



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

FINANCIAL STATEMENTS FOR 2020
(17th 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

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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)
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 Osis – Member of the Council
Reporting year	1 January 2020 – 31 December 2019
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

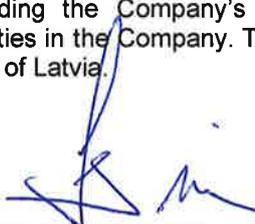
Statement of the Board's Responsibility

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

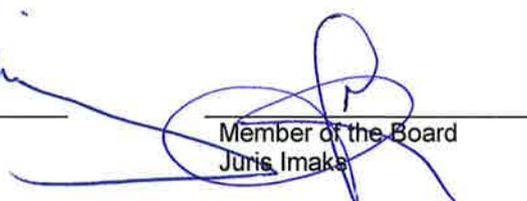
The financial statement on pages 10 to 30 is prepared based on accounting records and source documents and present fairly the financial position of Company as at 31 December 2019 and the results of its operations, and cash flows for the 12-month period of 2020.

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.

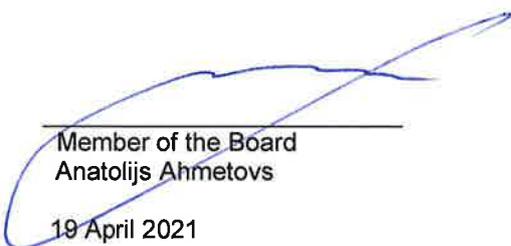
The management of the Company is responsible for the maintenance of a proper accounting system, safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The management is also responsible for compliance with laws of the Republic of Latvia.



Chairman of the Board
Jānis Birks



Member of the Board
Juris Imaks



Member of the Board
Anatolijs Ahmetovs

19 April 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.liniija; 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.

Management Report

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 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 2020, LJMC operated in accordance with the budget approved for 2020. The profit of LJMC is EUR 273 555.

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.

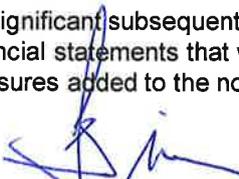
Management Report

Proposals regarding distribution of the Company's profit

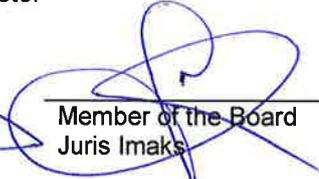
Profit of 2020 is suggested by the Board to be added to retained earnings brought forward from previous years.

Subsequent events and going concern

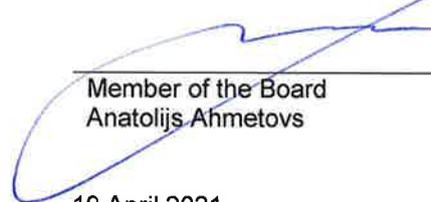
No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.



Chairman of the Board
Jānis Birks



Member of the Board
Juris Imaks



Member of the Board
Anatolijs Ahmetovs

19 April 2021

Remuneration Report for 2020

Introduction

The remuneration report of Joint Stock Company "Latvijas Jūras medicīnas centrs" (hereinafter – the Company) is prepared according to the remuneration policy to members of the Board and Council approved by the decision of the Company's Shareholders Meeting of 30 November 2020, which is developed on the basis of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement, as well as according to Article 59³ of the Financial Instrument Market Law, which introduces the directive.

The remuneration report is prepared by the Board and reviewed by the Council. The remuneration report is verified by a sworn auditor and reviewed and approved by the Shareholders' Meeting alongside other parts of the annual report.

The remuneration report is published concurrently with the audited annual report of the Company as a separate part of the annual report in Latvian and English on the Company's website: in section "Remuneration report", as well as on the Nasdaq Riga website: <http://www.nasdaqbaltic.com>.

Remuneration to the Board and Council

The remuneration policy of the Board and Council ensures that in 2020 the Company's strategy, realization of long-term interests and sustainability, ensuring business continuity, is implemented.

Remuneration to the members of the Council consists only of a fixed component of remuneration. In 2020, the following total remuneration was granted and paid to the members of the Council:

Name, surname	Position	Remuneration paid in 2020, EUR
Mārtiņš Birks	Chairman of the Council	8 195.76
Ineta Gadzjus	Member of the Council	4 780.92
Viesturs Šiliņš	Member of the Council	4 780.92
Jevgēņijs Kalējs	Member of the Council	4 780.92
Uldis Osis	Member of the Council	4 780.92

Remuneration to the members of the Board consists of a fixed and variable component of remuneration. In 2020, the following total remuneration was granted and paid to the members of the Board:

Name, surname	Position	Remuneration paid in 2020, EUR	Fixed part of remuneration, %	Variable part of remuneration, %
Jānis Birks	Chairman of the Board	74 315	29.74%	70.26%
Juris Imaks	Member of the Board	49 309	35.4%	64.6%
Anatolijs Ahmetovs	Member of the Board	42 000	48.82%	51.18%

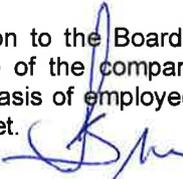
Members of the Board and Council did not receive remuneration from another company belonging to the same group in the understanding of the Annual Reports and Consolidated Annual Report Law. Shares or share options were not granted and offered to members of the Board and Council. No variable part of remuneration was reclaimed from members of the Board and Council. There were no cases of applying temporary derogations from the remuneration policy.

Remuneration Report for 2020

Section 59⁴, paragraph one, point 3 of the Financial Instrument Market Law requires to report, in a comparable manner, changes that took place in the last five financial years in remuneration paid to members of the Board and Council, performance of the company and average remuneration on a full-time equivalent basis of employees of the company other than members of the Board and Council.

This is the first remuneration report prepared by the Company and it covers 2020. In accordance with paragraph 66 of the Transitional provisions of the Financial Instrument Market Law, a comparison of changes referred to in section 59⁴, paragraph one, point 3 of the Law shall be provided at least for the last five financial years beginning not later than 1 January 2020. The Company has identified that there are no current annual changes relating to the period beginning no later than 1 January 2020.

Remuneration to the Board and Council has not changed significantly during the last 5 years, performance of the company matches its strategic goals, average remuneration on a full-time equivalent basis of employees of the company has increased in line with the overall trends of the labour market.



Chairman of the Board
Jānis Birks



Member of the Board
Juris Imaks



Member of the Board
Anatolijs Ahmetovs

19 April 2021

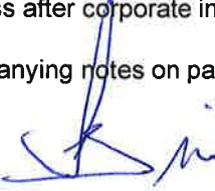
Financial statements

Profit and Loss Statement for 2020

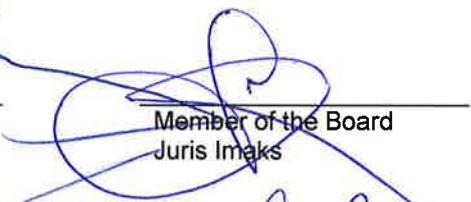
	Note	2020 EUR	2019 EUR
1. Net sales	2	7 080 939	7 271 469
2. Cost of goods and services	3	<u>(6 488 048)</u>	<u>(6 816 419)</u>
3. Gross profit		592 891	455 050
4. Administrative expenses	4	(557 818)	(580 100)
5. Other operating income	5	241 697	292 827
6. Other operating expenses	6	(2 153)	(2 682)
7. Profit before corporate income tax		274 617	165 095
Corporate income tax for the reporting 8. year	7	<u>(1 062)</u>	<u>(935)</u>
9. Profit for the reporting year		<u>273 555</u>	<u>164 160</u>
Number of shares	16	800 000	800 000
Earnings per share (EUR)*		0.34	0.21

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

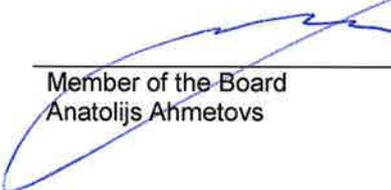
The accompanying notes on pages 15 to 30 form an integral part of these financial statements.



Chairman of the Board
Jānis Birks



Member of the Board
Juris Imaks



Member of the Board
Anatolijs Ahmetovs



Chief Accountant
Gunta Kaufmane

19 April 2021

Statement of Changes to the Shareholders Equity for 2020

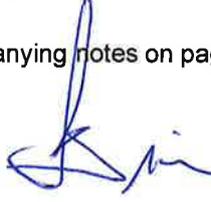
	Note	31.12.2020 EUR	31.12.2019 EUR
Assets			
Long-term assets			
I Fixed assets:			
1. Land, buildings and engineering structures		4 440 002	4 370 610
2. Equipment and machinery		244 153	176 891
3. Other fixed assets		76 129	107 499
4. Construction in progress		359 779	4 159
Total fixed assets:	8	5 120 063	4 659 159
Total long term investments:		5 120 063	4 659 159
Current assets			
I Stock:			
1. Raw materials, primary materials and auxiliary materials	9	138 556	101 746
Total stock:		138 556	101 746
II Receivables:			
1. Trade receivables	10	57 794	96 072
2. Due from related parties	11	-	26 261
3. Other receivables	12	21 767	60 641
4. Prepaid expenses	13	24 621	33 576
5. Accrued income	14	216 782	117 940
Total receivables:		320 964	334 490
III Cash:	15	1 765 040	1 987 454
Total current assets:		2 224 560	2 423 690
Total assets		7 344 623	7 082 849

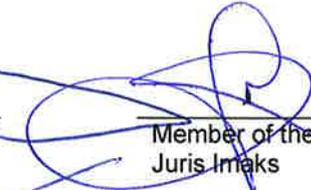
The accompanying notes on pages 15 to 30 form an integral part of these financial statements.

Statement of Changes to the Shareholders Equity for 2020

	Note	31.12.2020 EUR	31.12.2019 EUR
Equity and Liabilities			
Shareholders' equity:			
1. Share capital	16	1 120 000	1 120 000
2. Long-term investment revaluation reserve	18	2 472 973	2 292 360
3. Reserves:			
b) reserves according to Statutes		63 819	63 819
4. Retained earnings	17		
a) retained earnings brought forward from previous years		1 585 907	1 861 747
b) profit/(loss) for the reporting year		273 555	164 160
Total shareholders' equity:		5 516 254	5 502 086
Liabilities:			
Long term liabilities:			
1. Deferred revenue	21	669 617	725 132
Total long term liabilities:		669 617	725 132
Short-term liabilities:			
1. Customer advances		1 831	1 831
2. Accounts payable to suppliers and contractors		387 250	179 885
3 Taxes and compulsory state social security contributions	20	155 019	163 775
4. Other creditors	19	194 938	195 720
5. Deferred income	21	55 513	55 513
6. Accrued liabilities	22	364 201	258 907
Total short term liabilities:		1 158 752	855 631
Total liabilities:		1 828 369	1 580 763
Total equity and liabilities		7 344 623	7 082 849

The accompanying notes on pages 15 to 30 form an integral part of these financial statements.


 Chairman of the Board
 Jānis Birks


 Member of the Board
 Juris Imāks


 Member of the Board
 Anatolijs Ahmetovs

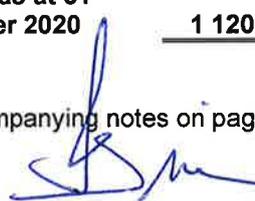

 Chief Accountant
 Gunta Kaufmane

19 April 2021

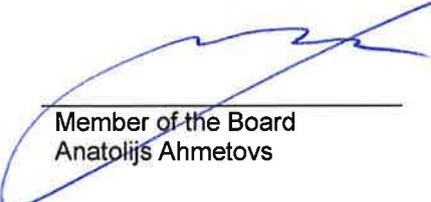
Statement of Changes to the Shareholders Equity for 2020

	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 2018	1 120 000	2 292 360	63 819	2 021 575	(79 828)	5 417 926
Loss of 2018 transferred to retained earnings of previous years	-	-	-	(78 828)	79,828	-
Dividends for 2017	-	-	-	(80 000)	-	(80 000)
Profit for the reporting year	-	-	-	-	164 160	164 160
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	1 859 462	273 555	5 516 254

The accompanying notes on pages 15 to 30 form an integral part of these financial statements.


 Chairman of the Board
 Jānis Birks


 Member of the Board
 Juris Imāks


 Member of the Board
 Anatolijs Ahmetovs


 Chief Accountant
 Gunta Kaufmane

19 April 2021

Statement of Cash Flows for 2020

	Note	2020 EUR	2019 EUR
I. Cash flows from operating activities			
1. Profit before corporate income tax		274 617	165 095
<u>Adjustments for:</u>			
a) Depreciation and result from disposals of fixed assets	8	234 829	195 619
b) Amortisation and result from disposals of intangible assets		-	1 264
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		509 446	361 978
<u>Adjustments for:</u>			
a) decrease/ (increase) in trade receivables		13 032	96 927
b) decrease/ (increase) in stock		(36 810)	15 793
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		247 037	(61 841)
3. Gross cash flows from operating activities		732 705	412 857
4. Corporate income tax		-	-
5. Net cash flows from operating activities		732 705	412 857
II. Cash flows used in investing activities			
a) purchase of fixed and intangible assets	8	(515 119)	(190 161)
b) income from disposal of fixed and intangible assets		-	680
6. Net cash flows from investing activities		(515 119)	(189 481)
III. Cash flows from financing activities			
a) Dividends paid		(440 000)	(80 000)
7. Net cash flows from financing activities		(440 000)	(80 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(222 414)	143 376
Cash and cash equivalents at the beginning of the year	15	1 987 454	1 844 078
Cash and cash equivalents at the end of the year	15	1 765 040	1 987 454

The accompanying notes on pages 15 to 30 form an integral part of these financial statements.

 Chairman of the Board
 Jānis Birks

 Member of the Board
 Juris Intāks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

19 April 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 Švarcberga (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, Jevgērijs 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:
- 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;
- 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 12 months from 1 January 2020 to 31 December 2020.

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.

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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.

	2020	2019
	EUR	EUR
Ambulatory medical services	6 558 049	6 710 538
Services covered by insurance	522 890	560 931
<i>Paid ambulatory medical services</i>	<i>290 726</i>	<i>311 877</i>
<i>Paid in-patient care</i>	<i>232 164</i>	<i>249 054</i>
	<u>7 080 939</u>	<u>7 271 469</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 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.

	2020	2019
	EUR	EUR
Remuneration	3 244 861	3 335 719
Medicines, medical materials	757 676	827 279
Compulsory state social security contributions	750 079	786 948
Non-deductible value added tax	303 825	365 522
Lease of equipment	258 548	318 210
Depreciation	234 829	196 883
Utilities and maintenance	212 814	247 516
Office items and equipment, other materials	153 893	203 514
Repair costs	157 467	181 424
Medical examinations and other services	53 975	51 291
IT expenses	40 350	39 684
Advertisement expenses	635	5 078
Security	28 614	23 559
Changes in doubtful debt allowances	63 245	39 569
Medical fund risk expenses	13 531	14 206
Transport	8 873	15 211
Office expenses	7 658	13 750
Patient catering expenses	6 951	10 465
Real estate tax	6 173	6 173
Insurance	11 929	6 926
Staff training expenses	1 085	8 756
Risk duty	1 341	1 399
Benefits and gifts to employees	7 973	1 577
Changes in cost of accrued vacations	80 257	24 460
Other costs related to services	81 466	91 300
	<u>6 488 048</u>	<u>6 816 419</u>

Notes to the Financial Statements

(4) Administrative expenses

	2020	2019
	EUR	EUR
Remuneration	395 692	393 596
Compulsory state social security contributions	90 942	92 435
Staff training expenses	-	27 000
Communication expenses	19 612	17 382
Audit of the financial statements	20 650	14 895
Office expenses	7 858	6 764
Bank services	9 597	10 610
Legal activities	7 570	9 852
Representation expenses	1 113	2 742
Other	4 784	4 824
	<u>557 818</u>	<u>580 100</u>

(5) Other operating revenue

	2020	2019
	EUR	EUR
Income from rent	135 708	127 689
Amortisation of funds received from EBRD	10 513	10 513
Other income	7 165	-
Other revenue	88 311	154 625
	<u>241 697</u>	<u>292 827</u>

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

(6) Other operating expenses

	2020	2019
	EUR	EUR
Penalties	974	319
Other expenses	1 179	2 363
	<u>2 153</u>	<u>2 682</u>

(7) Corporate income tax

	2020	2019
	EUR	EUR
Current tax	1 062	935
	<u>1 062</u>	<u>935</u>

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					
31.12.2019	4 681 639	2 537 644	576 536	4 159	7 880 431
Additions	-	144 121	15 378	355 620	515 119
Positive result of revaluation allocated to reserves	208 539	-	-	-	208 539
Negative result of revaluation allocated to reserves	(27 925)	-	-	-	(27 925)
Disposals	-	(42 575)	(18 849)	-	(61 424)
31.12.2020	4 862 253	2 639 190	573 065	359 779	8 514 740
Accumulated depreciation and amortisation					
31.12.2019	311 029	2 360 753	469 037	-	3 221 272
Accumulated depreciation and amortisation for the year	111 222	76 859	46 748	-	234 829
Depreciation of disposed fixed assets	-	(42 575)	(18 849)	-	(61 424)
31.12.2020	422 251	2 395 037	496 936	-	3 394 677
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

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

Notes to the Financial Statements

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.

Information on changes due to revaluation

	2020 EUR	2019 EUR
Appreciation due to revaluation	208 539	-
Impairment due to revaluation	(27 925)	-
Net changes in the value of fixed assets due to revaluation, including:	180 614	-
Increase from revaluation allocated to the increase in the long term investment revaluation reserve	208 539	-
Decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	(27 925)	-
	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:		The fair value would increase (decrease) if the price per m2 was higher (lower).
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m ² – EUR 452 (2018: per m ² – EUR 470)	The estimated fair value would increase (decrease), if:
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m ² – EUR 2.3–9 (2018: EUR 2.3–9) Capacity – 90% (2018: 90%) Capitalization rate – 9% (2018: 9%)	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:		The fair value would increase (decrease) if the price per m2 was higher (lower).
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m ² – EUR 327 (2017: per m ² – EUR 349)	The estimated fair value would increase (decrease), if:
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m ² – EUR 3.5–5 (2017: EUR 3.5–5) Capacity – 90% (2017: 90%) Capitalization rate – 9% (2017: 9%)	Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalization 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 630 000 (2019: EUR 640 000) at Melīdas iela, Rīga	Fair value has been estimated based on the average of:		The fair value would increase (decrease) 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 m ² – EUR 315 (2018: per m ² – EUR 334)	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).
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m ² – EUR 5 (2018: EUR 1–4.7) Capacity – 90% (2018: 90%) Capitalization rate – 9.0% (2018: 9%)	

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:	31.12.2020 EUR	31.12.2019 EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 306 793)	(1 187 758)

(9) Stock

	31.12.2020 EUR	31.12.2019 EUR
Medicines in warehouse	124 285	93 576
Medicines in departments	13 888	8 002
Other materials	383	168
	138 556	101 746

(10) Trade receivables

	31.12.2020 EUR	31.12.2019 EUR
Insurance companies	36 017	67 705
Other institutions, companies and individuals	31 579	41 346
Doubtful debt allowance	(9 802)	(12 979)
	57 794	96 072

(11) Due from related parties

	31.12.2020 EUR	31.12.2019 EUR
Due from related parties, gross value	163 863	131 303
Doubtful debt allowance	(163 863)	(105 042)
	-	26 261

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

	31.12.2020	31.12.2019
	EUR	EUR
Overpaid taxes (see Note 20)	698	24 979
Value added tax on unpaid services	4 356	3 846
Other receivables	16 713	31 816
	<u>21 767</u>	<u>60 641</u>

(13) Prepaid expenses

	31.12.2020	31.12.2019
	EUR	EUR
Rent	17 961	28 410
Insurance	6 416	4 971
Advertising	-	-
Other	244	195
	<u>24 621</u>	<u>33 576</u>

(14) Accrued income

	31.12.2020	31.12.2019
	EUR	EUR
Accrued income for invoices issued after the year end	216 782	117 940
	<u>216 782</u>	<u>117 940</u>

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

(15) Cash

By currency:	31.12.2020		31.12.2019	
	Currency	EUR	Currency	EUR
Current account	USD	5 839	4 758	5 839
Current account	EUR	1 756 643	-	1 976 187
Cash on hand	EUR	3 639	-	6 069
		<u>1 765 040</u>		<u>1 987 454</u>

Notes to the Financial Statements

(16) Share capital

Share capital of the Company as at 31 December 2020 amounted to EUR 1 120 000 (31.12.2019: 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:

	31.12.2020		31.12.2019	
	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 31 December 2020 includes the result of revaluation of fixed assets. In 2019, the revaluation reserve was not changed.

Non-current investment revaluation reserve

	2020 EUR	2019 EUR
Revaluation reserves as at 1 January	2 292 360	2 292 360
Appreciation as a result of revaluation	208 539	-
Decrease as a result of revaluation	(27 925)	-
Revaluation reserves as at 31 December	2 472 973	2 292 360

(19) Other liabilities

	31.12.2020 EUR	31.12.2019 EUR
Salaries	194 505	195 288
Payments to the trade union	433	432
	194 938	195 720

Notes to the Financial Statements

(20) Taxes and compulsory state social security contributions

	Balance as at 31.12.2019 EUR	Calculated for 2020 EUR	Paid in 2020 EUR	Reclassified in 2020 EUR	Balance as at 31.12.2020 EUR
Corporate income tax	(24 973)	1 062	-	24 479	568
VAT	5 782	50 141	(51 863)		4 060
Real estate tax	(6)	6 173	(6 173)	-	(6)
Natural resources tax	-	788	(1 480)	-	(692)
Risk duty	115	1 341	(1 345)	-	111
Social contributions	104 682	1 247 867	(1 234 489)	(24 479)	93 581
Personal income tax	53 196	639 627	(636 124)	-	56 699
Total	138 796	1 946 999	(1 931 474)	-	154 321

Including:

Overpaid taxes	(24 979)	(698)
Tax liabilities	163 775	155 019

Overpaid taxes are disclosed under "Other receivables".

(21) Deferred income

	31.12.2020 EUR	31.12.2019 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	55 513	52 565
The part of capital grants to be charged to profit or loss for more than 5 years	332 854	346 317
Lease payment of 10 years	281 250	326 250
Deferred income, long term	669 617	725 132
The part of capital grants to be charged to profit or loss within one year	10 513	10 513
Lease payment of 10 years	45 000	45 000
Deferred income, short term	55 513	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

	31.12.2020 EUR	31.12.2019 EUR
Accrued expenses on unused vacations	339 164	258 907
Accrued liabilities to suppliers	25 037	-
	364 201	258 907

Notes to the Financial Statements

(23) Average number of employees by category

	2020	2019
Average number of employees in the reporting year:	330	340
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	322	332

(24) Personnel expenses

Type of costs	2020 EUR	2019 EUR
Remuneration	3 640 553	3 729 315
Compulsory state social security contributions	841 021	879 383
	<u>4 481 574</u>	<u>4 608 698</u>

(25) Remuneration to management

	2020 EUR	2019 EUR
Members of the Board		
Remuneration (both variable and fixed)	165 624	149 960
· compulsory state social security contributions	39 899	36 125
Members of the Council		
remuneration	27 319	27 319
· compulsory state social security contributions	6 182	6 182
Other members of the administration		
remuneration	262 812	270 897
· compulsory state social security contributions	60 301	63 276
	<u>562 137</u>	<u>553 759</u>

(26) Future liabilities

As at 31 December 2020, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2019: 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 2020 (31.12.2019: 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

	2020	2019
	EUR	EUR
Audit of the financial statements	<u>20 650</u>	<u>14 895</u>
	<u>20 650</u>	<u>14 895</u>

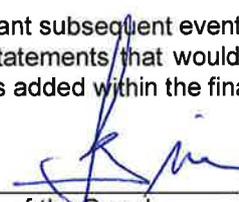
(29) Information on operating lease and rent agreements with a significant impact on the Company's activities

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

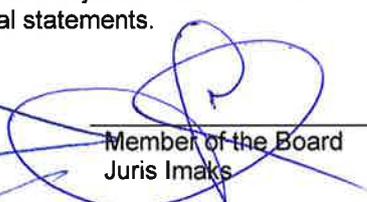
In 2021	EUR 271 917
In 2022–2023	EUR 140 232

(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

19 April 2021



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Independent Auditors' Report

To the shareholders of AS Latvijas Jūras medicīnas centrs

Report on the Audit of the Financial Statements

Opinion on the Financial Statements

We have audited the accompanying financial statements of AS Latvijas Jūras medicīnas centrs ("the Company") set out on pages 10 to 30 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2020,
- the profit or loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS Latvijas Jūras medicīnas centrs as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

Recognition of revenue from medical services	
<i>Key audit matter</i>	<i>Our response</i>
<p>Revenues from outpatient and inpatient medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2020: EUR 7.08 million (31 December 2019: EUR 7.27 million).</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Note 2 (financial disclosures).</p> <p>The Company offers a wide variety of healthcare services. The major part of revenues relates to the agreements with the National Health Service and the largest insurance companies in Latvia which cover the patient's costs for medical procedures. Both the National Health Service and the insurance companies regularly monitor the compensation for services that the Company receives.</p> <p>Additionally, the Company provides a large volume of sales to individual patients, including sales on credit terms. Sales to individual patients are not subject to the same level of external controls and scrutiny as sales to National Health Service or insurance companies.</p> <p>As a consequence, there is an increased risk of misstatement in revenue balances due to fraud, including through potential override of controls by management, for sales conducted on credit terms. Therefore, revenue recognition was considered by us as a key audit matter.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • testing the design and implementation of controls over revenue recognition process; • assessing the completeness and existence of revenue by analysing revenue trends by month in the current period and challenging any unusual fluctuations using our knowledge of the Company and through inquiries of management; • inspecting incoming cash receipts in 2021 for a sample of outstanding balances due from larger customers as at 31 December 2020; • for a sample of revenue transactions recognized shortly before and after year-end assessing whether revenue was recognised in the appropriate period by reference to the relevant documentation, supporting delivery of services for example, invoices and cash receipts; • obtaining third party confirmations for revenues from outpatient and inpatient medical services financed by the National Health Service and on a sample basis from insurance companies and tracing the amounts from those confirmations to the revenues recognized by the Company for the year ended 31 December 2020; • performing substantive analytical procedure by comparing incoming cash transactions for outpatient and inpatient medical services to the revenue recognised throughout the year; • evaluating the accuracy and completeness of the financial statement disclosures relating to revenues against the relevant requirements of the financial reporting standards.



Completeness of remuneration expenses	
<i>Key audit matter</i>	<i>Our response</i>
<p>Remuneration expenses in the financial statements as at and for the year ended 31 December 2020: EUR 3.6 million (31 December 2019: EUR 3.7 million).</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Notes 3, 4 and 24 (financial disclosures).</p> <p>Nearly 60% of Remuneration expenses for the year ended 31 December 2020 is comprised of variable pay that is calculated based on the volume and type of services provided by professional medical staff and rates set by the management or agreed with National Health Service for state funded services, including services provided by family doctors.</p> <p>The remuneration calculation process in the Company, which is inherently complex and involves multiple inputs, is not automated. This significantly increases the risk of error, which specifically relates to completeness of inputs used and manual calculations performed; and therefore, required our increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • updating our understanding over salary calculation process with particular focus for the calculation of the variable pay; • for a sample of individuals developing an independent expectation of their salary costs based on the variable pay rates approved by management or rates agreed with the National Health Service and by reference to the respective employment contracts, and comparing them to the salary costs recorded by the Company; • testing the completeness of recognized amounts of variable pay by reference to lists of medical services paid by National Health Service and the list of provided medical services during the year reimbursed by the insurance companies or paid by cash. This procedure included the following: <ul style="list-style-type: none"> — comparing lists of medical services reimbursed by National Health Service attached to invoices paid by National Health Service against the list of provided medical service during the year, and compare against Company's salary calculations; — comparing the report for total paid medical services against the Company's salary calculation. • evaluating the accuracy and completeness of the financial statement disclosures relating to remuneration expenses against the relevant requirements of the financial reporting standards.



Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying Annual Report,
- the Management Report, as set out on pages from 5 to 7 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage www.ljmc.lv and publicly available,
- the Remuneration Report, as set out on pages from 8 to 9 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.



In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia our responsibility is to consider whether the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

In our opinion, the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

We were appointed by those charged with governance on 2 July 2020 to audit the financial statements of AS Latvijas Jūras medicīnas centrs for the year ended 31 December 2020. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 December 2016 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;



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

KPMG Baltics AS
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
20 April 2021

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