

ANNUAL REPORT

beginning of financial year: 01.01.2012

end of financial year: 31.12.2012

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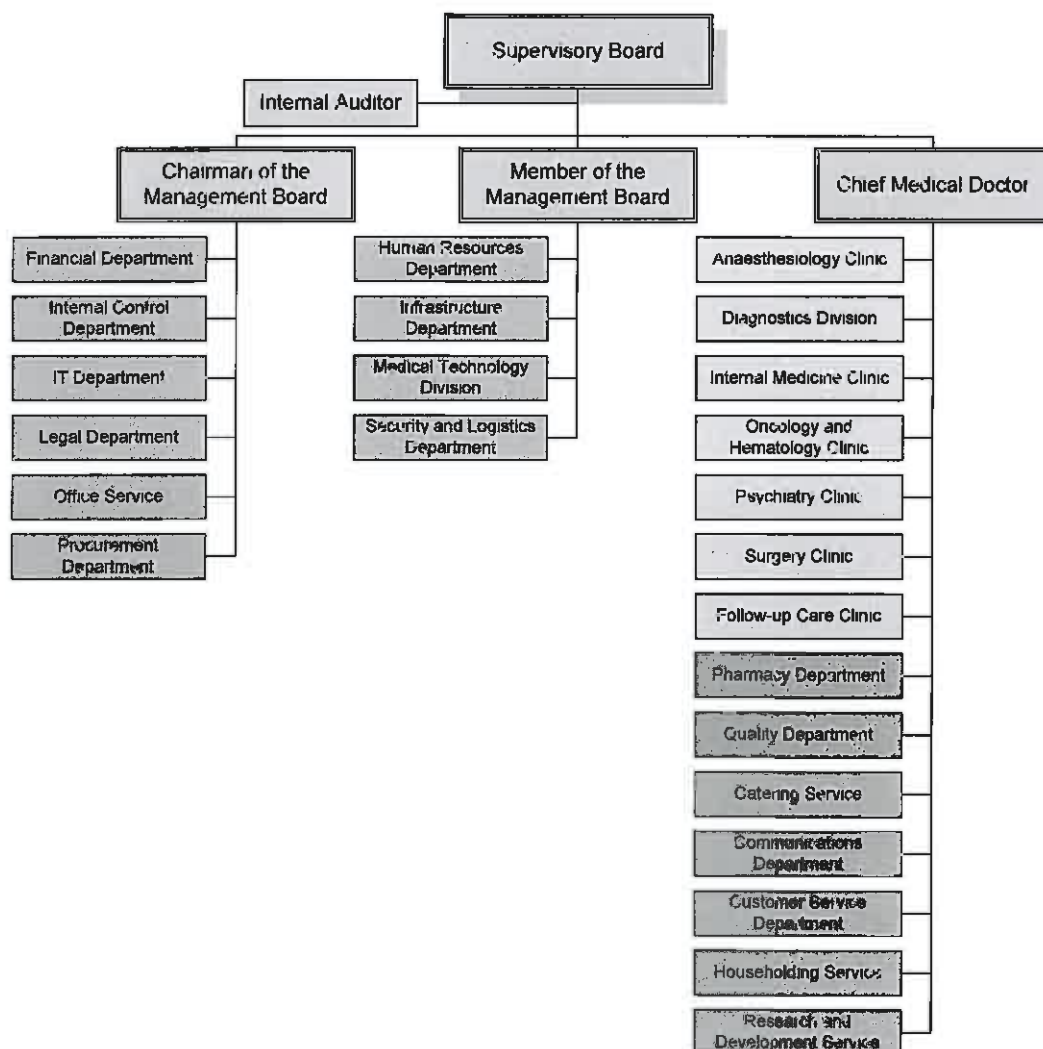
MANAGEMENT REPORT

The North Estonia Medical Centre (hereinafter: the Medical Centre, Estonian abbreviation PERH) is a regional hospital whose principal activity is to provide specialised medical care in the majority of medical specialities, to be a pre-degree and in-service training base for healthcare professionals and to conduct medical research.

The Medical Centre operates on two levels: the level of a regional hospital – the hospital is obliged to provide health care of the highest level of complexity to persons covered by health insurance from all counties of Estonia and the level of a central hospital – arising from the health problem of a specific patient health care of somewhat lower level of complexity to patients mainly from Tallinn and Harju County and Western, Northern and Central Estonia. The Medical Centre also guarantees the medical security of the people living in Harju County as the provider of ambulance services. Emergency care is provided to all persons who need that.

The wide selection of services and quality treatment of patients guarantees a high numbers of patients for the Medical Centre and the intensive load on resources that results therefrom, guaranteeing economic efficiency, incl. with respect to 24 h specialised medical care, and extensive clinical experience are the basis of treatment quality.

The Medical Centre had 3,559 employees as of 31 December 2012. Nurses and care workers comprise the biggest group of employees with a total of 2,079 employees. In addition to nurses and care workers the Medical Centre employs 504 doctors. Each year approximately one hundred doctors and residents obtain practical knowledge in the Medical Centre; in 2012 their number was 99.



Management structure of the Medical Centre as of 31 December 2012

Main developments

The development plan of the North Estonia Medical Centre for 2010 to 2012 defines the main development trends of the Centre (under which some of the most important projects realised in this field in 2012 have been pointed out) as follows:

- 1) to continue the rationalisation and modernisation of the infrastructure of treatment activities: the reconstruction of Block C was started.
- 2) to contribute in technological innovation: the volume of use and scope of isotope examinations and treatment as well as the scope of application of brachytherapy were increased; methods of mini-invasive surgery and endoscopic treatment were developed.
- 3) to increase the capacity of active treatment in inpatient medicine, outpatient medicine and day treatment: independent nursing service was developed; the e-visit and e-consultation pilot project was launched in the Pulmonology Centre and the Endocrinology Unit.
- 4) to develop the Centre's household and service standard: to increase the welfare of patients, the volume of patient informational materials to be issued was increased, the updating of the external web of the Centre was started and a select menu for basic diet patients was introduced.
- 5) to mark clinical competencies, to promote coordination and cooperation in treatment and diagnostics: the development of transplantation activities continued, the application for new quality accreditations started or continued; several international quality controls are taken part in, the emergency aid project for small islands was extended to Ruhnu and Vormsi Islands; the organisation of regular conferences (VI spring conference of emergency medicine, the Lung interdisciplinary cooperation seminar, the conference of the Internal Medicine Clinic, the autumn conference of the Psychiatry Clinic, the meeting of the European Blood Alliance Board in Tallinn) also continued.
- 6) to contribute in professionalism and teams: a satisfaction survey was carried out among outpatients. In 2012, the Centre continued the tradition of awarding grants to young doctors and recognising its best secretaries, nurses and carers. At the autumn conference Andres Ellamaa, the chief medical doctor/consultant of the Neurosurgery Centre of the Surgery Clinic was awarded the Grand Man title for his contribution in the development of the Medical Centre.
- 7) to develop international cooperation: the service export cluster of Medicine Estonia was acceded. Participation in the radiation therapy, nuclear medicine and radiology activities with the Organisation of European Cancer Institutes (OECI) and the International Atomic Energy Agency (IAEA) and in the research projects of the ELIKO Competence Centre in Electronics-, Info- and Communication Technologies and the Competence Centre for Cancer Research (CCCR).

In 2013, activities will already be continued under the new development plan for 2013 to 2015, according to which the main development trends of the Medical Centre will be:

- 1) to promote cooperation in treatment and its quality in treatment and diagnostics;
- 2) to develop the Centre's service and household standard;
- 3) to develop principles, skills and systems related to human resources management and employee motivation and to harmonise these all over the hospital;
- 4) to contribute in the development of treatment processes and technological infrastructure;
- 5) to perform the construction of stage II (Block C) and to apply for financing out of structural funds to Block D (Pathology Building), Psychiatry Clinic, Blood Centre and Block B;
- 6) to promote cooperation with research and development institutions and with educational institutions;
- 7) to optimise the organisation of treatment according to the purchasing power of the Estonian Health Insurance Fund and to contribute in fee-charging service, incl. export growth.

Research and development cooperation

The interdisciplinary and cooperation seminars initiated in the Medical Centre, such as the spring conference of emergency medicine, interdisciplinary cooperation seminars, the informational event of the Internal Medicine Clinic for family doctors, the autumn conference of the Psychiatry Clinic, etc., which have an impact on the health care landscape, are becoming a tradition.

The Medical Centre is a founder partner in two health care clusters: the Estonian HealthTech Cluster and the Estonian HealthExport Cluster. In addition, negotiations are held for joining the Estonian Cell Treatment Cluster.

Cooperation with other medical centres and hospitals, the University of Tartu, the Technomedicum of the Tallinn University of Technology, the Competence Centre for Cancer Research, the ELIKO Technology Competence Centre in Electronics-, Info- and Communication Technologies, and the International Atomic Energy Agency is continuing.

Clinical trials of pharmaceuticals

Clinical trials of 33 pharmaceuticals started in the Medical Centre in 2012 (34 in 2011) and the number of ongoing trials by the end of the year was 113 (92 in 2011).

325.9 thousand euros of income was received from clinical trials in 2012, which is 49% more than in 2011. The reason is the good work of the clinical pharmacologist and the lawyer and assistants in preparing contracts and in dealing with orders for payment as well as the request for clear financial discipline both from partners as well as from principal investigators in our Centre.

Revenue from provision of health services

The total volume of contracts concluded with different departments of the Estonian Health Insurance Fund in 2012 amounted to 109.36 million euros, of which outpatient specialised medical care formed 30.9 million euros (28.2%, 2011: 28.8%), day treatment 4.3 million euros (4.0%, 2011: 3.5%) and inpatient specialised medical care 74.2 million euros (67.8%, 2011: 67.8%).

In comparison with the year 2011, the contract volume grew by 10.88%. The highest increase in volume was in oncology – 3.5 million euros and in cardiology – 1.5 million euros. The contract volume reduced the most in the field of cardiosurgery – 0.31 million euros.

The number of treatment cases financed by the Estonian Health Insurance Fund increased, compared to 2011, by 2.2%, i.e. the total number of treatment cases was 343.9 thousand, incl. 302 thousand (87.8%) of outpatient treatment cases, 6.7 thousand (2%) of day treatment cases and 35 thousand (10.2%) of inpatient treatment cases. The largest increase in outpatient treatment cases was in psychiatry by 4,981 treatment cases, in general surgery by 1,522 treatment cases and in oncology by 832 treatment cases. The number of treatment cases reduced in internal diseases by 1,578 treatment cases, in facial and chin surgery by 1,440 treatment cases and in gynaecology by 1,198 treatment cases.

The highest increase in day treatment cases was in oncology (482 treatment cases).

In inpatient treatment the increase in the number of treatment cases as well as in monetary volume was the largest in oncology (478 additional treatment cases for 1.7 million euros) and pulmonology (147 treatment cases for 0.3 million euros).

Emergency specialised medical care provided to persons not covered by health insurance is paid for by the Ministry of Social Affairs. In 2012, medical care was provided on 6,124 occasions (2011: 5,968 occasions) and the total cost of the treatment services provided to them was 2.4 million euros (2011: 2.4 million euros).

In 2012, there were 16 expensive treatment cases (with a cost of more than 64 thousand euros, in 2011: 4 treatment cases) with a total cost of 1.6 million euros (2011: 0.3 million euros).

Volumes of health services provided

In 2012, the Medical Centre provided outpatient medical care in 30 specialities. Doctors saw a total of 379,212 outpatients in 2012, which shows that the total number of such consultations has decreased by 3,297 (1%) in comparison to 2011 (382,509).

Inpatient specialised medical care was provided in 23 specialities. The number of beds as of the end of 2012 was 1,234, incl. 836 active treatment beds.

The number of hospitalised patients in 2011 was 36,327, which has increased by 168 patients (0.5%) in comparison to 2010 (36,159).

Day treatment service was provided on 6,201 occasions; compared to 2011 (5,795), the volume of day treatment services has increased by 406 cases (7%).

Blood Centre

The number of donations in 2012 was 32,857; compared to 2011 (32,695), the number of donations has increased by 0.5%. The number of donors in 2012 was 20,259; compared to 2011 (20,536), the number of donors has decreased by 1.3%.

Investments

The Medical Centre completed its investments pursuant to the investment plan included in the development plan of the North Estonia Medical Centre.

The amount of the investments made in 2012 was 6.7 million euros, incl. 2.9 million euros invested in construction and reconstruction and 3.2 million euros invested in equipment. Reconstruction work performed under the ERDF financing project comprised 1.7 million euros and renovation of other buildings comprised 1.2 million euros of construction investments.

The biggest investments in 2012 were made in the equipment of the Radiology Centre (a total of 1.6 million euros) and in the technology of the operating block (a total of 0.4 million euros).

The investments have been recognised without VAT. Health services are not subject to VAT and, therefore, VAT on investments is recognised as expenditure for the period. A total of 1.2 million euros was calculated as VAT on investments among expenses in 2012.

There are plans to invest 7.1 million euros (excl. VAT) in medical technology and 0.5 million euros (excl. VAT) in other equipment in 2013.

In 2013, construction investments total 10.7 million euros (excl. VAT), of which investments in the construction of Block C amount to 8.3 million euros. The remaining construction work has been planned for this year in the amount of 2.3 million euros, of which a large part accounts for investment in the Psychiatry block.



Annual accounts

Balance sheet

(in EUR)

	31.12.2012	31.12.2011	Note no.
Assets			
Current assets			
Cash	2 920 466	1 575 857	2
Receivables and prepayments	17 345 281	15 375 291	3
Inventories	3 162 316	3 034 558	6
Total current assets	23 428 063	19 985 706	
Fixed assets			
Financial investments	3 195	3 195	
Tangible fixed assets	112 865 740	114 217 804	7
Intangible fixed assets	1 310 951	1 215 723	8
Total fixed assets	114 179 886	115 436 722	
Total assets	137 607 949	135 422 428	
Liabilities and net assets			
Liabilities			
Current liabilities			
Loans payable	1 516 129	991 789	11
Payables and prepayments	17 040 985	17 401 190	5
Provisions	246 863	132 984	14
Fees, donations and grants for specific purposes	18 951	6 372	15
Total current liabilities	18 822 928	18 532 335	
Long-term liabilities			
Loans payable	46 516 129	48 032 258	11
Payables and prepayments	0	25 352	12
Total long-term liabilities	46 516 129	48 057 610	
Total liabilities	65 339 057	66 589 945	
Net assets			
Foundation/Share capital in nominal value	34 243 357	34 243 357	
Retained earnings	34 589 126	37 998 937	
Net profit/loss for financial year	3 436 409	-3 409 811	
Total net assets	72 268 892	68 832 483	
Total liabilities and net assets	137 607 949	135 422 428	

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Income statement

(in EUR)

	2012	2011	Note no.
Income			
Donations and grants	3 231 279	1 825 195	15
Business income	123 479 759	113 387 357	16
Other revenue	10 011	1 598 841	
Total income	126 721 049	116 811 393	
Expenses			
Direct expenses of projects financed for specific purposes	-3 231 279	-1 825 195	17
Distributed donations and grants	-28 547	-33 021	
Other operating expenses	-48 794 706	-49 824 317	18
Labour expenses	-52 644 308	-47 122 386	19
Depreciation and impairment of fixed assets	-9 230 866	-10 766 500	7, 8
Other expenses	-8 418 299	-9 560 070	20
Total expenses	-122 348 005	-119 131 489	
Profit/loss from operating activities	4 373 044	-2 320 096	
Financial income and expenses	-936 635	-1 089 715	21
Net profit/loss for financial year	3 436 409	-3 409 811	

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Cash flow statement

(in EUR)

	2012	2011	Note no.
Cash flow from operating activities			
Received donations and grants	965 398	2 106 298	
Receipts from sale of goods and provision of services	122 864 045	114 631 520	
Other receipts of revenue from principal activities	600 323	547 070	
Payments to suppliers for goods and services	-61 369 858	-60 837 465	
Payments to employees	-30 633 485	-27 881 749	
Interest received	4 530	6 292	
Interest paid	-996 817	-1 047 545	
Other cash flow from operating activities	-21 462 664	-19 934 106	
Total cash flow from operating activities	9 971 472	7 590 315	
Cash flow from investing activities			
Paid upon acquisition of tangible and intangible fixed assets	-7 635 074	-12 444 305	7
Received from sales of tangible and intangible fixed assets	0	1 597 791	7
Total cash flow from investing activities	-7 635 074	-10 846 514	
Cash flow from financing activities			
Loans raised	0	5 000 000	
Repayments of loans raised	-991 789	-967 742	11
Change in overdraft balance	0	-316 104	
Total cash flow from financing activities	-991 789	3 716 154	
Total cash flow	1 344 609	459 955	
Cash and cash equivalents at beginning of period	1 575 857	1 115 902	2
Change in cash and cash equivalents	1 344 609	459 955	
Cash and cash equivalents at end of period	2 920 466	1 575 857	2

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Statement of changes in net assets

(in EUR)

			Total net assets
	Foundation/Share capital in nominal value	Accumulated profit/loss	
31.12.2010	34 242 105	37 998 937	72 241 042
Net profit/loss for financial year	0	-3 409 811	-3 409 811
Contributions made by founders and members	1 252	0	1 252
31.12.2011	34 243 357	34 589 126	68 832 483
Net profit/loss for financial year	0	3 436 409	3 436 409
31.12.2012	34 243 357	38 025 535	72 268 892

Notes to Annual Accounts

Note 1 Accounting policies and procedures

General information

General principles

The 2012 annual accounts of the North Estonia Medical Centre (hereinafter: the Medical Centre, foundation) have been prepared in compliance with the generally accepted accounting principles of Estonia. The generally accepted accounting principles of Estonia are based on internationally recognised accounting and reporting principles. The basic requirements of those accounting principles have been established in the Accounting Act, which is supplemented by the guidelines issued by the Estonian Accounting Standards Board and the requirements laid down in the general rules for state accounting.

The figures in these annual accounts have been presented in euros.

The annual accounts have been prepared pursuant to the acquisition cost principle, except the revaluations of certain assets and financial instruments.

Financial assets

Financial assets

Financial assets consist of cash, short-term and long-term financial investments, trade receivables and other short-term and long-term receivables.

Financial assets have initially been recorded at the acquisition cost which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost comprises all costs that are directly attributable to the acquisition of the financial asset in question, including consideration paid to agents and consultants, non-recoverable duties and taxes relating to the transaction, and other similar charges, except costs and expenses related to the acquisition of financial assets that are reported at the fair value thereof through the income statement.

All purchases and sales of financial assets concluded on an arm's-length basis are reported at the trade date, i.e. at the date on which the foundation undertook to purchase or sell a given financial asset (e.g. signed a contract). Purchases and sales where transfer of the purchased or sold financial assets from the seller to the purchaser occurs during the period that is usual on the given market or required under the relevant market regulations are deemed to occur under ordinary market conditions.

After initial recording all the financial assets are recognised at the fair value thereof, except accounts receivable from other parties (recognised at adjusted acquisition cost) and investments in shares whose fair value cannot be determined reliably (recognised at acquisition cost).

Cash

Cash and cash equivalents

Cash and cash equivalents include short-term (acquired with a term of up to three months) investments of high liquidity which can be converted for a known amount of money and which entail no considerable risk related to changes in their market value, incl. cash at bank and in hand, demand deposits, and time deposits of up to three months. Cash flow has been recorded in the cash flow statement using the direct method.

Financial investments

Long-term financial investment

Under the general rules for state accounting, securities and derivative instruments (except held-to-maturity bonds) are measured at fair value. If there is no information about the fair value, the securities and derivative instruments are recognised at acquisition cost by adjusting it with write-down, where necessary. If the acquisition cost is unknown, the investments are measured at nil value.

Participation in foundations and non-profit associations is recognised as follows:

- 1) if the company has controlling influence over the foundation or non-profit association (as a rule, over 50% of the voting right), the participation will be recognised at 100%;
- 2) if the company does not hold significant influence over the foundation or non-profit association (as a rule, 20-50% of the voting right), the participation or financial investment will not be recognised in the balance sheet. Contributions to the foundation capital are recognised as grant expenses.

Foundations and non-profit associations in which the company participated with at least a 20% voting right, but which are not recorded in the balance sheet are disclosed in the notes to the annual accounts.

Receivables and prepayments

Receivables

Receivables from other parties are recognised using the adjusted acquisition cost method, i.e. at their present value, less doubtful amounts.

The probability of collection of receivables is assessed at least at the end of each quarter. The probability of collection of each receivable is evaluated separately, if practicable. If this is not practicable, receivables are evaluated using the approximation method that is based on experience of earlier periods. Receivables are evaluated considering circumstances that may affect the probability of collection of receivables and have become known by the balance sheet date or after the balance sheet date until preparation of the accounts.

The approximation method is used to evaluate receivables whose payment deadline has been exceeded:

- 1) by 90-180 days shall be written down 50%;
- 2) by more than 180 days shall be written down 100%.

An exception to the aforesaid is receivables for medical services from insurance companies in the case of which the period before a write-down is up to 3 years.

The write-down is recognised in the balance sheet on the contra-account of the write-down as a negative amount and under expenses depending on the type of the receivable (in the income statement under the 'Other operating expenses' account). If the write-down of a receivable was recognised under 'Doubtful receivables', but it later appears that the collection of the receivable is hopeless, the receivable as well as the write-down thereof are written off the balance sheet on a relevant contra-account. No additional expenses are incurred at that moment any more. A receivable is deemed as uncollectible if there are no possibilities for the collection of the receivable or if the expenses to be incurred upon recovery thereof exceed the estimated income to be received from the proceeds.

If an estimate provided earlier about the amount of doubtful receivables later changes, this is recognised as a change in expenses in the period when the estimate changes. Upon receipt of a doubtful receivable, the reduction of the expenses earlier recognised is indicated in the period when the receipt took place and the balance of the receivable as well as its contra-account is thus also reduced.

Inventories

Inventories

Inventories are recognised at the acquisition cost thereof, which comprises their purchase price, customs duties related to the purchase and direct transportation costs.

Pursuant to the general rules for state accounting the non-recoverable duties and taxes related to the acquisition of assets have not been attached to the acquisition cost of the assets. The non-recoverable duties and taxes related to the acquisition are recorded in the 'Other operating expenses' account in the income statement.

The acquisition cost of inventories is determined on the basis of the individual cost (pharmaceuticals) and FIFO (except pharmaceuticals) method. Inventories have been assessed in the balance sheet at the lower of their acquisition cost or net realisable value. The difference in the value that is identified as a result of assessment of inventories is recognised as an expense for the financial year in the income statement under 'Write-down of inventories'.

Tangible and intangible fixed assets

Tangible fixed assets

Assets that cost two thousand euros and more and whose useful lives exceed one year are deemed to be tangible fixed assets. Account of fittings of minor value that have been written off is kept off the balance sheet.

Tangible fixed assets are registered at their acquisition cost, which comprises the purchase price and expenses directly attributable to acquisition. According to the general rules for state accounting, VAT and other recoverable duties and taxes are not capitalised into the acquisition cost of fixed assets. Tangible fixed assets are thereafter recognised in the balance sheet at their historical cost less accumulated depreciation and potential write-downs resulting from impairment.

If a tangible fixed asset item consists of separable components with different useful lives, those components are recognised separately and depreciated at different rates depending on their useful lives.

Further expenditure related to registered tangible fixed assets (e.g. replacement of certain parts of some asset items) is added to the book value of the assets only if the following criteria are met:



- 1) the foundation is likely to benefit from them in the future, and
- 2) the acquisition cost of the asset item can be assessed reliably.

Replaced parts are written off the balance sheet. All other expenditure is recognised as expenses in the period when the expenditure was incurred.

In depreciation of tangible fixed assets the straight-line method is used. Depreciation rates are established separately for all items of fixed assets on the basis of their useful lives.

Annual depreciation rates for classes of fixed assets:

Land 0%

Buildings and construction works 2–5%

Machinery and equipment 20%

Other fixed assets 20-33%

The depreciation methods, rates and residual values of tangible fixed assets are reviewed at the end of each financial year. If necessary, differences in new estimates are recognised under changes in accounting estimates, i.e. only proactively.

Possible impairment of tangible fixed assets is assessed if certain events or developments imply that the recoverable amounts of the assets may be smaller than their book value. In case of such events or developments, the foundation will carry out evaluation of the recoverable amount of its assets. If the estimated recoverable amount of the assets is below their book value, the assets or assets constituting a cash-generating unit are written down to their recoverable amount, which is equal to the higher of the present value (or value in use) of the future cash flow from the assets or the fair value of the assets less costs to sell. The write-down is recognised as an expense for the financial year in the 'Depreciation and write-down of fixed assets' account of the income statement.

If later the recoverable amount of the assets exceeds its book value, the write-down is cancelled and the book value of the assets is increased, but not in excess of the book value of the assets that would have been recorded if the assets had not been written down. Cancellation of a write-down of assets is reported in the same account of the income statement where the previous write-down was reported.

Tangible fixed assets are derecognised if the assets are transferred or if the foundation does not expect any economic benefits from the use or sales of the assets. Gains and losses on sales of tangible fixed assets are recognised as a total amount in the 'Other operating revenue' account of the income statement. Upon removing assets from the balance sheet if they become unfit for use, the losses incurred are recorded in the 'Depreciation and write-down of fixed assets' account of the income statement.

Intangible fixed assets

Intangible assets have been recorded if the following conditions have been met:

the asset item is controlled by the foundation;

2) the foundation is likely to earn income from the use of the asset item in the future;

3) the acquisition cost of the asset item can be reliably established.

Intangible fixed assets have initially been recorded at the acquisition cost thereof, which comprises the purchase price and expenses directly attributable to acquisition. VAT and other recoverable duties and taxes are not capitalised into the acquisition cost of intangible fixed assets. Intangible fixed assets have further been recorded in the balance sheet at the acquisition cost thereof less accumulated depreciation and write-downs resulting from any impairment.

In the case of intangible assets the useful lives thereof have been assessed to be limited.

In depreciation of intangible fixed assets the straight-line depreciation method is used. The annual depreciation rates are the following:

Licences 20%

Software 20%

The depreciation cost of intangible assets is recognised in the 'Depreciation and write-down of fixed assets' account in the income statement. Similarly to tangible fixed assets, the periods and methods of depreciation of intangible fixed assets are reviewed at the end of each financial year. There were no changes in the accounting estimates during the financial year.

Threshold for recognition of fixed assets 2,000 euros



Leases

Lease accounting

Finance lease means a lease relationship where all significant risks and benefits related to the title of the property are transferred to the lessee. All other lease transactions are recorded as operating lease.

Assets acquired under finance leases are recorded in the lessee's balance sheet at the acquisition cost of the assets or at the present value of minimum lease payments in case the latter was lower. The depreciation period of assets acquired under finance lease is the economic life or lease period of the assets, whichever is shorter. Finance lease payments have been divided into financial expenses and payment of lease liabilities in such a way that the interest rate would be the same at each moment. Financial income is recognised in the 'Financial income and expenses' account of the income statement. The depreciation cost of the depreciable assets related to finance lease in the financial year is recognised in the 'Depreciation and write-down of fixed assets' account in the income statement.

In the case of operating lease, the leased assets are recorded in the lessor's balance sheet. The lessor records the operating lease payments as income and the lessee records them as expenses over the lease period using the straight-line method.

Financial liabilities

Financial liabilities

Financial liabilities include supplier payables, accrued expenses and other short-term and long-term debts.

Financial liabilities are initially recorded at their acquisition cost, which is equal to the fair value of the consideration received for the financial liability in question. Thereafter financial liabilities are recorded at their adjusted acquisition cost.

Interest expenses relating to financial liabilities are recorded on the accrual basis as periodic expenses under 'Financial income and expenses' in the income statement. A financial liability is derecognised after it has been paid, cancelled or expired.

Provisions and contingent liabilities

Provisions and contingent liabilities

Liabilities incurred during the period under review or in previous periods which have a legal or contractual basis and require relinquishment of assets in the future and whose cost can be reliably established, but whose final cost or payment deadline has not been fixed are recognised as provisions in the balance sheet. Provisions are assessed pursuant to the estimates of the management board, experience and opinions of independent experts, if necessary.

Promises, guarantees and other liabilities that under certain conditions may become liabilities in the future are disclosed in the notes to the annual accounts as contingent liabilities.

Donations and grants

Grants that have been awarded for specific purposes and are associated with certain conditions are recognised as targeted financing. Targeted financing is not recognised as income or expenditure until there is a certain connection that the recipient of the grant will comply with the conditions attached to the targeted financing and that the targeted financing will be received. Targeted financing is recognised using the gross method according to which revenue from targeted financing and expenditure incurred or fixed assets acquired on the account of it are recognised separately.

Targeted financing of operating expenses is recognised in accordance with the principle of conformity of revenue and expenditure (revenue from targeted financing is recognised in proportion to the associated costs). In the case of targeted financing of assets, targeted financing is recognised under expenditure in the period when the assets acquired with the help of targeted financing are recorded in the balance sheet under fixed assets.

Related parties

Parties are deemed as related if one of the parties exercises either control or significant influence on the business-related decisions of the other party, incl. owners, members of the supervisory and management board, their family members and companies that the aforementioned parties either control or exercise significant impact on.

Revenue

Recognition of revenue and expenses

Revenue is recognised at the fair value of the payments received or to be received. Revenue consists of the sales revenue less price rebates, unaccepted services and returned products and goods. Revenue from the core activity of the Medical Centre includes the following:

- 1) sale of health services to the Estonian Health Insurance Fund and other legal and natural persons;
- 2) provision of diagnostic services to other medical institutions and family physicians;
- 3) provision of the emergency medical care services;
- 4) conduct of psychiatric examinations;
- 5) provision of medical training and supervision of residents;
- 6) sales of blood products to legal persons providing health service.

Revenue from ancillary activities includes rental income, grants from registers, conduct of clinical trials of pharmaceuticals and other revenue.

Operating revenue is recognised on the accrual basis using the realisation principle, i.e. the revenue is calculated at the moment of realisation or for period(s) specified in contracts. Revenue from the sales of goods is recorded when all the essential risks relating to ownership have passed to the purchaser and the sales revenue and the expenses relating to a transaction can be reliably established. Revenue from sales of services is recorded upon the provision of the service. Sales revenue does not include the amounts received by the Medical Centre but collected in the name of other persons, and prepayments made by purchasers.

Operating income also includes the collectible amounts calculated but not received by the balance sheet date about which no collection document has been submitted (e.g. interest of the previous period not received by the balance sheet date; open health files as of the end of the year). Interest income is recorded on accrual basis.

Expenses

Upon recording economic transactions, the principle of conformity of the revenue and expenses has been followed. According to the principle, the costs necessary for receipt of the income of the financial year have been transferred to the expenses of the financial year. Expenses are recorded on the accrual basis at the moment of sales.

Labour expenses include wages and salaries of employees calculated on the accrual basis, any fees and fringe benefits equal to the aforementioned upon taxation and taxes calculated thereon. Costs related to the workforce and not paid during the financial year are recorded as employee-related liabilities. The liability of unused holiday days and unpaid holiday pays is assessed once a year as of the end of the financial year and it is recorded under costs of the financial year.

Other costs include other operating expenses, depreciation and write-down of fixed assets and financial income and expenses. Other operating expenses include the following:

- 1) expenses relating to taxes, fees and fines;
- 2) costs of doubtful receivables;
- 3) other operating expenses.

Depreciation and write-down of fixed assets include depreciation and impairment of tangible and intangible fixed assets.

Financial income and expenses include income and expenses of financial investments and loan payables assumed. Financial income and expenses are recorded in the period of their emergence.

Events after balance sheet date

The annual accounts duly take into account and disclose all essential events and circumstances that have become known until the date of preparation of the annual accounts.

Note 2 Cash

(in EUR)

	31.12.2012	31.12.2011
Cash in hand	3 557	176
Current accounts	2 916 909	1 575 681
Total cash	2 920 466	1 575 857

Note 3 Receivables and prepayments

(in EUR)

	31.12.2012	Division by remaining terms			Note no.
		within 12 months	within 1-5 years	over 5 years	
Trade receivables	11 191 469	11 191 469	0	0	4
Accounts receivable	11 196 173	11 196 173	0	0	
Doubtful receivables	-4 704	-4 704	0	0	
Prepaid and deferred taxes	2 511	2 511	0	0	5
Other receivables	5 937 067	5 937 067	0	0	
Interest receivable	14	14	0	0	
Accrued income	5 937 053	5 937 053	0	0	
Prepayments	214 234	214 234	0	0	
Prepaid expenses	214 234	214 234	0	0	
Total receivables and prepayments	17 345 281	17 345 281	0	0	
	31.12.2011	Division by remaining terms			Note no.
		within 12 months	within 1-5 years	over 5 years	
Trade receivables	9 067 342	9 067 342	0	0	4
Accounts receivable	9 073 159	9 073 159	0	0	
Doubtful receivables	-5 817	-5 817	0	0	
Prepaid and deferred taxes	136 595	136 595	0	0	5
Other receivables	6 042 517	6 042 517	0	0	
Interest receivable	26	26	0	0	
Accrued income	6 042 491	6 042 491	0	0	
Prepayments	128 837	128 837	0	0	
Prepaid expenses	128 837	128 837	0	0	
Total receivables and prepayments	15 375 291	15 375 291	0	0	

Accounts receivable in an amount of 11,191,469 euros include receivables from the Estonian Health Insurance Fund in an amount of 9,918,066 euros (2011: 7,613,622 euros) whose payment deadline has not arrived yet.

Accrued income:

To evaluate the open health files, stocktaking of the open health files was carried out at the end of the financial year as a result of which the health services in an amount of 3,874,488 euros provided in 2012 but not presented to buyers as of 31 December 2012 are recorded under income of 2012 (2011: 4,136,810 euros, respectively).

*Unreceived targeted financing for the acquisition of fixed assets – 1,658,971 euros (2011: 1,881,412 euros).

* Input VAT whose deduction period has not arrived yet – 403,594 euros (2011: 15,258 euros)

*Security deposits paid in 2012 – 0 euros (2011: 9,011 euros).

**Note 4 Trade receivables**


(in EUR)

	31.12.2012	31.12.2011	Note no.
Accounts receivable	11 196 173	9 073 159	
Doubtful receivables	-4 704	-5 817	
Total trade receivables	11 191 469	9 067 342	3
	2012	2011	Note no.
Doubtful receivables			
Doubtful receivables at beginning of period	-5 817	-15 738	
Doubtful receivables received	5 817	922	
Receivables deemed doubtful	-4 704	-5 817	
Uncollectible receivables	0	14 816	
Doubtful receivables at end of period	-4 704	-5 817	3

Note 5 Prepaid taxes and taxes payable

(in EUR)

	31.12.2012		31.12.2011	
	Prepayment	Payable	Prepayment	Payable
Value added tax	0	43 436	0	29 662
Personal income tax	0	739 881	0	543 707
Income tax on fringe benefits	0	10 461	0	5 775
Social tax	0	1 370 572	0	1 033 662
Mandatory funded pension	0	61 487	0	33 427
Unemployment insurance premium	0	161 735	0	122 112
Other prepaid taxes and taxes payable	0	1 170	0	543
Prepayment account balance	2 511	0	136 595	0
Total prepaid taxes and taxes payable	2 511	2 388 742	136 595	1 768 888

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Note 18 Inventories

(in EUR)

	31.12.2012	31.12.2011
Raw materials	3 254 608	3 101 043
Medical security stock	60 381	60 009
Pharmaceuticals	1 375 247	1 233 649
Food products and souvenirs for donors of the Blood Centre	16 421	44 999
Maintenance materials	23 312	23 848
Technical service	3 445	0
Medical materials	502 643	471 204
Textile laundry	5 371	5 295
Interim prostheses storage facility	1 267 788	1 262 039
Finished goods	166 978	144 164
Write-down of inventories	-259 270	-210 649
Total inventories	3 162 316	3 034 558

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Note 19 Tangible fixed assets

(in EUR)

											Total
	Land	Buildings				Machinery and equipment	Other tangible fixed assets			Projects in progress and prepayments	
		Means of transport	Computers and computer systems	Other machinery and equipment	Projects in progress			Prepayments			
31.12.2010											
Acquisition cost	8 093 281	98 178 004	463 578	619 562	43 006 567	44 089 707	1 164 845	3 847 232	1 688 359	5 535 591	157 061 428
Accumulated depreciation	0	-15 700 621	-361 150	-422 013	-24 715 495	-25 498 658	-630 254	0	0	0	-41 829 533
Residual value	8 093 281	82 477 383	102 428	197 549	18 291 072	18 591 049	534 591	3 847 232	1 688 359	5 535 591	115 231 895
Purchases and improvements	0	0	0	73 420	2731 127	2 804 547	4 154	4 959 766	847 613	5 807 379	8 616 080
Depreciation cost	0	-386 918	24 133	-55 181	-4 855 779	-4 886 827	-85 955	0	0	0	-5 359 700
Sales	-255 647	-3 949 787	0	0	191 427	191 427	0	-5 218 465	0	-5 218 465	-9 232 472
Reclassifications	1 252	5 025 786	0	0	0	0	0	2 507 404	-2 507 404	0	5 027 038
Reclassification from prepayments	0	0	0	0	0	0	0	2 507 404	-2 507 404	0	
Reclassification from projects in progress	1 252	5 025 786	0	0	0	0	0	0	0	0	5 027 038
Other changes	0	0	-62 800	-2 237	0	-65 037	0	0	0	0	-65 037
31.12.2011											
Acquisition cost	7 838 886	99 254 003	400 778	690 745	45 929 121	47 020 644	1 168 999	6 095 937	28 568	6 124 505	161 407 037
Accumulated depreciation	0	-16 087 539	-337 017	-477 194	-29 571 274	-30 385 485	-716 209	0	0	0	-47 189 233
Residual value	7 838 886	83 166 464	63 761	213 551	16 357 847	16 635 159	452 790	6 095 937	28 568	6 124 505	114 217 804
Purchases and improvements	0	51 245	0	87 570	2731 193	2 818 763	21 742	2 764 221	1 979 103	4 743 324	7 635 074
Depreciation cost	0	-4 174 639	-20 884	-70 748	-4 598 494	-4 690 126	-77 641	0	0	0	-8 942 406
Reclassifications	0	2 391 628	0	0	26 506	26 506	-233	-2 308 425	-123 698	-2 432 123	-14 222
Reclassification from prepayments	0	0	0	0	26 273	26 273	0	46 283	-46 283	0	26 273
Reclassification from projects in progress	0	2 391 628	0	0	0	0	0	-2 354 708	-77 415	-2 432 123	-40 495
Other reclassifications	0	0	0	0	233	233	-233	0	0	0	0
Other changes	0	0	0	0	-29 867	-29 867	-643	0	0	0	-30 510
31.12.2012											
Acquisition cost	7 838 886	101 696 876	400 778	778 315	47 745 777	48 924 870	1 153 011	6 551 733	1 883 973	8 435 706	168 049 349
Accumulated depreciation	0	-20 262 178	-357 901	-547 942	-33 258 592	-34 164 435	-756 996	0	0	0	-55 183 609
Residual value	7 838 886	81 434 698	42 877	230 373	14 487 185	14 760 435	396 015	6 551 733	1 883 973	8 435 706	112 865 740

Tangible fixed assets sold at sales price

	2012	2011
Land	0	255 647
Buildings	0	1 342 144
Total	0	1 597 791

No sales of fixed assets took place in 2012.

In 2011, a registered immovable was sold at Pargi 30, Keila (at the acquisition cost of 3,949,787 euros) along with land (at the acquisition cost of 255,647 euros) and fixed assets remaining there (at the acquisition cost of 212,952 euros) with a residual value of 1,782,032 euros at the price of 1,597,791 euros.

In 2011, "Contract for transfer of registered immovable as non-monetary contribution to foundation and real rights contract" was concluded between the Medical Centre and the Ministry of Social Affairs. According to the contract, the right to use the improved registered immovable of emergency medical care in Tammemäe Village, Saku Rural Municipality, Harju County, was transferred to the North Estonia Medical Centre. According to the calculations of the real estate agency Uus Maa OÜ, the market value of the appraised object was 20,870 euros, of which the value of the land formed 1,252 euros. The Saku emergency medical service centre was recorded at the acquisition cost of 19,618 euros and the land with an acquisition cost of 1,252 euros as a non-monetary contribution made by the Ministry of Social Affairs to the foundation capital.

Note 8 Intangible fixed assets

(in EUR)

				Total
	Computer software	Concessions, patents, licenses, trademarks	Projects in progress and prepayments	
31.12.2010				
Acquisition cost	472 250	34 163	637 069	1 143 482
Accumulated depreciation	-257 034	-7 568	0	-264 602
Residual value	215 216	26 595	637 069	878 880
Purchases and improvements	207 219	3 005	208 996	419 220
Depreciation cost	-74 994	-7 383	0	-82 377
Reclassifications	333 115	0	-333 115	0
31.12.2011				
Acquisition cost	1 012 584	37 168	512 950	1 562 702
Accumulated depreciation	-332 028	-14 951	0	-346 979
Residual value	680 556	22 217	512 950	1 215 723
Purchases and improvements	20 937	6 795	325 446	353 178
Depreciation cost	-250 177	-7 773	0	-257 950
Reclassifications	512 950	0	-512 950	0
31.12.2012				
Acquisition cost	1 546 471	43 963	325 446	1 915 880
Accumulated depreciation	-582 205	-22 724	0	-604 929
Residual value	964 266	21 239	325 446	1 310 951

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On-going intangible fixed asset projects as of 31.12.2012 are as follows:

1. HIS (hospital information system) development 236,480 euros (2011: 0 euros)
2. Laboratory information system 32,751 euros (2011: 126,393 euros)
3. Radiology information system 12,810 euros (2011: 96,766 euros)
4. Pathology information system 35,257 euros (2011: 83,945 euros)
5. Electronic referral 2,730 euros (2011: 57,477 euros)
6. Performance of operations 5,418 euros (2011: 0 euros)
7. Interfacing with X-road 2011: 39,761 euros
8. Single SignOn (MIIS) 2011: 63,046 euros
9. Other software investments 1,266 euros
10. Introduction of the reporting environment 44,296 euros

Note 21 Finance lease

(in EUR)

	31.12.2012	Division by remaining terms			Interest rate	Underlying currency	Due date
		within 12 months	within 1-5 years	over 5 years			
Nordea Finance Estonia	0	0	0	0			
Total finance lease payables	0	0	0	0			

	31.12.2011	Division by remaining terms			Interest rate	Underlying currency	Due date
		within 12 months	within 1-5 years	over 5 years			
Nordea Finance Estonia	24 047	24 047	0	0	2,56%	Estonian kroon	15.02.2012
Total finance lease payables	24 047	24 047	0	0			

Carrying amount of leased assets		
	2012	2011
Machinery and equipment	0	24 047
Total	0	24 047

The last finance lease payments were made on 15.02.2012.

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Note 10 Operating lease

(in EUR)

Accountable person as lessor

	2012	2011
Operating lease income	508 504	407 781
Future operating lease expenses under agreements that cannot be terminated		
	31.12.2012	31.12.2011
within 12 months	509 000	491 000
within 1–5 years	2 545 000	2 455 000
Carrying amount of assets given on lease		
Other assets	1 019 480	1 060 000
Total	1 019 480	1 060 000

Accountable person as lessee

	2012	2011
Operating lease expenses	445 400	409 347

Accountable person as lessee

Future operating lease expenses under agreements that cannot be terminated		
	31.12.2012	31.12.2011
within 12 months	110 819	368 274
within 1–5 years	258 560	343 051
over 5 years	0	342 813

The foundation has leased out approximately 6.42% of the buildings. The carrying amounts as of 31 December 2012 are 1,019,480 euros and as of 31 December 2011: 1,060,000 euros.

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Note 11 Loans payable

(in EUR)

	31.12.2012	Division by remaining terms			Interest rate	Underlying currency	Due date
		within 12 months	within 1-5 years	over 5 years			
Long-term loans							
Nordic Investment Bank	31 032 258	1 516 129	10 322 580	19 193 549	6 months' Euribor + 0.22%	euro	2029
European Investment Bank	5 000 000	0	806 452	4 193 548	6 months' Euribor + 0.574%	euro	2031
Total long-term loans	36 032 258	1 516 129	11 129 032	23 387 097			
Long-term bonds							
Nordea Bank Finland	12 000 000	0	12 000 000	0	1 month's Euribor + 0.6%	euro	2014
Total long-term bonds	12 000 000	0	12 000 000	0			
Total finance lease payables	0	0	0	0			
Total loans payable	48 032 258	1 516 129	23 129 032	23 387 097			
	31.12.2011	Division by remaining terms			Interest rate	Underlying currency	Due date
		within 12 months	within 1-5 years	over 5 years			
Long-term loans							
Nordic Investment Bank	32 000 000	967 742	9 774 194	21 258 064	6 months' Euribor + 0.22%	euro	2029
European Investment Bank	5 000 000	0	161 290	4 838 710	6 months' Euribor + 0.574%	euro	2031
Total long-term loans	37 000 000	967 742	9 935 484	26 096 774			
Long-term bonds							
Nordea Bank Finland	12 000 000	0	12 000 000	0	1 month's Euribor + 0.6%	euro	2014
Total long-term bonds	12 000 000	0	12 000 000	0			
Total finance lease payables	24 047	24 047	0	0			
Total loans payable	49 024 047	991 789	21 935 484	26 096 774			

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Carrying amount of assets pledged as collateral		
	31.12.2012	31.12.2011
Buildings	40 545 635	40 545 635
Total	40 545 635	40 545 635

* The underlying currency of the long-term bank loan from the NIB is the euro and the nominal value is 31,032,258 euros. The interest rate is tied with the six months' Euribor, with the interest margin of 0.22% added. The due date of the loan is 15 March 2029.

* The underlying currency of the long-term bank loan from the EIB is the euro and the nominal value is 5 million euros. The interest rate is tied with the six months' Euribor, with the interest margin of 0.547% added. The due date of the loan is 01 December 2031.

* In 2008, unsecured bonds were issued for 12 million euros. The underlying currency of the bonds is the euro and the redemption deadline is 30 June 2014. The interest rate of the bonds consists of the base rate, which is one month's Euribor plus interest margin 0.6%.

Note 12 Payables and prepayments

(in EUR)

	31.12.2012	Division by remaining terms			Note no.
		within 12 months	within 1-5 years	over 5 years	
Supplier payables	8 270 205	8 270 205	0	0	
Employee-related liabilities	5 597 025	5 597 025			13
Taxes payable	2 388 742	2 388 742	0	0	5
Other payables	253 586	253 586	0	0	
Interest payables	185 020	185 020	0	0	
Other accrued expenses	68 566	68 566	0	0	
Prepayments received	531 427	531 427	0	0	
Other prepayments received	531 427	531 427	0	0	
Total payables and prepayments	17 040 985	17 040 985	0	0	

	31.12.2011	Division by remaining terms			Note no.
		within 12 months	within 1-5 years	over 5 years	
Supplier payables	8 659 285	8 633 933	25 352	0	
Employee-related liabilities	5 224 929	5 224 929	0	0	12
Taxes payable	1 768 888	1 768 888	0	0	5
Other payables	1 282 301	1 282 301	0	0	
interest payables	252 169	252 169	0	0	
Other accrued expenses	1 030 132	1 030 132	0	0	
Prepayments received	491 139	491 139	0	0	
Other prepayments received	491 139	491 139	0	0	
Total payables and prepayments	17 426 542	17 401 190	25 352	0	

* Interest payables

Interest of long-term loans whose due date has not arrived yet:

interest of the NIB 65,149 euros (2011: 186,624 euros)

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interest of the EIB 3,702 euros (2011: 9,817 euros)
securities 1,183 euros (2011: 2,868 euros)
interest of the SWAP transaction 114,986 euros (2011: 52,860 euros)

Note 13 Employee-related liabilities

(in EUR)

	31.12.2012	31.12.2011	Note no.
Wages and salaries	2 551 737	2 267 432	
Holiday pay liability	1 260 507	1 347 540	
Undeclared taxes	1 777 151	1 602 722	
Management expenses liability	7 630	7 235	
Total employee-related liabilities	5 597 025	5 224 929	12

Note 14 Provisions

(in EUR)

	31.12.2010	Formation/adjustment	Use	Interest calculation	31.12.2011
Reserve for lay-off expenses	255 007	-255 007	0	0	0
Bonuses of previous financial year	182 876	73 889	-123 781	0	132 984
Total provisions	437 883	-181 118	-123 781		132 984
	31.12.2011	Formation/adjustment	Use	Interest calculation	31.12.2012
Bonuses of previous financial year	132 984	179 337	-65 458	0	246 863
Total provisions	132 984	179 337	-65 458		246 863

Note 15 Fees, donations and grants for specific purposes

(in EUR)

Net method

	2012		2011	
	Received	Repaid	Received	Repaid
Targeted financing for acquisition of fixed assets				
ERDF project for the extension and alteration of the North Estonia Medical Centre	1 774 125	-180 116	1 249 872	-1 030 131
Total targeted financing for acquisition of fixed assets	1 774 125	-180 116	1 249 872	-1 030 131
Targeted financing relating to operating expenses				
Supervision of residents	1 421 132	0	1 605 454	0
Total targeted financing for operating expenses	1 421 132	0	1 605 454	0
Total fees, donations and grants for specific purposes	3 195 257	-180 116	2 855 326	-1 030 131

See Note 17.

Note 16 Business income

(in EUR)

	2012	2011
Income from health activities	122 438 569	112 361 307
Income from economic activities	847 733	835 631
Income from educational activities	193 457	190 419
Total business income	123 479 759	113 387 357

Note 17 Direct expenses of projects financed for specific purposes

(in EUR)

	2012	2011
Miscellaneous office expenses	61 893	0
Travel expenses	115 700	0
Labour expenses	1 459 677	1 605 454
ERDF project for the extension and alteration of the North Estonia Medical Centre	1 594 009	219 741
Total direct expenses of projects financed for specific purposes	3 231 279	1 825 195

See Note 15.

Note 27 Other operating expenses

(in EUR)

	2012	2011	Note no.
Lease and rent	159 514	130 439	
Energy	2749414	2 612 592	
Electricity	1 495 692	1 137 854	
Heat	1 253 722	1 474 738	
Miscellaneous office expenses	830 779	792 264	
Research and development costs	76 058	79 292	
Travel expenses	407	1 821	
Training expenses	368 893	264 828	
Costs for formation of provisions	0	-255 007	14
Other	44 609 641	46 198 088	
Total other operating expenses	48 794 706	49 824 317	

Other

1. Medical and hygiene costs 38,602,344 euros (2011: 36,569,234 euros)
2. Blood processing 354,507 euros (2011: 1,127,863 euros)
3. Special clothing and uniform 45,695 euros (2011: 675,525 euros)
4. Transport services 349,770 euros (2011: 769,043 euros)
5. Miscellaneous management expenses 353,351 euros (2011: 846,168 euros)
6. Food products and food services 1,543,692 euros (2011: 1,480,241 euros)
7. Inventory management expenses 2,415,680 euros (2011: 3,875,968 euros)
8. Information and communications technology 944,602 euros (2011: 854,046 euros)

Note 19 Labour expenses

(in EUR)

	2012	2011
Wages and salaries	39 006 256	34 889 479
Social taxes	13 301 931	11 940 629
Fringe benefits along with taxes	336 121	292 278
Total labour expenses	52 644 308	47 122 386
Average number of employees reduced to full-time	3 081	3 278

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Note 28 Other expenses

(in EUR)

	2012	2011	Note no.
Fines, late payment interest and compensation	71 543	138 778	
Exchange rate differences	28	12 356	
Doubtful receivables	1 113	4 895	4
Write-down of inventories	48 621	-76 884	
Write-off of VAT	8 296 994	9 480 925	
Total other expenses	8 418 299	9 560 070	

Note 21 Financial income and expenses

(in EUR)

	2012	2011
Interest income	4 392	6 318
Interest on deposits	4 392	6 318
Interest expenses	-941 027	-1 096 033
Interest expenses on bonds	-119 014	-213 670
Interest expenses on loans	-811 704	-878 947
Interest expenses relating to finance lease	-63	-3 415
Other interest expenses	-10 246	-1
Total financial income and expenses	-936 635	-1 089 715

According to the concluded derivative contracts, as of 31 December 2012 the market value of interest swap no. 887544/1097074 is EUR -490,074 (negative) and the market value of interest swap no. 895603/1107921 is EUR -466,078 (negative).



Note 22 Related parties

(in EUR)

Number of members at the end of financial year		
	31.12.2012	31.12.2011
Number of members who are legal entities	1	1

Balances with related parties by group

	31.12.2012		31.12.2011	
	Receivables	Payables	Receivables	Payables
Executive and senior management and private owners with majority holding and companies under their dominant or significant influence	2 215	40 291	15 390	35 334

2012	Purchases	Sales
Executive and senior management and private owners with majority holding and companies under their dominant or significant influence	363 464	9 486
2011	Purchases	Sales
Executive and senior management and private owners with majority holding and companies under their dominant or significant influence	35 334	203 958

Remuneration and other significant benefits calculated for executive and senior management		
	2012	2011
Calculated remuneration	216 041	167 347
Vehicle compensation	29 148	29 148

Related parties include members of the management board and the supervisory board and companies related thereto, except the companies that are not under the dominant influence and control of members of the management board and the supervisory board. In accordance with the contracts of members of the management board, a member of the management board shall have the right to receive severance pay in an amount of three monthly salaries if the supervisory board removes the member prematurely, except if the removal was due to the member of the management board deliberately damaging the interests of the North Estonia Medical Centre.

No severance pay has been meant for members of the supervisory board.

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of SA Põhja-Eesti Regionaalhaigla (Foundation North Estonia Medical Centre):

We have audited the accompanying annual accounts (pages 7 to 29) of SA Põhja-Eesti Regionaalhaigla, which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Annual Accounts

Management Board is responsible for the preparation and fair presentation of these annual accounts in accordance with Estonian Accounting Act, State Accounting Principles and the guidelines issued by the Estonian Accounting Standards Board, and for such internal control as the Management Board determines is necessary to enable the preparation of annual account that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

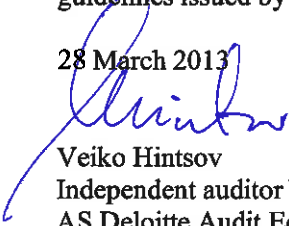
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the independent auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts present fairly, in all material respects, the financial position of SA Põhja-Eesti Regionaalhaigla as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act, State Accounting Principles and the guidelines issued by the Estonian Accounting Standards Board.

28 March 2013



Veiko Hintsov
Independent auditor No 328
AS Deloitte Audit Eesti
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