



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

FINANCIAL STATEMENTS FOR THE 9 MONTH OF 2021
(18th financial year)

**PREPARED IN ACCORDANCE WITH THE LAW 'ON ACCOUNTING' AND
'ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS LAW' OF
THE REPUBLIC OF LATVIA**

Riga, 2021

Contents

Information on the Company	3
Statement of the Board's Responsibility	4
Management Report	5 – 7
Financial statements:	
Profit or Loss Statement	10
Balance Sheet	11 – 12
Statement of Changes to the Shareholders' Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 – 27

Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Number, place and date of registration	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the unified registration number 4000 330 6807	
Core business:	Hospital activities (86.10) Retail sale of medical and orthopaedic goods in specialised stores (47.74) Other education n.e.c. (85.59) General medical practice activities (86.21) Special medical practice activities (86.22) Dental practice activities (86.23) Other human health activities (86.90) Residential nursing care activities (87.10) Other residential care activities (87.90) Other social work activities without accommodation n.e.c. (88.99) Physical well-being activities (96.04) Other personal service activities n.e.c. (96.09)	
Address	Patversmes iela 23 Rīga, LV-1005, Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) SIA 'POM' (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs – Member of the Board	
Names and positions of Council members, their positions	Mārtiņš Birks – Chairman of the Council Viesturs Šiliņš – Deputy Chairman of the Council Ineta Gadzjus – Member of the Council Jevgeņijs Kalējs – Member of the Council Uldis Ōsis – Member of the Council	
Reporting year	1 January 2021 – 30 September 2021	
Name and address of the certified auditor in charge	KPMG Baltics AS License No 55 Vesetas iela 7 Rīga, LV-1013, Latvia	Certified Auditor in Charge Rainers Vilāns Certificate No. 200

Statement of the Board's Responsibility

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

The financial statement on pages 10 to 27 is prepared based on accounting records and source documents and present fairly the financial position of Company as at 30 September 2021 and the results of its operations, and cash flows for the 9-month period of 2021.

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

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

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

26 November 2021

Management Report

Type of business

A/S Latvijas Jūras medicīnas centrs (hereinafter – LJMC or the Company) is a certified and advanced private medical facility available to everyone, which consists of Sarkandaugava Ambulatory Healthcare Centre at 23 Patversmes iela, Rīga; Central Hospital at 23 Patversmes iela, Rīga; Vecmīlgravis Hospital and Northern Diagnostics Centre 26 Vecmīlgravja 5.līnija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2019, the average number of employees of LJMC was 340. The shares of A/S Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Rīga.

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

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

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

LJMC has received certificate No. MSC-50-034 issued by Exova BM TRADA confirming compliance of the energy management system with ISO 50001:2018.

Activities in the 12 months of 2020 and further development

The Company's activities in the 12 months of 2020

In 2020 LJMC continued to provide high-quality medical services and attract new patients. Similar to prior years, also in 2020 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality and adherence to strict precautionary standards, and personnel can ensure safe and accessible services for patients when providing health care services. LJMC is on the official list of providers of medical tourism services maintained by the Health Inspection of the Republic of Latvia. In 2020 LJMC published information in the catalogue "Health Tourism in Latvia", created and supported by LIDA.

During 2020, LJMC, providing health care services, adapted flexibly to the normative documents of the Ministry of Health, which imposed restrictions on preventing and overcoming the spread of Covid-19. Both secondary ambulatory health care services and daily hospital services, as well as paid health care services were provided to the extent permitted in the normative documents, ensuring continuity of activity and the monitoring of the impact of new events and conditions.

In 2020 LJMC popularised paid health care services, ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

Radiology Department in 2020 provided the full range of diagnostic services (magnetic resonance, X-ray examinations and ultrasonography) increasing the amount and quality of services (both state paid services and services paid by patients). PET/CT radiological examinations are available and payable both by private means and state funds.

In order to compliance with the requirements of GDPR in 2020, with the help of an independent data protection inspector LJMC continued improvement of documents in compliance with the laws and regulations, continued improvement of renewing contracts (on the use of medical facilities in digital form, use of medical information system, insurance company services, communication services), and began the training process for LJMC staff.

In 2020, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2020.

In 2020, LJMC continued working on ISO. In 2019, LJMC received ISO 9001:2015 quality certification in functional diagnostics and radiological diagnostics, in-patient medical rehabilitation and day-care rehabilitation valid until 14 March 2022, and continued updating the hygiene and disinfection plan, and implementing ISO certification in other units of LJMC.

Further development of the Company

To attract more new patients in 2020 LJMC made investments to implement innovative solutions for providing medical services, improve qualification of staff and enhance patient service. In 2021 LJMC will also continue the state policy in re-profiling of hospitals to ambulatory healthcare institutions by adding new health care services. During 2021, LJMC will continue to ensure compliance with

Management Report

precautionary standards, so personnel can ensure safe and accessible services for patients when providing health care services.

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

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

Financial results

In the 9 months of 2021, LJMC operated in accordance with the budget approved for 2021. The profit of LJMC is EUR 614 780.

Risk Management

LJMC continues carrying out activities seeking to limit the negative impact of potential financial risks on the financial position of LJMC by implementing a set of control and analysis measures. Financial assets exposed to credit risk are mostly cash, trade receivables and other receivables. Credit risk is managed by LJMC by performing regular debtor control procedures and debt collection measures aiming to identify and solve any problems on a timely basis.

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

Subsequent events and going concern

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

26 November 2021

Financial statements

Profit and Loss Statement for the 9-month period of 2021

	Note	30.09.2021 EUR	2020 EUR	30.09.2020 EUR
1. Net sales	2	6 910 621	7 080 939	5 252 269
2. Cost of goods and services	3	(6 044 174)	(6 488 048)	(4 642 712)
3. Gross profit		866 447	592 891	609 557
4. Administrative expenses	4	(417 789)	(557 818)	(417 272)
5. Other operating income	5	166 744	241 697	171 840
6. Other operating expenses	6	(622)	(2 153)	(1 416)
7. Profit before corporate income tax		614 780	274 617	362 709
Corporate income tax for the reporting year		-	(1 062)	-
9. Profit for the reporting year		614 780	273 555	362 709
Number of shares		800 000	800 000	800 000
Earnings per share (EUR)*		0.77	0.34	0.45

* Profit or loss after corporate income tax/average number of shares in the reporting year.

The accompanying notes on pages 15 to 27 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

26 November 2021

Balance Sheet as at 30 September 2021

	Note	30.09.2021 EUR	31.12.2020 EUR	30.09.2020 EUR
Assets				
Long-term assets				
I Fixed assets:				
1. Land, buildings and engineering structures		4 352 509	4 440 002	4 287 193
2. Equipment and machinery		655 280	244 153	167 106
3. Other fixed assets		60 245	76 129	86 856
4. Construction in progress		223 411	359 779	4 159
Total fixed assets:	8	5 291 445	5 120 063	4 545 314
Total long term investments:		5 291 445	5 120 063	4 545 314
Current assets				
I Stock:				
1. Raw materials, primary materials and auxiliary materials	9	180 404	138 556	136 088
Total stock:			138 556	136 088
II Receivables:				
1. Trade receivables		99 243	57 794	395 105
2. Due from related parties		13 398	-	47 685
3. Other receivables		220 732	21 767	21 280
4. Prepaid expenses		6 001	24 621	6 423
5. Accrued income		308 402	216 782	-
Total receivables:		647 776	320 964	470 493
III Cash:	15	1 674 523	1 765 040	1 844 608
Total current assets:		2 502 703	2 224 560	2 451 189
Total assets		7 794 148	7 344 623	6 996 503

The accompanying notes on pages 15 to 27 form an integral part of these financial statements.

Balance Sheet as at 30 September 2021

	Note	30.09.2021 EUR	31.12.2020 EUR	30.09.2020 EUR
Equity and Liabilities				
Shareholders' equity:				
1. Share capital	16	1 120 000	1 120 000	1 120 000
2. Long-term investment revaluation reserve		2 472 973	2 472 973	2 292 360
3. Reserves:				
b) reserves according to Statutes		63 819	63 819	63 819
4. Retained earnings				
a) retained earnings brought forward from previous years		1 803 462	1 585 907	1 948 616
b) profit/(loss) for the reporting year		614 780	273 555	-
Total shareholders' equity:		6 075 034	5 516 254	5 424 795
Liabilities:				
Long term liabilities:				
1. Deferred revenue	21	669 617	669 617	725 132
Total long term liabilities:		669 617	669 617	725 132
Short-term liabilities:				
1. Customer advances		1 831	1 831	1 831
2. Accounts payable to suppliers and contractors		192 291	387 250	155 159
3 Taxes and compulsory state social security contributions	20	229 099	155 019	183 060
4. Other creditors		265 349	194 938	225 857
5. Deferred income	21	21 793	55 513	21 762
6. Accrued liabilities		339 164	364 201	258 907
Total short term liabilities:		1 049 497	1 158 752	846 576
Total liabilities:		1 719 114	1 828 369	1 571 708
Total equity and liabilities		7 794 148	7 344 623	6 996 503

The accompanying notes on pages 15 to 27 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

26 November 2021

Balance Sheet as at 30 September 2021

	Share capital	Long-term investment revaluation reserve	Reserves set in the Company's statutes	Retained earnings brought forward from previous years	Profit/ (loss) for the reporting year	Total shareholder's equity
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2019	1 120 000	2 292 360	63 819	1 861 747	164 160	5 502 086
Profit of 2019 transferred to retained earnings of previous years				164 160	(164 160)	
Result of revaluation in 2020 (see Note 18)		180 613	-	-	-	180 613
Dividends for 2017		-	-	(440 000)	-	(440 000)
Profit for the reporting year					273 555	273 555
Balance as at 31 December 2020	1 120 000	2 472 973	63 819	1 585 907	273 555	5 516 254
Profit of 2019 transferred to retained earnings of previous years				273 555	(273 555)	-
Dividends for 2017				(56 000)	-	(56 000)
Profit for the reporting year					614 780	614 780
Balance as at 30 September 2021	1 120 000	2 472 973	63 819	1 803 462	614 780	6 075 034

The accompanying notes on pages 15 to 27 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

26 November 2021

Statement of Cash Flows for 9 month period of 2020

	Note	30.09.2021 EUR	2020 EUR	30.09.2020 EUR
I. Cash flows from operating activities				
1. Profit before corporate income tax		614 780	274 617	362 709
<u>Adjustments for:</u>				
a) Depreciation and result from disposals of fixed assets	8	212 383	234 829	165 755
b) Amortisation and result from disposals of intangible assets		-	-	3
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		<u>827 163</u>	<u>509 446</u>	<u>528 467</u>
<u>Adjustments for:</u>				
a) decrease/ (increase) in trade receivables		(326 812)	13 032	(136 003)
b) decrease/ (increase) in stock		(41 848)	(36 810)	(34 342)
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		<u>(109 255)</u>	<u>247 037</u>	<u>(9 055)</u>
3. Gross cash flows from operating activities		349 248	732 705	349 067
4. Corporate income tax		-	-	-
5. Net cash flows from operating activities		349 248	732 705	349 067
II. Cash flows used in investing activities				
a) purchase of fixed and intangible assets		(383 765)	(515 119)	(51 913)
b) income from disposal of fixed and intangible assets		-	-	-
6. Net cash flows from investing activities		(383 765)	(515 119)	(51 913)
III. Cash flows from financing activities				
a) Dividends paid		(56 000)	(440 000)	(440 000)
7. Net cash flows from financing activities		(56 000)	(440 000)	(440 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(90 517)	(222 414)	(142 846)
Cash and cash equivalents at the beginning of the year		1 765 040	1 987 454	1 987 454
Cash and cash equivalents at the end of the year	15	1 674 523	1 765 040	1 844 608

The accompanying notes on pages 15 to 27 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

26 November 2021

Notes to the Financial Statements

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

Information on the Company

The legal address AS Latvijas Jūras medicīnas centrs (LJMC or the Company) is 23 Patversmes iela, Rīga, Latvia. The Company was registered with the Commercial Register under the common registration number 40003306807. The largest shareholders of the Company are Ilze Birka (17.50%), Mārtiņš Birks (17.50%), Jānis Birks (12.80%), Guna Švarčberga (10.36%), SIA 'POM' (8.82%), Adomas Navickas (6.85%).

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

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

Basis of preparation

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' (hereinafter – the Law).

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

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

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

Accounting principles

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

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - all amounts of impairment and depreciation have been taken into consideration and calculated irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately;
- f) The opening balance agrees with the prior year closing balances;
- g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes;
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

Notes to the Financial Statements

Related parties

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

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

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

Financial instruments and financial risks

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

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

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

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

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

Management has implemented procedures to control the key risks.

Credit risk

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

Interest rate risk

Management believes that interest rate risk is not material.

Notes to the Financial Statements

Liquidity risk

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

Fair value of financial assets and liabilities

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

Reporting year

The reporting period comprises the 9 months from 1 January 2021 to 30 September 2021.

Currency unit and revaluation of foreign currency

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

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

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

Exchange rate per EUR 1:

	31.12.2020	31.12.2019
USD	1.22710	1.12340

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

Estimates and judgements

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

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

Key sources of estimation uncertainty are the following:

(i) Useful lives of fixed and intangible assets

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

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

Notes to the Financial Statements

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

(ii) Fixed assets

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

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

Based on the Company's position as at 31 December 2020, the Company has estimated the value of the balance sheet item 'Land, buildings and engineering structures', and in accordance with the estimation, determined the carrying amount of all land, buildings and engineering structures in line with market value and based on evaluation of external certified valuers. For details on revaluation please refer to Note 8.

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

In case the fair value of fixed assets at the balance sheet date is lower than their carrying amount, and such impairment is expected to be permanent, fixed assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except where a previously recognized increase in the value of fixed assets offsets an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

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

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

Receivables

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

Provisions

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

Notes to the Financial Statements

appropriate calculation method and make specific assumptions connected with the specific risk. No provisions were made as at 31 December 2020.

Revenue recognition

Income from sales of goods

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

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

Income from services

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

Rental income

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

Long and short term classification

Amounts whose terms of receipt, payment or write off are due in more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within 12 months are classified as short term.

Lease transactions

Operating lease – (the Company as a Lessor)

The Company leases premises, which are part of revalued fixed assets. Depreciation is calculated on a straight-line basis over the entire useful life of the respective fixed asset in order to write its value down to the estimated carrying amount at the end of the useful life based on the rates set for similar fixed assets. Income from operating lease and client prepayments is charged to the profit and loss statement on a straight-line basis over the period of lease.

Operating lease – (the Company as a lessee)

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

Fixed assets

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

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

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

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

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

Accounting and valuation of stock

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

Notes to the Financial Statements

Remuneration

Remuneration is set according to employment contracts, taking into account the changing requirements and trends of the labour market: by mutual agreement on the application of specific principles: %, fixed numbers, individual conditions, combined conditions. Employees have access to the procedure for calculating remuneration (data selection algorithms, data processing procedures, data flow organisation). The Company provides only short-term remuneration benefits to its employees.

Grants

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

Corporate income tax

(a) Current tax

As of 1 January 2018, the Corporate Income Tax Law comes into effect in the Republic of Latvia setting out a conceptually new regime for paying taxes. The tax rate is 20%, and the taxable base, determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8 and includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- theoretically distributed profit (non-operating expenses and other specific cases provided by law).

The new tax regime is not applicable to the distribution of dividends from profit accumulated to 31 December 2017 and taxed under the previous taxation regime.

Notes to the Financial Statements

(2) Net sales

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

	2021	2020
	EUR	EUR
Ambulatory medical services	6 460 490	6 558 049
Services covered by insurance	450 131	522 890
<i>Paid ambulatory medical services</i>	<i>252 073</i>	<i>290 726</i>
<i>Paid in-patient care</i>	<i>198 058</i>	<i>232 164</i>
	6 910 621	7 080 939

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

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

(3) Cost of goods and services

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

	2021	2020
	EUR	EUR
Remuneration	3 271 458	3 244 861
Medicines, medical materials	625 320	757 676
Compulsory state social security contributions	753 154	750 079
Non-deductible value added tax	294 648	303 825
Lease of equipment	216 423	258 548
Depreciation	212 383	234 829
Utilities and maintenance	140 228	212 814
Office items and equipment, other materials	137 898	153 893
Repair costs	194 734	157 467
Medical examinations and other services	46 607	53 975
IT expenses	11 186	40 350
Advertisement expenses	617	635
Security	20 017	28 614
Changes in doubtful debt allowances	-	63 245
Medical fund risk expenses	9 846	13 531
Transport	11 260	8 873
Office expenses	7 728	7 658
Patient catering expenses	18 504	6 951
Real estate tax	-	6 173
Insurance	12 494	11 929
Staff training expenses	1 295	1 085
Risk duty	1 086	1 341
Benefits and gifts to employees	1 338	7 973
Changes in cost of accrued vacations	-	80 257
Other costs related to services	55 950	81 466
	6 044 174	6 488 048

Notes to the Financial Statements

(4) Administrative expenses

	2021 EUR	2020 EUR
Remuneration	311 771	395 692
Compulsory state social security contributions	70 541	90 942
Staff training expenses	-	-
Communication expenses	14 469	19 612
Audit of the financial statements	-	20 650
Office expenses	4 008	7 858
Bank services	7 726	9 597
Legal activities	6 318	7 570
Representation expenses	603	1 113
Other	2 353	4 784
	417 789	557 818

(5) Other operating revenue

	2021 EUR	2020 EUR
Income from rent	93 350	135 708
Amortisation of funds received from EBRD	-	10 513
Other income	-	7 165
Other revenue	73 394	88 311
	166 744	241 697

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

(6) Other operating expenses

	2021 EUR	2020 EUR
Penalties	55	974
Other expenses	567	1 179
	622	2 153

(7) Corporate income tax

	2021 EUR	2020 EUR
Current tax	-	1 062
	-	1 062

Notes to the Financial Statements

(8) Fixed assets

	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR
Historical cost					
31.12.2020	4 862 253	2 639 190	573 065	359 779	8 514 740
Additions		148 995	15 518	219 252	383 765
Relocation		355 620	-	(355 620)	-
Disposals		(29 837)	(17 325)	-	(47 142)
30.09.2021	4 862 253	3 113 968	571 258	223 411	8 851 343
Accumulated depreciation and amortisation					
31.12.2020	422 251	2 395 037	496 936	-	3 314 224
Accumulated depreciation and amortisation for the year	87 493	93 488	31 402	-	212 383
Depreciation of disposed fixed assets	-	(29 837)	(17 325)	-	(47 162)
30.09.2021	509 744	2 458 688	511 013	-	3 559 898
Balance as at 31.12.2019	4 370 610	176 891	107 499	4 159	4 659 159
Balance as at 31.12.2020	4 440 002	244 153	76 129	359 779	5 120 063
Balance as at 30.09.2021	4 352 509	655 280	60 280	223 411	5 291 445

CT scanner, an item of construction in progress of EUR 355 620, was put into operation on 4 January 2021 when it was fully installed.

In December 2020 land, buildings and constructions were valued by independent experts. The valuation was carried out by the independent experts using a combination of the comparable transactions method and income method.

According to the management, the fair value of these assets approximates their carrying amount after revaluation as at 31 December 2020. The result of a upward revaluation of buildings and constructions at Melīdas iela 10 by EUR 61 067 was recognised as an increase in long-term investment revaluation reserve. The result of a downward revaluation of land at Melīdas iela 10 by EUR 17 600 was recognised as a decrease in previously recognised long-term investment revaluation reserve.

The result of a upward revaluation of buildings and constructions at Patversmes iela 23 by EUR 123 656 was recognised as an increase in long-term investment revaluation reserve. The upward revaluation result of land at Patversmes iela 23 by EUR 60 000 was charged to the long-term investment revaluation reserve.

The result of a upward buildings and constructions at Vecmīlgrāvja 5. līnija 26 by EUR 23 816 was recognised as an increase in previously recognised long-term investment revaluation reserve. The result of a downward revaluation of land at Vecmīlgrāvja 5. līnija 26 by EUR 10 325 was recognised as a decrease in previously recognised long-term investment revaluation reserve.

Notes to the Financial Statements

Information on changes due to revaluation

	2021 EUR	2020 EUR
Appreciation due to revaluation	208 539	208 539
Impairment due to revaluation	(27 925)	(27 925)
Net changes in the value of fixed assets due to revaluation, including:	180 614	180 614
Increase from revaluation allocated to the increase in the long term investment revaluation reserve	208 539	208 539
Decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	(27 925)	(27 925)
	180 614	180 614

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

The following table shows the valuation method used in measuring the fair value of core real estate items included in position 'Buildings and land', as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 3 000 000 (2019: EUR 3 100 000) at Patversmes iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m ² – EUR 452 (2018: per m ² – EUR 470) Rent rate per m ² – EUR 2.3–9 (2018: EUR 2.3–9) Capacity – 90% (2018: 90%) Capitalization rate – 9% (2018: 9%)	The fair value would increase (decrease) if the price per m ² was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalization rate would be lower (higher);
Buildings and land in the amount of EUR 810 000 (2019: EUR 850 000) at Vecmīlgrāvja 5. līnija, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m ² – EUR 327 (2017: per m ² – EUR 349) Rent rate per m ² – EUR 3.5–5 (2017: EUR 3.5–5) Capacity – 90% (2017: 90%) Capitalization rate – 9% (2017: 9%)	The fair value would increase (decrease) if the price per m ² was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalization rate would be lower (higher).

Notes to the Financial Statements

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 630 000 (2019: EUR 640 000) at Melīdas iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m ² – EUR 315 (2018: per m ² – EUR 334) Rent rate per m ² – EUR 5 (2018: EUR 1–4.7) Capacity – 90% (2018: 90%) Capitalization rate – 9.0% (2018: 9%)	The fair value would increase (decrease) if the price per m ² was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).

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

The carrying amount of land, buildings and constructions as at 31 December 2020 had revaluation not taken place would be EUR 2 714 497 (31.12.2019 – EUR 2 833 532).

Including:	30.09.2021 EUR	31.12.2020 EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 306 793)	(1 306 793)

(9) Stock

	30.09.2021 EUR	31.12.2020 EUR
Medicines in warehouse	149 059	124 285
Medicines in departments	16 064	13 888
Other materials	15 281	383
	180 404	138 556

(10) Trade receivables

	30.09.2021 EUR	31.12.2020 EUR
Insurance companies	79 022	36 017
Other institutions, companies and individuals	28 209	31 579
Doubtful debt allowance	(7 988)	(9 802)
	99 243	57 794

(11) Due from related parties

	30.09.2021 EUR	31.12.2020 EUR
Due from related parties, gross value	177 261	163 863
Doubtful debt allowance	(163 863)	(163 863)
	13 398	-

Notes to the Financial Statements

The item presents the amount due from related party SIA Kodolmedicīnas klīnika for rent payments. Since September 2020 SIA Kodolmedicīnas klīnika is no longer a related party due to changes in the shareholding.

(12) Other receivables

	30.09.2021 EUR	31.12.2020 EUR
Overpaid taxes (see Note 20)	698	698
Value added tax on unpaid services	11	4 356
Other receivables	220 023	16 713
	220 732	21 767

(13) Prepaid expenses

	30.09.2021 EUR	31.12.2020 EUR
Rent	-	17 961
Insurance	6 001	6 416
Advertising	-	-
Other	-	244
	6 001	24 621

(14) Accrued income

	30.09.2021 EUR	31.12.2020 EUR
Accrued income for invoices issued after the year end	308 402	216 782
	308 402	216 782

Accrued income comprise income from the National Health Service invoices, issued after the year end.

(15) Cash

By currency:

		30.09.2021		31.12.2020	
		Currency	EUR	Currency	EUR
Current account	USD	5839	4758	5 839	4 758
Current account	EUR		1 659 496	-	1 756 643
Cash on hand	EUR		10 269	-	3 639
			1 674 523		1 765 040

Notes to the Financial Statements

(16) Share capital

Share capital of the Company as at 30 September 2021 amounted to EUR 1 120 000 (31.12.2020: EUR 1 120 000) and consisted of 800 000 shares with nominal value of EUR 1.40.

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

	30.09.2021		31.12.2020	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
SIA 'POM'	70 565	8.82%	-	-
Ilze Aizsilniece	-	-	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.17%	209 319	26.17%
Total	800 000	100.00%	800 000	100.00%
Share capital (EUR)	1 120 000		1 120 000	

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

(17) Retained earnings

Retained earnings, including the profit of 2020 of EUR 1 859 462 (2019: EUR 2 025 907). If the profit for 2020 were divided into dividends, the tax payable would be EUR 68 389 (2019: EUR 41 040) under the new tax regime, which became effective on 1 January 2018.

(18) Revaluation reserves

Revaluation reserve as at 30 September 2021 includes the result of revaluation of fixed assets. In 2020, the revaluation reserve was not changed.

Non-current investment revaluation reserve

	2021 EUR	2020 EUR
Revaluation reserves as at 1 January	2 292 360	2 292 360
Appreciation as a result of revaluation	208 539	208 539
Decrease as a result of revaluation	(27 925)	(27 925)
Revaluation reserves as at 30 September	2 472 973	2 472 973

(19) Other liabilities

	30.09.2021 EUR	31.12.2020 EUR
Salaries	264 787	195 288
Payments to the trade union	562	432
	265 349	195 720

Notes to the Financial Statements

(20) Taxes and compulsory state social security contributions

	Balance as at 31.12.2020 EUR	Calculated for 2021 EUR	Paid in 2021 EUR	Reclassified in 2021 EUR	Balance as at 30.09.2021 EUR
Corporate income tax	568	-	(37)	-	531
VAT	4 060	83 608	(50 386)	(23 700)	13 582
Real estate tax	(6)	-	-	-	(6)
Natural resources tax	(692)	-	-	-	(692)
Risk duty	111	1086	(1076)	-	121
Social contributions	93 581	1 190 365	(1 163 804)	23 700	143 842
Personal income tax	56 699	644 738	(630 414)	-	71 023
Total	154 321	1 919 797	(1 845 717)	-	228 401
Including:					
Overpaid taxes	(698)				(698)
Tax liabilities	155 019				229 099

Overpaid taxes are disclosed under "Other receivables".

(21) Deferred income

	30.09.2021 EUR	31.12.2020 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	55 513	55 513
The part of capital grants to be charged to profit or loss for more than 5 years	332 854	332 854
Lease payment of 10 years	281 250	281 250
Deferred income, long term	669 617	669 617
The part of capital grants to be charged to profit or loss within one year	10 513	10 513
Lease payment of 10 years	11 250	45 000
Deferred income, short term	21 763	55 513

In 2012, the Company received EBRD funding to purchase fixed assets. In 2020, the Company recognised revenue of EUR 10 513 (2019: EUR 10 513) (see Note 5).

The Company received lease payments for the next 10 years amounting to EUR 450 000. In 2020, the Company recognised revenue of EUR 45 000 (2019: 45 000) according to the terms of lease agreements that secured lease rights for a specified period and promoted operating activities in line with specific classification. Revenue is reflected under 'Income from rent', refer to Note 5.

(22) Accrued liabilities

	30.09.2021 EUR	31.12.2020 EUR
Accrued expenses on unused vacations	339 164	339 164
Accrued liabilities to suppliers	-	25 037
	339 164	364 201

Notes to the Financial Statements

(23) Average number of employees by category

	2021	2020
Average number of employees in the reporting year:	330	330
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	322	322

(24) Personnel expenses

Type of costs	2021 EUR	2020 EUR
Remuneration	3 583 229	3 640 553
Compulsory state social security contributions	823 695	841 021
	4 406 924	4 481 574

(25) Remuneration to management

	2021 EUR	2020 EUR
Members of the Board		
Remuneration (both variable and fixed)	95 077	165 624
· compulsory state social security contributions	21 314	39 899
Members of the Council		
remuneration	20 489	27 319
· compulsory state social security contributions	4 530	6 182
Other members of the administration		
remuneration	196 205	202 749
· compulsory state social security contributions	44 697	44 861
	382 312	486 634

(26) Future liabilities

As at 30 September 2021, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2020: none).

The management has no information on issued guarantees, legal proceedings and other contingent liabilities, which could impact the financial position of the Company as at 30 September 2021 (31.12.2020: none).

(27) Related party transactions

In 2020, the Company made transactions with related parties:

- During 2020 invoices issued to SIA Kodolmedicīnas klīnika for rent payments of EUR 32 560 (2019: EUR 37 871). During 2020 additional provisions are accrued at amount of EUR 58 821 (2019: EUR 38 285). The outstanding amount of the credit line as at 31 December 2020 is EUR 163 863 (as at 31 December 2019: EUR 105 042). Since September 2020 LJMC is no longer a related party. The provisions are made to reduce the impact of transaction risk on the profit and loss statement.

Notes to the Financial Statements

(28) Remuneration to the certified auditor

	2021	2020
	EUR	EUR
Audit of the financial statements	-	20 650
	<u>-</u>	<u>20 650</u>

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

The Company has 19 effective operating lease agreements regarding equipment. According to this agreement, lease payments, including VAT, are the following:

In 2021	EUR 271 917
In 2022–2023	EUR 140 232

(30) Events after the balance sheet date

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements or disclosures added within the financial statements.

 Chairman of the Board
 Jānis Birks

 Member of the Board
 Juris Imaks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

26 November 2021