JOINT STOCK COMPANY
LATVIJAS JŪRAS MEDICĪNAS CENTRS

(Unified registration number: 40003306807)

FINANCIAL STATEMENTS FOR 2018

(15^{th} 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

Contents

Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs
Legal status	Joint Stock Company
Number, place and date of registration	40003306807 Riga, 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 Riga, 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 Osis – Member of the Council
Reporting year	1 January 2018 – 31 December 2017
Name and address of the certified auditor in charge	KPMG Baltics SIA Licence No.55 Vesetas iela 7 Riga, 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 31 December 2018 and the results of its operations, and cash flows for the 12-month period of 2018.
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

29 April 2019

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, Riga; Central Hospital at 23 Patversmes iela, Riga; Vecmilgravis Hospital and Northern Diagnostics Centre 26 Vecmilgravja 5.linija; Riga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Riga. 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 received 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 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

The result of the 12 months of 2018 is loss of EUR **79 828**. The financial result of 2018 has been impacted by the following: increased remuneration to be able to compete for specialists in the labour market, increased purchase prices of medicines and medical materials, and higher lease payments for medical hardware.

In 2018, LJMC completed the sale of properties and shares which was the last step in refocussing of assets to increase the share of paid health care services.

LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. In 2018, invesments were realised in line with the planned amount. As concerns the development and implementation of paid services, LJMC plans to improve profitability of operations by improving detailed cost of services calculation and assessment of the financial impact.

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

29 April 2019

Financial statements

Profit and Loss Statement for 2018

		Note	2018 EUR	2017 EUR
1.	Net sales from other types of operations	2	6 673 893	5 877 282
2.	Cost of goods and services	3	(6 456 788)	(5 465 933)
3.	**Gross profit**		**217 105**	**411 349**
4.	Administrative expenses	4	(551 544)	(498 739)
5.	Other operating income	5	257 584	233 691
6.	Other operating expenses	6	(2 474)	(344 435)
7.	Income from investments in related companies	7	-	636 966
8.	Interest and similar income		-	54 930
9.	**Profit/ (loss) before corporate income tax**		**(79 329)**	**493 762**
10.	Corporate income tax for the reporting year	8	(499)	(15 115)
11.	**Profit / (loss) after corporate income tax**		**(79 828)**	**478 647**
12.	Income from changes in balances of deferred tax liabilities	8	-	27 842
13.	**Profit/ (loss) for the reporting year**		**(79 828)**	**506 489**
	Number of shares		**800 000**	**800 000**
	Earnings per share (EUR)*		**(0.10)**	**0.63**

* 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

29 April 2019

Balance Sheet as at 31 December 2018

	Note	31.12.2018 EUR	31.12.2017 EUR
Assets			
Long-term investments			
I Intangible assets:			
Concessions, patents, licenses, trademarks and similar rights		1 264	2 923
Total intangible assets:		**1 264**	**2 923**
II Fixed assets:			
1. Land, buildings and engineering structures		4 483 688	4 603 395
2. Equipment and machinery		135 209	113 259
3. Other fixed assets		45 068	60 176
4. Construction in progress		1 332	1 332
Total fixed assets:	9	**4 665 297**	**4 778 162**
Total long term investments:		**4 666 561**	**4 781 085**
Current assets			
I Stock:			
1. Raw materials, primary materials and ...		117 539	120 393
Total stock:	11	**117 539**	**120 393**
II Receivables:			
1. Trade receivables	12	336 134	235 826
2. Due from related parties	13	26 675	40 391
3. Other receivables	14	35 377	8 935
4. Prepaid expenses	15	34 166	26 760
Total receivables:		**432 352**	**311 912**
III Long-term investments held for trading:	10	**-**	**259 660**
IV Cash:	16	**1 844 078**	**1 391 298**
Total current assets:		**2 393 969**	**2 083 263**
Total assets		**7 060 530**	**6 864 348**

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

Balance Sheet as at 31 December 2018

Equity and Liabilities	Note	31.12.2018 EUR	31.12.2017 EUR
Shareholders' equity:			
1. Share capital	17	1 120 000	1 120 000
2. Long-term investment revaluation reserve	19	2 292 360	2 292 360
3. Reserves:			
b) reserves provided by the Co-operative's Statutes		63 819	63 819
4. Retained earnings	18		
a) retained earnings carried forward from previous years		2 021 575	1 835 086
b) profit/(loss) for the reporting year		(79 828)	506 489
Total shareholders' equity:		**5 417 926**	**5 817 754**
Liabilities:			
Long term liabilities:			
1. Deferred income	22	780 643	411 669
Total long term liabilities:		**780 643**	**411 669**
Short term liabilities:			
1. Customer advances		1 840	1 755
2. Accounts payable to suppliers and contractors		212 961	131 714
3 Taxes and compulsory state social security contributions	21	163 563	146 686
4. Other liabilities	20	193 636	158 911
5. Deferred income	22	55 514	18 752
6. Accrued liabilities	23	234 447	177 107
Total short term liabilities:		**861 961**	**634 925**
Total liabilities:		**1 642 604**	**1 046 594**
Total equity and liabilities		**7 060 530**	**6 864 348**

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Chairman of the Board
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Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

29 April 2019

Statement of Changes to the Shareholders Equity for 2018

	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 2016	**1 120 000**	**2 057 203**	**63 819**	**1 913 216**	**241 870**	**5 396 108**
Profit of 2016 transferred to retained earnings of previous years	-	-	-	241 870	(241 870)	-
Reversal of deferred tax (see Note 8)	-	363 036	-	-	-	363 036
Result of revaluation of fixed assets	-	(92 952)	-	-	-	(92 952)
Disposal of disposed fixed asset reserve	-	(34 927)	-	-	-	(34 927)
Dividends for 2016	-	-	-	(320 000)	-	(320 000)
Profit for the year	-	-	-	-	506 489	506 489
Balance as at 31 December 2017	**1 120 000**	**2 292 360**	**63 819**	**1 835 086**	**506 489**	**5 817 754**
Profit of 2017 transferred to retained earnings of previous years	-	-	-	506 489	(506 489)	-
Dividends for 2017	-	-	-	(320 000)	-	(320 000)
Loss for the reporting year	-	-	-	-	(79 828)	(79 828)
Balance as at 31 December 2018	**1 120 000**	**2 292 360**	**63 819**	**2 021 575**	**(79 828)**	**5 417 926**

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

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29 April 2019

Statement of Cash Flows for 2018

	Note	2018 EUR	2017 EUR
I. Cash flows from operating activities			
1. Profit/ (loss) before corporate income tax		(79 329)	491 762
Adjustments for:			
a) impairment of fixed assets	6, 9	199 318	589 462
b) adjustments for impairment of intangible assets	9	1 659	5 360
c) income from investments in related companies	7	-	(636 966)
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		**121 648**	**449 618**
Adjustments for:			
a) decrease/ (increase) in trade receivables		(97 022)	27 021
b) decrease/ (increase) in stock		2 854	11 069
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		596 010	25 911
3. Gross cash flows from operating activities		**623 490**	**513 619**
4. Corporate income tax paid		(23 917)	(35 207)
5. Net cash flows from operating activities		**599 573**	**478 412**
II. Cash flows used in investing activities			
a) Dividends received		-	636 966
b) Purchase of fixed and intangible assets		(86 453)	(605 510)
c) Income from disposal of shares in related, associated or other companies	10	69 660	85 641
d) Income from disposal of fixed and intangible assets		190 000	12 810
6. Net cash flows from investing activities		**173 207**	**129 907**
III. Cash flows from financing activities			
a) Dividends paid		(320 000)	(320 000)
7. Net cash flows from financing activities		**(320 000)**	**(320 000)**
Net increase/(decrease) in cash and cash equivalents in the reporting year		**452 780**	**288 319**
Cash and cash equivalents at the beginning of the year		1 391 298	1 102 979
Cash and cash equivalents at the end of the year	16	**1 844 078**	**1 391 298**

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

29 April 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, Riga, 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 12 months from 1 January 2018 to 31 December 2018.

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.

(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 deprecation 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.

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. linija 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

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.

	2018 EUR	**2017 EUR**
Ambulatory medical services	6 202 110	5 347 200
Services covered by insurance	462 422	507 431
Paid ambulatory medical services	*257 106*	*282 131*
Paid in-patient care	*205 316*	*225 300*
Dental services	9 361	17 395
Resident training	-	5 256
	6 673 893	**5 877 282**

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.

	2018 EUR	2017 EUR
Remuneration	3 030 946	2 479 681
Medicines, medical materials	781 358	721 768
Compulsory state social security contributions	716 326	571 812
Non-deductible value added tax	345 885	313 778
Lease of equipment	356 250	289 104
Depreciation	200 701	271 379
Utilities and maintenance	256 921	241 120
Office items and equipment, other materials	170 347	170 485
Repair costs	165 655	128 494
Medical examinations and other services	50 105	49 064
IT expenses	32 394	26 861
Advertisement expenses	35 115	24 273
Security	25 012	24 368
Changes in doubtful debt allowances	49 385	21 578
Medical fund risk expenses	15 571	14 160
Transport	11 100	11 181
Office expenses	9 729	11 787
Patient catering expenses	10 369	10 684
Real estate tax	7 835	7 845
Insurance	6 730	4 388
Staff training expenses	6 298	4 509
Risk duty	1 411	1 361
Benefits and gifts to employees	1 782	1 207
Changes in cost of accrued vacations	57 340	-
Other costs related to services	112 223	65 046
	6 456 788	**5 465 933**

(4) Administrative expenses

	2018 EUR	2017 EUR
Remuneration	378 474	318 077
Compulsory state social security contributions	89 064	72 936
Communication expenses	17 252	60 770
Audit of the financial statements	14 750	13 750
Office expenses	11 599	10 372
Bank services	8 410	7 833
Legal activities	23 535	5 646
Representation expenses	1 934	2 141
Other	6 526	7 214
	551 544	**498 739**

(5) Other operating income

	2018 EUR	2017 EUR
Income from rent	147 212	122 680
Amortisation of funds received from EBRD	10 514	18 752
Other income	252	-
Other income	99 606	92 259
	257 584	**233 691**

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

Notes to the Financial Statements

(6) Other operating expenses

	2018 EUR	2017 EUR
Loss from revaluation of long-term assets (see Note 9)	-	333 390
Loss on disposal of fixed assets, net	276	5 857
Fines	946	2 802
Other expenses	1 252	2 386
	2 474	**344 435**

(7) Income from investments in related companies

	2018 EUR	2017 EUR
Dividends received from investment in SIA Klīnika Dzintari	-	636 966
	-	**636 966**

(8) Corporate income tax

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

	2018 EUR	2017 EUR
Current tax	499	15 115
Deferred tax	-	(27 842)
	499	**(12 727)**

(ii) Deferred tax

Total movements in deferred tax:

	2018 EUR	2017 EUR
Deferred tax liabilities, beginning of the period	**-**	**390 878**
Changes in deferred tax recognized in the profit and loss statement	-	(27 842)
Adjustment to deferred tax recognized in the revaluation reserve	-	(363 036)
Deferred tax liabilities, end of the period	**-**	**-**

(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**
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**
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**

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 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.

Notes to the Financial Statements

Information on changes due to revaluation

	2018 EUR	2017 EUR
Appreciation due to revaluation	-	125 402
Impairment due to revaluation	-	(551 744)
Net changes in the value of fixed assets due to revaluation, including:	**-**	**(426 342)**
Increase from revaluation allocated to the decrease in the long term investment revaluation reserve	-	125 402
Gross decrease from revaluation allocated to the decrease in the long term investment revaluation reserve	-	(218 354)
Decrease from revaluation allocated to the profit and loss statement	-	(333 390)
	-	**(426 342)**

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, Riga	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, Riga	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 349 Rent rate per m2 – EUR 3.5-5 Capacity – 90% Capitalisation rate – 10%	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).

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, Riga	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); Capitalisation rate would be lower (higher).
	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%	

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:	31.12.2018. EUR	31.12.2017. EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 068 724)	(949 689)

(10) Long-term investments held for trading

	31.12.2018. EUR	31.12.2017. EUR
Investment in SIA Klīnika Dzintari	-	69 660
Building and land, Vecmīlgrāvja 5. līnija	-	190 000
	-	**259 660**

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).

(11) Stock

	31.12.2018. EUR	31.12.2017. EUR
Medicines in warehouse	111 405	103 994
Medicines in departments	5 580	8 588
Other materials	554	7 811
	117 539	**120 393**

Notes to the Financial Statements

(12) Trade receivables

	31.12.2018. EUR	31.12.2017. EUR
National Health Service	240 308	157 746
Insurance companies	70 186	50 238
Other institutions, companies and individuals	37 335	39 599
Doubtful debt allowance	(11 695)	(11 757)
	336 134	**235 826**

(13) Due from related parties

	31.12.2018. EUR	31.12.2017. EUR
Due from related parties, gross value	93 432	57 701
Doubtful debt allowance	(66 757)	(17 310)
	26 675	**40 391**

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

(14) Other receivables

	31.12.2018. EUR	31.12.2017. EUR
Overpaid taxes (see Note 21)	25 914	2 496
Value added tax on unpaid services	4 640	4 979
Other receivables	4 823	1 460
	35 377	**8 935**

(15) Prepaid expenses

	31.12.2018. EUR	31.12.2017. EUR
Insurance	3 323	3 472
Advertising	297	297
Rent	26 549	22 952
Other	3 997	39
	34 166	**26 760**

(16) Cash

By currency:

		2018		2017	
		Currency	EUR	Currency	EUR
Current account	USD	5 577	4 870	5 840	4 870
Current account	EUR	-	1 830 172	-	1 381 862
Cash on hand	EUR	-	9 036	-	4 566
			1 844 078		**1 391 298**

Notes to the Financial Statements

(17) Share capital

Share capital of the Company as at 31 December 2018 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:

	31.12.2018.		31.12.2017.	
	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 31 December 2018 amount to EUR 1 941 747 (2017: EUR 2 341 575).

(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

	2018 EUR	2017 EUR
Revaluation reserves as at 1 January	**2 292 360**	**2 057 203**
Decrease as a result of revaluation	-	(92 952)
Disposal of disposed fixed asset reserve	-	(34 927)
Reversal of deferred tax	-	363 036
Revaluation reserves as at 31 December	**2 292 360**	**2 292 360**

(20) Other liabilities

	31.12.2018. EUR	31.12.2017. EUR
Salaries	193 046	158 337
Payments to the trade union	490	574
Deposited remuneration for work and injunctions	100	-
	193 636	**158 911**

(21) Taxes and compulsory state social security contributions

	Balance as at 31.12.2017	Calculated for 2018	Paid in 2018	Balance as at 31.12.2018
	EUR	EUR	EUR	EUR
Corporate income tax	(2 490)	499	(23 917)	(25 908)
VAT	17 738	133 617	(143 493)	7 862
Real estate tax	(6)	7 835	(7 835)	(6)
Natural resources tax	1 610	2 529	(3 546)	593
Risk duty	115	1 436	(1 433)	118
Social contributions	82 597	1 172 174	(1 151 076)	103 695
Personal income tax	44 626	579 049	(572 380)	51 295
Total	**144 190**	**1 9897 139**	**(1 903 680)**	**137 649**
Including:				
Overpaid taxes	146 686			163 563
Tax liabilities	(2 496)			(25 914)

Overpaid taxes are disclosed under "Other receivables".

(22) Deferred income

	31.12.2018. EUR	31.12.2017. EUR
The part of capital grants to be recongized in profit or loss within 1 to 5 years	409 393	411 669
Lease payment of 10 years	371 250	-
Deferred income, long term	**780 643**	**411 669**
The part of capital grants to be recongized in profit or loss within one year	10 514	18 752
Lease payment of 10 years	45 000	-
Deferred income, short term	**55 514**	**18 752**

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

	31.12.2018 EUR	31.12.2017 EUR
Accrued expenses on unused vacations	234 447	177 107
	234 447	**177 107**

(24) Average number of employees by category

	2018	2017
Average number of employees in the reporting year:	347	343
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	339	335

Notes to the Financial Statements

(25) Personnel expenses

Type of costs	2018 EUR	2017 EUR
Remuneration	3 409 420	2 797 758
Compulsory state social security contributions	805 390	644 748
	4 214 810	**3 442 506**

(26) Remuneration to management

	2018 EUR	2017 EUR
Members of the Board		
remuneration	91 582	78 158
· compulsory state social security contributions	22 062	18 436
Members of the Council		
remuneration	27 319	27 319
· compulsory state social security contributions	6 182	6 011
Other members of the administration		
remuneration	259 573	212 600
· compulsory state social security contributions	60 820	48 489
	467 538	**391 013**

(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

	2018 EUR	2017 EUR
Audit of the financial statements	14 750	13 750
	14 750	**13 750**

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) Suggestions concerning coverage of losses

Loss of 2018 will be covered from retained earnings brought forward from previous years. LJMC plans to introduce project approach to new paid services which implies maintaining detailed cost calculations and an assessment of the financial impact, which is going to help put in place strong controls over profitability.

(32) 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

29 April 2019

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Independent Auditors' Report

To the shareholders of AS Latvijas Jūras medicīnas centrs

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS Latvijas Jūras medicīnas centrs ("the Company") set out on pages 7 to 28 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2018,
- the profit and 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 2018, 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.

KPMG

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

<table>
<tr><th colspan="2">Recognition of revenue from medical services</th></tr>
<tr><td>Key audit matter</td><td>Key audit matter</td></tr>
<tr><td>Revenues from ambulatory medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2018: EUR 6.67 million.

We refer to the financial statements: Note 1 (accounting policy) and Note 2 (financial disclosures).

The Company offers a wide variety of healthcare services. 64% of the revenues from medical services are financed by the National Health Service.

Since this financing is awarded based on the information prepared by the Company on the volume and amount of provided public healthcare services, there is a risk of manipulations in the amount of revenue recognized in order to increase revenues in the given period.

Furthermore, remuneration of professional staff is tied to the revenues recognized and may create further incentive to manipulate revenues.

As a consequence, there is an increased risk of misstatement in revenue balances, either by fraud or error, including through potential override of controls by management.</td><td>Our procedures included, among others:

• updating our understanding of revenue from medical services recognition process by discussing the process set-up with the relevant Company's personnel involved in the revenue recognition process and inspecting relevant documentation;

• assessing the completeness and existence of revenue by analysing revenue trend by month in the current period and comparing to the prior period monthly trend and challenging any unusual fluctuations using our knowledge of the Company and through inquiries with management.

• obtaining third party confirmations for revenues from medical services financed by the National Health Service and insurance companies and agreeing the amounts from those confirmations to the revenues recognized by the Company for the year ended 31 December 2018.

• inspecting incoming cash receipts in 2019 for a sample of outstanding balances due from key customers as at 31 December 2018.

• 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.</td></tr>
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<table>
<tr><th colspan="2">Completeness of remuneration expenses</th></tr>
<tr><th>Key audit matter</th><th>Our response</th></tr>
<tr>
<td>Remuneration expenses in the financial statements as at and for the year ended 31 December 2018: EUR 3.4 million.

We refer to the financial statements: Note 1 (accounting policy) and Notes 3, 4 and 24 (financial disclosures).

Nearly 53% of Remuneration expenses for the year ended 31 December 2018 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 in the agreement with National Health Service for state funded services, including services provided by family doctors

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 calculation; and therefore, it led us to select completeness of remuneration expenses as a significant risk.</td>
<td>Our procedures included, among others:

• updating our understanding of variable pay recognition and measurement by recalculating pay for a sample of different ambulatory medical services types.

• comparing the recognized amounts of variable pay for services funded by the National Health Service against the expectation developed by us.

— The inputs used in the development of expectation included list of services, including types of services, provided throughout the reporting year obtained by us directly from the National Health Service and applied rates set by the management to these services.

— As variable pay rates for family doctors are determined by the National Health Service, we have agreed the remuneration expenses to reports from the National Health Service on a sample basis.

• recalculating variable pay for paid medical services on a sample basis. We have compared supporting calculations for selected employees to the report for total paid medical services provided throughout the year. We have compared the variable pay rates used in calculations to rates approved by the management and referred to in the employment contracts. We have also tested the completeness of the report for total paid medical services by comparing it to associated received payments.

We also assessed whether the result of the recalculation of the sampled variable remuneration gives us sufficient and appropriate audit evidence that the variable remuneration is calculated for all paid medical services provided during the reporting year.</td>
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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 6 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage www.ljmc.lv and publicly available.

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.

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 12 June 2018 to audit the financial statements of AS Latvijas Jūras medicīnas centrs for the year ended 31 December 2017. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2018.

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.

For the period to which our statutory audit relates, in addition to the audit, we have provided the following services to the Company which are not disclosed in the Management Report or in the financial statements of the Company:

- Consultation service about IFRS 16 Leases

KPMG Baltics SIA
Licence No. 55

Armine Movsisjana

Armine Movsisjana
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 178
Riga, Latvia
29 April 2019

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