



**JOINT STOCK COMPANY
LATVIJAS JŪRAS MEDICĪNAS CENTRS**
(Unified registration number: 4003306807)

FINANCIAL STATEMENTS FOR THE 9 MONTH OF 2019
(16th financial year)

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

Riga, 2019

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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)	
Legal address	Patversmes iela 23 Rīga, LV-1005, Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) Ilze Aizsilniece (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs – Member of the Board	
Names of the Council members, their positions	Mārtiņš Birks – Chairman of the Council Viesturs Šiliņš – Deputy Chairman of the Council Ineta Gadzjus – Member of the Council Jevgeņijs Kalējs – Member of the Council Uldis Ōsis – Member of the Council	
Reporting year	1 January 2019 – 30 September 2019	
Name and address of the certified auditor in charge	KPMG Baltics SIA Licence No.55 Vesetas iela 7 Rīga, LV-1013, Latvia	Certified auditor in charge: Armine Movsisjana Certificate No. 178

Statement of the Board's Responsibility

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

The financial statements on pages 7 to 28 are prepared based on accounting records and source documents and present fairly the financial position of LJMC as at 30 September 2019 and the results of its operations, and cash flows for the 9-month period of 2019.

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

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

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

22 November 2019

Management Report

Line of business

A/S Latvijas Jūras medicīnas centrs (LJMC or the Company) is a certified and advanced private medical institution 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.linija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2018, the average number of employees of LJMC was 347. The shares of A/S Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Riga.

As of 5 September 2013, A/S Latvijas Jūras medicīnas centrs has been included on the list of medical institutions approved by the Health Inspectorate of Latvia, which provides medical tourism services, namely, LJMC provides medical tourism services as a reliable partner and this demonstrates recognition of 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 inspection 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 renewed certificate No. MSC-50-034 issued by Exova BM TRADA confirming compliance of the energy management system with ISO 50001:2011.

Activities in the 12 months of 2018 and further development

The Company's activities in the 12 months of 2018

In 2018 LJMC continued to provide high-quality medical services and attract new local and foreign patients. Similar to prior years, also in 2018 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality, and to establish attraction of foreign patients as one of the development directions for 2018. LJMC is on the official list of providers of medical tourism services maintained by the Health Inspection of the Republic of Latvia.

LJMC not only successfully attracted foreign patients in 2018, but also actively popularised paid medical services among local public, thus ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

Radiology Department in 2018 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 implement the requirements of GDPR in 2018, with the help of an independent data protection inspector LJMC began drafting and approving documents (internal rules, LJMC staff newsletter, patient data processing procedure, personal data processing and protection policy), 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 2019, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount approved in public budget for 2019.

In 2018, LJMC continued working on ISO compliance. 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 foreign and local patients in 2019 LJMC will continue making investments to implement innovative solutions for providing medical services, improve qualification of staff and

Management Report

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

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

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

Financial results

In the 9 months of 2019, LJMC operated in accordance with the budget approved for 2019. The profit of LJMC is EUR 84 331. LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. The planned amount of investment for 2019 is EUR 450 000.

Risk Management

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

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

Subsequent events

No significant events have occurred from the reporting date to the date these financial statements were approved that would impact these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

22 November 2019

Financial statements

Profit and Loss Statement for 9 month of 2019

	Note	30.09.2019 EUR	2018 EUR	30.09.2018 EUR
1. Net sales from other types of operations	2	5 382 079	6 673 893	4 836 698
2. Cost of goods and services	3	(5 107 394)	(6 456 788)	(4 647 193)
3. Gross profit		274 685	217 105	189 505
4. Administrative expenses	4	(409 121)	(551 544)	(407 517)
5. Other operating income	5	219 022	257 584	180 745
6. Other operating expenses	6	(255)	(2 474)	(712)
7. Income from investments in related companies			-	
8. Interest and similar income			-	22
9. Profit/ (loss) before corporate income tax		84 331	(79 329)	(37 957)
10. Corporate income tax for the reporting year			(499)	
11. Profit / (loss) after corporate income tax		84 331	(79 828)	(37 957)
12. Income from changes in balances of deferred tax liabilities			-	
13. Profit/ (loss) for the reporting year		84 331	(79 828)	(37 957)
Number of shares		800 000	800 000	800 000
Earnings per share (EUR)*		0.11	(0.10)	(0.05)

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

The accompanying notes on pages 12 to 28 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

22 November 2019

Balance Sheet as at 30 September 2019

	Note	30.09.2019	31.12.2018 EUR	30.09.2018 EUR
Assets				
Long-term investments				
I Intangible assets:				
Concessions, patents, licenses, trademarks and similar rights		39	1 264	1 672
Total intangible assets:		39	1 264	1 672
II Fixed assets:				
1. Land, buildings and engineering structures		4 398 415	4 483 688	4 513 614
2. Equipment and machinery		164 090	135 209	121 714
3. Other fixed assets		37 282	45 068	45 226
			1 332	1 332
4. Construction in progress		1 332	1 332	
Total fixed assets:	9	4 601 119	4 665 297	4 681 886
Total long term investments:		4 601 158	4 666 561	4 683 558
Current assets				
I Stock:				
1. Raw materials, primary materials		88 517	117 539	101 704
Total stock:	11	88 517	117 539	101 704
II Receivables:				
1. Trade receivables		358 504	336 134	234 576
2. Due from related parties		55 521	26 675	65 433
3. Other receivables		29 324	35 377	39 342
4. Prepaid expenses		5 282	34 166	3 330
Total receivables:		448 631	432 352	342 681
III Long-term investments held for IV Cash:	16	1 822 351	1 844 078	1 829 523
Total current assets:		2 359 499	2 393 969	2 273 908
Total assets		6 960 657	7 060 530	6 957 466

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

Balance Sheet as at 30 September 2019

	Note	30.09.2019.	31.12.2018	30.09.2018
		EUR	EUR	EUR
Equity and Liabilities				
Shareholders' equity:				
1. Share capital	17	1 120 000	1 120 000	1 120 000
2. Long-term investment revaluation reserve	18	2 292 360	2 292 360	2 292 360
3. Reserves:				
b) reserves provided by the Co-operative's Statutes		63 819	63 819	63 819
4. Retained earnings	19			
a) retained earnings carried forward from previous years		1 861 747	2 021 575	2 021 575
b) profit/(loss) for the reporting year		84 311	(79 828)	(37 957)
Total shareholders' equity:		5 422 257	5 417 926	5 459 797
Liabilities:				
Long term liabilities:				
1. Deferred income	22	780 643	780 643	850 419
2. Next period income		-	-	-
Total long term liabilities:		780 643	780 643	850 419
Short term liabilities:				
1. Customer advances		1 831	1 840	1 831
2. Accounts payable to suppliers and contractors		122 836	212 961	107 212
3 Taxes and compulsory state social security contributions		171 434	163 563	153 662
4. Other liabilities		205 445	193 636	188 686
5. Next period income			-	
6. Deferred income		21 763	55 514	18 752
7. Accrued liabilities		234 447	234 447	177 107
Total short term liabilities:		757 756	861 961	647 250
Total liabilities:		1 538 400	1 642 604	1 497 669
Total equity and liabilities		6 960 657	7 060 530	6 957 466

The accompanying notes on pages 12 to 28 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

22 November 2019

Statement of Changes to the Shareholders Equity for 9 month of 2019

	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 equity
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2017	1 120 000	2 292 360	63 819	1 835 086	506 489	5 396 108
Profit of 2016 transferred to retained earnings of previous years	-	-	-	506 489	(506 489)	-
Dividends for 2016	-	-	-	(320 000)	-	(320 000)
Profit for the year	-	-	-	-	(79 828)	(79 828)
Balance as at 31 December 2018	1 120 000	2 292 360	63 819	2 021 575	(79 828)	5 817 754
Profit of 2018 transferred to retained earnings of previous years	-	-	-	(79 828)	-	(79 828)
Dividends for 2018	-	-	-	(80 000)	-	(80 000)
Loss for the reporting year	-	-	-	-	84 331	84 331
Balance as at 30 September 2019	1 120 000	2 292 360	63 819	1 861 747	84 331	5 422 257

The accompanying notes on pages 12 to 28 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

22 November 2019

Statement of Cash Flows for 9 month of 2019

	Note	30.09.2019	2018 EUR	30.09.2018 EUR
I. Cash flows from operating activities				
1. Profit/ (loss) before corporate income tax		84 331	(79 329)	(37 957)
<u>Adjustments for:</u>				
a) impairment of fixed assets	9	146 964	199 318	151 439
b) adjustments for impairment of intangible assets			1 659	
c) income from investments in related companies			-	
d) depreciation and amortisation				
e) loss from disposal of fixed assets		680		276
		231 975		
2. Profit before adjustments for the effect of changes to current assets and short term liabilities			121 648	113 758
<u>Adjustments for:</u>				
a) decrease/ (increase) in trade receivables		(16 279)	(97 022)	(30 769)
b) decrease/ (increase) in stock		29 122	2 854	18 689
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		(104 204)	596 010	451 075
		140 614		
3. Gross cash flows from operating activities			623 490	552 753
4. Corporate income tax paid		-	(23 917)	-
5. Net cash flows from operating activities		140 614	599 573	552 753
II. Cash flows used in investing activities				
a) Dividends received			-	
b) Purchase of fixed and intangible assets		(82 241)	(86 453)	(54 188)
c) Income from disposal of shares in related, associated or other companies		-	69 660	69 660
d) Income from disposal of fixed and intangible assets		-	190 000	190 000
		(82 241)	173 207	205 472
6. Net cash flows from investing activities		(82 241)	173 207	205 472
III. Cash flows from financing activities				
a) Dividends paid		(80 000)	(320 000)	(320 000)
7. Net cash flows from financing activities		(80 000)	(320 000)	(320 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(21 627)	452 780	438 225
Cash and cash equivalents at the beginning of the year		1 844 078	1 391 298	1 391 298
Cash and cash equivalents at the end of the year	16	1 822 351	1 844 078	1 829 523

The accompanying notes on pages 12 to 28 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

22 November 2019

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 22 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 Švarcberga (10.36%), Ilze Aizsilniece (8.82%), Adomas Navickas (6.85%).

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

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

Basis of preparation

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

In the preparation of these financial statements the management assessed that the recognition and disclosure in accordance with International Accounting Standards adopted by the European Union (hereinafter IAS) of deferred tax contributes to providing a fairer view on the Company's financial position and, accordingly, used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements it continues to recognise, assesses and disclose deferred tax assets or deferred tax liabilities according to IAS and provides appropriate disclosures on these items. For the impact of the exemption on the profit and loss statement refer to Notes 8 and 19.

In addition, the Company's management used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements it continued to recognise and measure long-term investments held for trading according to the International Accounting Standards and provided appropriate disclosures on these items in Note 10.

The management believes that the accounting policies used in the preparation of these financial statements are largely 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' and 'Long-term investments held for trading' – land and buildings, which are measured using a revaluation method.

Accounting principles

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

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,

Notes to the Financial Statements

- all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately.
- f) The opening balance agrees with the prior year closing balance;
- 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.

Related parties

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

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

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

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;

Notes to the Financial Statements

- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented procedures to control the key risks.

Credit risk

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

Interest rate risk

Management believes that interest rate risk is not material.

Liquidity risk

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

Fair value of financial assets and liabilities

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

Reporting period

The reporting period is the 9 months from 1 January 2019 to 30 September 2019.

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:

	31.12.2018	31.12.2017
USD	1.14500	1.19930

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

Estimates and judgements

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

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

Key sources of estimation uncertainty are the following:

(i) Impairment of fixed assets

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

Notes to the Financial Statements

(ii) Useful lives of fixed and intangible assets

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

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

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

(iii) Fixed assets

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

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

Based on the Company's position as at 31 December 2017, 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. As at 31 December 2018, a new revaluation was not performed as the management assessed that no significant changes had taken place in the market and the recognised carrying amount did not differ materially from the fair value of the property.

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.

Notes to the Financial Statements

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

(iv) Valuation of receivables

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

(v) Provisions

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk. No provisions were made as at 31 December 2018.

Revenue recognition

Income from sales of goods

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

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

Income from services

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

Rental income

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

Dividend income

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

Long and short term classification

Amounts whose terms of receipt, payment or write off are due 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.

Notes to the Financial Statements

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

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

Accounting and valuation of stock

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

Long-term investments held for trading

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

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

Long-term investments held for trading are not subject to amortisation.

Long-term investments held for trading that prior to reclassification were carried at cost are measured according to the carrying amount at the date of reclassification. Long-term investments held for trading that prior to reclassification were recognised using the revaluation method are measured at fair value.

Subsequently, long-term investments held for trading are recognized at the lowest of the carrying amount and net realisable value.

In March 2018 AS Latvijas Jūras medicīnas centrs made a public announcement that it has sold its real estate at Vecmīlgrāvja 5. līnija 26 for EUR 190 000.

The Company also disposed of the shares in a subsidiary that amounted to EUR 69 660. The sales price equalled the carrying amount. Please refer to Note 10.

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 new Corporate Income Tax Law adopted on 28 July 2017 comes into effect in the Republic of Latvia setting out a conceptually new regime for paying taxes. The tax rate is 20% (until 1 January 2018 – 15%), the taxation period is one month instead of a year and the taxable base includes:

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

Notes to the Financial Statements

in Latvia, liquidation quota).

(b) Deferred tax

In accordance with the Annual Reports and Consolidated Annual Reports Law of the Republic of Latvia, the Company is permitted to recognise deferred tax supported by justified reasons, e.g., the company is a subsidiary of such a company which prepares its financial statements according to the statements according to the Accounting Standards. In such cases the law established that the Company is required to recognise, measure and disclose it according to the International Accounting Standards (IAS) as adopted by the European Union.

12. Under IAS 12 Income taxes, whenever there is a difference to tax rates being applied to distributed and undistributed profits, deferred tax assets and liabilities should be recognised by applying the rate applicable to undistributed profits.

According to the Law on Enterprise Income Tax of the Republic of Latvia effective as of 1 January 2018, a 20% rate is only applied to distributed profit, while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities under IAS 12 are recognisable at nil amount. This principle has been applied in the Company's financial statements for the year ended 31 December 2017.

Deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period, except when deferred tax was recognised in relation to revaluation reserves. In that case, reversal of deferred tax was charged to revaluation reserves as disclosed in Note 19.

(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.

	2019	2018
	EUR	EUR
Ambulatory medical services	4 981 434	6 202 110
Services covered by insurance	400 645	462 422
<i>Paid ambulatory medical services</i>	<i>220 354</i>	<i>257 106</i>
<i>Paid in-patient care</i>	<i>180 291</i>	<i>205 316</i>
Dental services	-	9 361
Resident training	-	-
	<u>5 382 079</u>	<u>6 673 893</u>

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 negative impact on the interests of the Company.

Notes to the Financial Statements

(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.

	2019	2018
	EUR	EUR
Remuneration	2 504 782	3 030 946
Medicines, medical materials	639 061	781 358
Compulsory state social security contributions	591 122	716 326
Non-deductible value added tax	262 096	345 885
Lease of equipment	269 012	356 250
Depreciation	146 965	200 701
Utilities and maintenance	169 066	256 921
Office items and equipment, other materials	147 460	170 347
Repair costs	140 143	165 655
Medical examinations and other services	36 462	50 105
IT expenses	24 687	32 394
Advertisement expenses	4 767	35 115
Security	16 881	25 012
Changes in doubtful debt allowances	-	49 385
Medical fund risk expenses	10 656	15 571
Transport	12 269	11 100
Office expenses	8 528	9 729
Patient catering expenses	6 903	10 369
Real estate tax	-	7 835
Insurance	6 926	6 730
Staff training expenses	35 116	6 298
Risk duty	1 051	1 411
Benefits and gifts to employees	972	1 782
Changes in cost of accrued vacations	-	57 340
Other costs related to services	72 469	112 223
	5 107 394	6 456 788

(4) Administrative expenses

	2019	2018
	EUR	EUR
Remuneration	294 807	378 474
Compulsory state social security contributions	69 135	89 064
Communication expenses	11 385	17 252
Audit of the financial statements	4 909	14 750
Office expenses	4 902	11 599
Bank services	10 755	8 410
Legal activities	7 368	23 535
Representation expenses	2 103	1 934
Other	3 757	6 526
	409 121	551 544

(5) Other operating income

	2019	2018
	EUR	EUR
Income from rent	95 850	147 212
Amortisation of funds received from EBRD	-	10 514
Other income	-	252
Other income	123 172	99 606
	219 022	257 584

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

Notes to the Financial Statements

(6) Other operating expenses

	2019	2018
	EUR	EUR
Loss from revaluation of long-term assets (see Note 9)		-
Loss on disposal of fixed assets, net		276
Fines	6	946
Other expenses	249	1 252
	<u>255</u>	<u>2 474</u>

(7) Income from investments in related companies

	2019	2018
	EUR	EUR
Dividends received from investment in SIA Klīnika Dzintari	-	-
	<u>-</u>	<u>-</u>

(8) Corporate income tax

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

	2019	2018
	EUR	EUR
Current tax		499
Deferred tax	-	-
	<u>-</u>	<u>499</u>

(ii) *Deferred tax*

Total movements in deferred tax:

	2019	2018
	EUR	EUR
Deferred tax liabilities, beginning of the period	-	-
Changes in deferred tax recognized in the profit and loss statement	-	-
Adjustment to deferred tax recognized in the revaluation reserve	-	-
Deferred tax liabilities, end of the period	<u>-</u>	<u>-</u>

Notes to the Financial Statements

(9) Intangible assets and fixed assets

	Intangible assets	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost						
31.12.2017	80 548	4 681 639	2 793 067	499 961	1 332	8 056 547
Additions	-	-	78 222	8 231	-	86 453
Disposals	(95)	-	(294 292)	(7 395)	-	(301 782)
31.12.2018	80 453	4 681 639	2 576 997	500 797	1 332	7 841 218
Additions	-	-	69 891	12 350	-	82 241
Disposals	-	-	(98 179)	(6260)	-	(104 439)
30.09.2019	80 453	4 681 639	2 548 709	506 887	1332	7 819 020
Accumulated depreciation and amortisation						
31.12.2017	77 625	78 244	2 679 808	439 785	-	3 275 462
Depreciation	1 659	119 707	55 996	23 339	-	200 701
Depreciation of disposed fixed assets	(95)	-	(294 016)	(7 395)	-	(301 506)
31.12.2018	79 189	197 951	2 441 788	455 729	-	3 174 657
Depreciation	1225	85 273	40 330	20 136	-	146 964
Depreciation of disposed fixed assets	-	-	(97 499)	(6 260)	-	(103 759)
30.09.2019	80 414	283 224	2 384 619	469 605	-	3 217 862
Balance as at 31.12.2017	2 923	4 603 395	113 259	60 176	1 332	4 781 085
Balance as at 31.12.2018	1 264	4 483 688	135 209	45 068	1 332	4 666 561
Balance as at 30.09.2019	39	4 398 415	164 090	37 282	1332	4 601 158

In February 2018 land, buildings and constructions were valued by independent experts. The valuation was carried out using a combination of the comparable transactions method and income method. The revaluation result was reflected in the financial statements as at 31 December 2017.

The upward revaluation result of land, buildings and constructions at Melīdas iela 10 of EUR 95 402 was charged to the Long-term investment revaluation reserve. The upward revaluation result of land at Patversmes iela 23 by EUR 30 000 was charged to the Long-term investment revaluation reserve.

As at 31 December 2017, the carrying amount of the buildings and constructions at Patversmes iela 23 was reduced by EUR 336 931. The downward revaluation result of EUR 109 197 was recognised

Notes to the Financial Statements

as a reversal of the previously recognised long-term investment revaluation reserve and EUR 227 734 as a revaluation decrease attributed to the profit and loss statement.

As at 31 December 2017, the carrying amount of the buildings and constructions at Vecmīlgrāvja 5. līnija 26 was reduced by EUR 214 813. The downward revaluation result of EUR 109 157 was recognised as a reversal of the previously recognised long-term investment revaluation reserve and EUR 105 656 as a revaluation decrease attributed to the profit and loss statement.

As at 31 December 2018, a new revaluation was not performed as the management assessed that no significant market changes had taken place in the market and the recognised carrying amount did not differ materially from the fair value of the property.

Information on changes due to revaluation

	2019 EUR	2018 EUR
Appreciation due to revaluation	-	-
Impairment due to revaluation	-	-
Net changes in the value of fixed assets due to revaluation, including:	-	-
Increase from revaluation allocated to the decrease in the long term investment revaluation reserve	-	-
Gross decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	-	-
Decrease from revaluation allocated to the profit and loss statement	-	-
	-	-

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

The following table shows the valuation technique used in measuring the fair value of core real estate items included in position '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 3 100 000 at Patversmes iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 470 Rent rate per m2 – EUR 2.3-9 Capacity – 90% Capitalisation rate – 9%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher);
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m2 EUR 349 Rent rate per m2 – EUR 3.5-5 Capacity – 90%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower);

Notes to the Financial Statements

Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Capitalisation rate – 10%	Capitalisation rate would be lower (higher).
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type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 640 000 at Melīdas iela, Rīga	Fair value has been estimated based on the average of:		Fair value would increase (reduce) if the price per m ² was higher (lower)
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m2 EUR 334	The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower);
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 EUR 1-4.7 Capacity – 90% Capitalisation rate – 9.0%	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 2018 had revaluation not taken place would be EUR 2 952 566 (31.12.2017 – EUR 3 071 601).

Including:

	2019. EUR	2018. EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 068 724)	(1 068 724)

(10) Long-term investments held for trading

	2019. EUR	2018. EUR
Investment in SIA Klīnika Dzintari	-	-
Building and land, Vecmīlgrāvja 5. Līnija	-	-
	-	-

On 2 August 2017, the Company's shareholders' meeting made a decision to initiate sales process regarding shares. Consequently, the assets were reclassified as at 31 December 2017 out of 'Investments in related party' into 'Long-term investments held for trading'. In February 2018, LJMC sold the shares at the amount equal to the carrying amount as at 31 December 2017.

In December 2017, management of the Company also initiated sales process regarding one of the pieces of land plots and associated buildings it owns. In March 2018, the object was sold for EUR 190 000 (carrying amount EUR 190 00).

Notes to the Financial Statements

(11) Stock

	2019. EUR	2018. EUR
Medicines in warehouse	82 892	111 405
Medicines in departments	5 352	5 580
Other materials	273	554
	<u>88 517</u>	<u>117 539</u>

(12) Trade receivables

	2019. EUR	2018. EUR
National Health Service	243 968	240 308
Insurance companies	89 437	70 186
Other institutions, companies and individuals	36 794	37 335
Doubtful debt allowance	(11 695)	(11 695)
	<u>358 504</u>	<u>336 134</u>

(13) Due from related parties

	2019. EUR	2018. EUR
Due from related parties, gross value	122 278	93 432
Doubtful debt allowance	(66 757)	(66 757)
	<u>55 521</u>	<u>26 675</u>

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

(14) Other receivables

	2019. EUR	2018. EUR
Overpaid taxes (see Note 21)	26 661	25 914
Value added tax on unpaid services	36	4 640
Other receivables	2627	4 823
	<u>29324</u>	<u>35 377</u>

(15) Prepaid expenses

	2019. EUR	2018. EUR
	5 282	
Insurance		3 323
Advertising		297
Rent		26 549
Other		3 997
	<u>5 282</u>	<u>34 166</u>

(16) Cash

Notes to the Financial Statements

By currency:	2019		2018		
	Currency	EUR	Currency	EUR	
Current account	USD	5 577	4 870	5 577	4 870
Current account	EUR	-	1 806 151	-	1 830 172
Cash on hand	EUR	-	11 330	-	9 036
		1 822 351		1 844 078	

(17) Share capital

Share capital of the Company as at 30 September 2019 amounted to EUR 1 120 000 (31.12.2017: 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:

	30.09.2019.		31.12.2018.	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
Ilze Aizsilniece	70 565	8.82%	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	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.

(18) Retained earnings

Retained earnings, including the loss of 2018 of EUR 79 828, as at 30 September 2019 amount to EUR 84 331 (2018: EUR 1 941 747).

(19) Revaluation reserves

Revaluation reserve as at 31 December 2018 includes the amount of revaluation of fixed assets. In 2018, the revaluation reserve has not changed. In 2017 the downward revaluation result of fixed assets amounting to EUR 92 952 was recognised under 'Revaluation reserve' in Equity.

Long-term investment revaluation reserve

	2019 EUR	2018 EUR
Revaluation reserves as at 1 January	2 292 360	2 292 360
Decrease as a result of revaluation	-	-
Disposal of disposed fixed asset reserve	-	-
Reversal of deferred tax	-	-
Revaluation reserves as at 31 December	2 292 360	2 292 360

(20) Other liabilities

	2019. EUR	2018. EUR
Salaries	204 944	193 046
Payments to the trade union	501	490
Deposited remuneration for work and injunctions	-	100
	205 445	193 636

Notes to the Financial Statements

(21) Taxes and compulsory state social security contributions

	Balance as at 31.12.2018	Calculated for 2019	Paid in 2019	Balance as at 30.09.2019
	EUR	EUR	EUR	EUR
Corporate income tax	(25 908)	-	-	
VAT	7 862	47 740	(49 747)	5 855
Real estate tax	(6)	-	-	(6)
Natural resources tax	593	-	(1 340)	(1 340)
Risk duty	118	1 051	(1052)	117
Social contributions	103 695	960 998	(953 789)	110 904
Personal income tax	51 295	488 403	(485 140)	54 558
Total	137 649	1 498 192	(1 491 068)	144 773
Including:				
Overpaid taxes	(25 914)			(26 661)
Tax liabilities	163 563			171 434

Overpaid taxes are disclosed under "Other receivables".

(22) Deferred income

	2019. EUR	2018. EUR
The part of capital grants to be recongized in profit or loss within 1 to 5 years	409 393	409 393
Lease payment of 10 years	371 250	371 250
Deferred income, long term	780 643	780 643
The part of capital grants to be recongized in profit or loss within one year	10 514	10 514
Lease payment of 10 years	11 249	45 000
Deferred income, short term	21 763	55 514

In 2012, the Company received EBRD funding to purchase fixed assets. In 2018, the Company recognised related revenue of EUR 10 514 (2017: EUR 18 752) (see Note 5).

The Company received lease payments for the next 10 years amounting to EUR 450 000. In 2018, the Company recognised revenue of EUR 33 750 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.

(23) Accrued liabilities

	2019 EUR	2018 EUR
Accrued expenses on unused vacations	234 447	234 447
	234 447	234 447

(24) Average number of employees by category

	2019	2018
Average number of employees in the reporting year:	349	347
incl. Members of the Board	3	3
Members of the Council	4	5

Notes to the Financial Statements

Other employees	341	339
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(25) Personnel expenses

Type of costs	2019 EUR	2018 EUR
Remuneration	2 799 589	3 409 420
Compulsory state social security contributions	660 257	805 390
	3 459 846	4 214 810

(26) Remuneration to management

	2019 EUR	2018 EUR
Members of the Board remuneration	68 599	91 582
· compulsory state social security contributions	16 525	22 062
Members of the Council remuneration	20 489	27 319
· compulsory state social security contributions	4 636	6 182
Other members of the administration remuneration	205 719	259 573
· compulsory state social security contributions	47 974	60 820
	363 942	467 538

(27) Future liabilities

As at 31 December 2018, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2017: 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 31 December 2018 (31.12.2017: none).

(28) Related party transactions

In 2018, the Company made transactions with related parties:

- Invoices issued to SIA Kodolmedicīnas klīnika for rent payments of EUR 29 530 (2017: EUR 29 220). Seeking to limit the impact of the transaction risk on profit or loss, in 2018 the Company recognised for the receivable additional allowances of EUR 49 447 (2017: EUR 17 310).

(29) Remuneration to the certified auditor

	2019 EUR	2018 EUR
Audit of the financial statements	4 909	14 750
	4 909	14 750

Notes to the Financial Statements

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

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

In 2018	EUR 424 653
In 2019-2021	EUR 805 095

(31) Subsequent events

No significant events have occurred from the reporting date to the date these financial statements were approved that would impact 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

22 November 2019