups services and its profitability. The company's management has assessed each type of market risks and made possible measures to mitigate negative reaction in the market.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1. Financial risk factors (continued)

(b) Credit risk - The inability of insurance companies, fellow hospitals and patients to pay for the services in time and in full amount. Most of the services are cash settled prior to providing service or funded by the state and insurance companies, therefore there is very low credit risk.

(c) Operational risk - The possibility of suffering losses caused by inadequate or failed internal pace of the medical treatment process, actions of staff or systems, or external events impact. Patient dissatisfaction with the quality of medical services, treatment process organization or staff attitudes in the long term can lead to a fall in income and even financial claims.

(d) Liquidity risk – possibility of being unable to meet the legally enforceable requirements without major damage and inability to cope with unplanned changes in Groups resources and / or market conditions related to the fact that it does not have sufficient liquid assets. The entity has no outstanding debts and holds sufficient cash resources to settle the liabilities when they fall due.

Risk control mechanisms include: appropriate risk policies, investment planning, cash flow planning, budgeting and control, liquidity control, the medical treatment process organization and control, sanitary compliance control, staff skill development, implementation of advanced technologies, employee involvement in risk assessment and control.

3.2. Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

3.3. Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The objective of the fair value measurement, even in inactive markets, is to arrive at the price at which an orderly transaction would take place between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

In order to arrive at the fair value of a financial instrument different methods are used: quoted prices, valuation techniques incorporating observable data and valuation techniques based on internal models. These valuation methods are divided according with the fair value hierarchy in Level 1, Level 2 and Level 3.

The level in the fair value hierarchy within which the fair value of a financial instrument is categorized shall be determined on the basis of the lowest level input that is significant to the fair value in its entirety.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3. Fair value estimation (continued)

The classification of financial instruments in the fair value hierarchy is a two-step process:

1. Classifying each input used to determine the fair value into one of the three levels;
2. Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

Quoted market prices - Level 1

Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques using observable inputs - Level 2

Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs - Level 3

A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Assets and liabilities for which fair value is disclosed

The carrying amount of liquid and short-term financial instruments (with maturity below 3 months), for example, cash and cash equivalents, short-term trade payables and trade receivables corresponds to their fair value.

Assets measured at fair value and valuation techniques used to derive Level 3 fair values

Group's land and buildings are stated at revalued amount, determined by a combination of Income and Market approach results, based on the definition of the assets' market value formulated in the International valuation standards. As a result, it may be concluded that both observable and unobservable market data is being used in valuation which corresponds to the 3rd level valuation technique.

The most significant inputs into this valuation approach is rental price per square meter and sales prices of comparable properties that are adjusted for differences in key attributes such as property size, location etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible assets and buildings machinery & equipment			Other fixed assets	Assets under construction	Advance payments for fixed assets	TOTAL
	EUR	EUR	EUR				
Cost or revalued amount							
31.12.2014	71069	7 010 889	3601362	486344	526606	-	11 696 270
Reclassification		429 740			-429740		
Impairment		-600 000					-600 000
Additions	11 687	-	34 835	50 948	162 585	-	260 055
Disposals	-4145	-52 296	-24292	-42896	-156571	-	-280 200
31.12.2015	78 611.00	6 788 333.00	3 611 905.00	494 396.00	102 880.00		- 11 076 125
Reclassification		-			-		
Impairment		-	16612	10982	247694		275 288
Additions	-	-	-	-	-	-	0
Disposals	-702	-	-19920	-6708	-	-	-27 330
30.06.2016	77 909.00	6 788 333.00	3 608 597.00	498 670.00	350 574.00		- 11 324 083
Depreciation							
31.12.2014	62755	424879	2997961	421850	-	-	3907445
Charge for year 2014	10605	134632	295425	40316	-	-	480978
Disposals	-4145	-	-24292	-42896	-	-	-71333
31.12.2015	69215	559511	3269094	419270	0	0	4317090
Charge for year 2015	2 658	19 805	142 652	18 025	-	-	183 140
Disposals	-702	48739	-16268	-6 572	-	-	25 197
30.06.2016	71 171	628 055	3 395 478	430 723	-	-	4 525 427
Net book value 31.12.2014.							
	8,314	6,586,010	603,401	64,494	526,606	-	7,788,825
Net book value 31.12.2015							
	9396	6228822	342811	75126	102880	-	6759035
Net book value 30.06.2016							
	6 738	6 160 278	213 119	67 947	350 574	-	6 798 656

4. NET SALES

	2016 EUR	2015 EUR
Medical ambulance services	2 658 503	5 130 369
Medical hospital services	50 612	191 136
Insurance payments	265 353	426 370
Stomatology services	4 731	19 520
Residents training	0	20 019
Other income	0	270
TOTAL	2 979 199	5 787 684

5. COST OF SERVICES PROVIDED

	2016	2015
	EUR	EUR
Salaries and wages	1 319 836	2 495 693
Fixed assets depreciation	366 854	687 765
Medical goods	302 294	571 294
State social insurance contributions	231 884	480 977
Public utilities	204 126	315 182
Expensed VAT	134 363	260 076
Repair expenses	39 469	175 685
Current assets write-off	67 468	136 184
Security expenses	27 403	43 640
Medical researches	12 625	21 078
Provisions for vacations	18932	45 198
Catering expenses	19 207	29 865
IT maintenance costs	126 188	90 279
Household supplies	10 136	20 461
Real estate tax	5 701	13 657
Advertising	7 374	16 016
Office expenses	-	64 490
Insurance expenses	3 749	6 040
Transport expense	9 075	12 095
Other costs	9 924	77 196
TOTAL	<u>2 916 608</u>	<u>5 562 871</u>

6. ADMINISTRATIVE EXPENSES

	2016	2015
	EUR	EUR
Salaries and wages	184 914	376 148
State social insurance contributions	42 431	86 976
Communication expenses	22 900	17 859
Audit expenses	1 658	15 140
Office expenses	7 329	9 663
Bank expenses	5 119	9 888
Legal services	3 353	900
Other administrative expenses	6 846	9 497
TOTAL	<u>274 550</u>	<u>526 071</u>

7. OTHER OPERATING INCOME

	2016	2015
	EUR	EUR
Excess of the consideration over the acquired net assets of subsidiary	-	-
Rental income	71 486	153 617
Repaid overcharged tax	19 617	19 953
ERDF income amortisation	18 249	36 499
Other income	55 333	65 843
TOTAL	164 685	275 912

8. OTHER OPERATING EXPENSES

	2016	2015
	EUR	EUR
Other	5 018	24 154
Loss on impairment of land	-	600 000
Loss on disposal of property, plant and equipment -	-	90 868
	5 018	715 022

9. OPERATING PROFIT (LOSS)

	2016	2015
	EUR	EUR
Share of profit/ (loss) of investments accounted for using the equity method	25 514	-
Liquidation commission	-	-
	25 514	-

10. INTEREST INCOME AND SIMILAR INCOME

	2016	2015
	EUR	EUR
	-	-
	-	-

11. TRADE RECEIVABLES

	2016	2015
	EUR	EUR
National Health Department	84 759	131 229
P. Stradiņa klīniskā universitātes slimnīca	0	10 687
Insurance companies	46 832	40 078
Other institutions, companies and persons	50 618	31 581
Provisions for doubtful debts	-12 788	-12 788
TOTAL	169 421	200 787

12. OTHER RECEIVABLES

	2016	2015
	EUR	EUR
Tax transfer (appendix Nr.18)	6	-
VAT	4	4425
The other debtor	13 231	13 738
	13 241	18 163

13. CASH AND CASH EQUIVALENTS

	2016	2015
	EUR	EUR
Cash in banks	1 745 032	1 734 693
Cash on hand	11 007	4 320
TOTAL	1 756 039	1 739 013

14. INVENTORIES

	2016	2015
	EUR	EUR
Pharmaceuticals	108 015	102 926
Other materials	2 121	1567
Total	110 136	104 493

15. DEFERRED INCOME

	2016	2015
	EUR	EUR
Grant provided by ERDF for project reimbursement:		
Non-current part	18 250	36 499
Long – term part	442 907	442 907
TOTAL	461 157	479 406

16. DEFERRED INCOME TAX LIABILITIES

	2016	2015
	EUR	EUR
TOTAL	0	-103 639

17. NON-CONTROLLING INTEREST

	2016
	EUR
At the begin of the period	892194
Non-controlling interest	-18 674
At the end of the period	873 520

18. SHARE CAPITAL

Shareholders	2016		2015	
	Number of shares	%	Number of shares	%
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	82 880	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 (shares less than 5%)	209 319	26.18%	209 319	26.18%
Total	800 000	100,00%	800 000	100,00%

19. TRADE AND OTHER PAYABLES

	2016	2015
	EUR	EUR
Trade payables	119 557	74 587
Taxes payable	178 062	128 253
Salaries payable	158 407	144 200
Accruals for unused vacations	181404	181 404
Advances paid	8 861	1 983
Other creditors	0	1 658
TOTAL	646 291	532 085