



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

**FINANCIAL STATEMENTS FOR 2019**  
(16th financial year)

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

**Riga, 2020**



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### *Information on the Company*

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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%) 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 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 2019 – 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

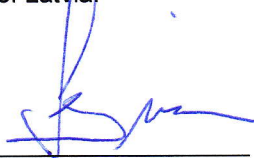
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The Board of AS Latvijas Jūras Medicīnas Centrs (hereinafter – the Company) is responsible for preparing the financial statements of the Company.

The financial statement on pages 8 to 29 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 2019.

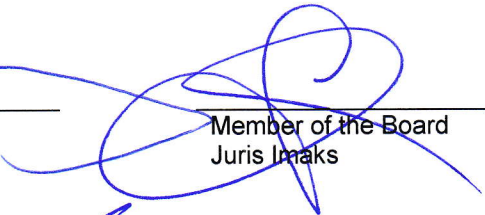
The above mentioned financial statement of the Company is prepared in accordance with the laws 'On accounting' and 'Annual Reports and Consolidated Annual Reports Law' effective in the Republic of Latvia, on a going concern basis. Appropriate accounting policies have been applied on a consistent basis.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



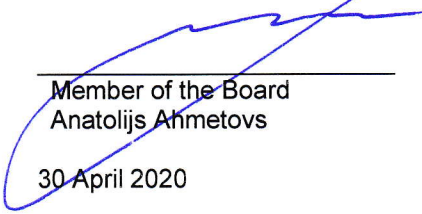
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Chairman of the Board  
Jānis Birks



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Member of the Board  
Juris Imaks



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Member of the Board  
Anatolijs Ahmetovs

30 April 2020



## *Management Report*

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### **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; Vecmilgravis Hospital and Northern Diagnostics Centre 26 Vecmilgravja 5.linija; Rīga, and Vecmilgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2019, 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 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 50001:2011.

### **Activities in the 12 months of 2019 and further development**

#### *The Company's activities in the 12 months of 2019*

In 2019 LJMC continued to provide high-quality medical services and attract new local and foreign patients. Similar to prior years, also in 2019 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 2019. 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 2019, 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 2019 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 2019, with the help of an independent data protection inspector LJMC continued 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 provided by the budget for 2019.

In 2019, 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.



## *Management Report*

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### *Further development of the Company*

To attract more foreign and local patients in 2019 LJMC made 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**

In the 12 months of 2019, LJMC operated in accordance with the budget approved for 2019. The profit of LJMC is EUR 164 160. LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. The investments made for 2019 amounted to EUR 190 161.

### **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.

### **The situation after the last day of the reporting year and Going Concern**

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments.

The management has considered the fact that the Company operates in the health care sector subject to temporary lock-down imposed by the government due to global circumstances and has considered that the lock-down period may be extended beyond the initially announced period of one month up to two or even three months or beyond and the adverse economic environment may last throughout the remainder of 2020 with recovery in the 1st quarter of 2021. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Company and the economic environment, in which the Company operates, including the measures already taken by the Latvian government. For more details refer to Note 31 (Summary of Significant of Significant Accounting Policies).

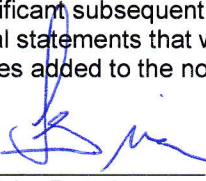


AS Latvijas Jūras medicīnas centrs  
Address: Patversmes iela 23, Rīga, LV-1005  
Unified registration number: 40003306807

### *Management Report*

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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.



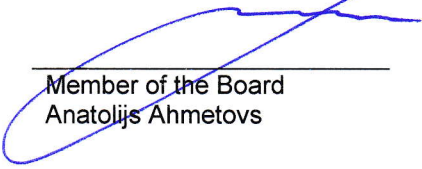
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Chairman of the Board  
Jānis Birks



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Member of the Board  
Juris Imaks



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Member of the Board  
Anatolijs Ahmetovs

30 April 2020



*Financial Statements*

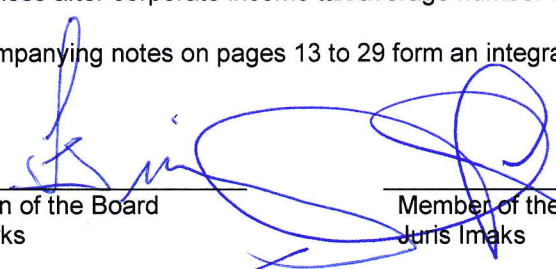
*Profit or Loss Statement for 2019*

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	Note	2019 EUR	2018 EUR
1. Net sales	2	7 271 469	6 673 893
2. Cost of goods and services	3	(6 816 419)	(6 456 788)
<b>3. Gross Profit</b>		<b>455 050</b>	<b>217 105</b>
4. Administrative expenses	4	(580 100)	(551 544)
5. Other operating income	5	292 827	257 584
6. Other operating expenses	6	(2 682)	(2 474)
<b>7. Profit/ (loss) before corporate income tax</b>		<b>165 095</b>	<b>(79 329)</b>
8. Corporate income tax for the reporting year	7	(935)	(499)
<b>9. Profit/ (loss) for the reporting year</b>		<b>164 160</b>	<b>(79 828)</b>
<b>Number of shares</b>		<b>800 000</b>	<b>800 000</b>
<b>Earnings per share (EUR)*</b>		<b>0.21</b>	<b>(0.10)</b>

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

The accompanying notes on pages 13 to 29 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

30 April 2020



*Balance Sheet as at 31 December 2019*

	Note	31.12.2019 EUR	31.12.2018 EUR
<b>Assets</b>			
<b>Long-term assets</b>			
<b>I Intangible assets:</b>			
Concessions, patents, licenses, trademarks and similar rights		-	1 264
<b>Total intangible assets:</b>	8	-	1 264
<b>II Fixed assets:</b>			
1. Land, buildings and engineering structures		4 370 610	4 483 688
2. Equipment and machinery		176 891	135 209
3. Other fixed assets		107 499	45 068
4. Construction in progress		4 159	1 332
<b>Total fixed assets:</b>	8	<b>4 659 159</b>	<b>4 665 297</b>
<b>Total long-term investments:</b>		<b>4 659 159</b>	<b>4 666 561</b>
<b>Current assets</b>			
<b>I Stock:</b>			
1. Raw materials, primary materials and auxiliary materials	9	101 746	117 539
<b>Total stock:</b>		<b>101 746</b>	<b>117 539</b>
<b>II Receivables:</b>			
1. Trade receivables	10	96 072	95 826
2. Due from related parties	11	26 261	26 675
3. Other receivables	12	60 641	35 377
4. Prepaid expenses	13	33 576	34 166
5. Accrued income	14	117 940	240 308
<b>Total receivables:</b>		<b>334 490</b>	<b>432 352</b>
<b>III Cash:</b>	15	<b>1 987 454</b>	<b>1 844 078</b>
<b>Total current assets:</b>		<b>2 423 690</b>	<b>2 393 969</b>
<b>Total assets</b>		<b>7 082 849</b>	<b>7 060 530</b>

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.



*Balance Sheet as at 31 December 2019*

	Note	31.12.2019 EUR	31.12.2018 EUR
<b>Equity and Liabilities</b>			
<b>Shareholders' equity:</b>			
1. Share capital	16	1 120 000	1 120 000
2. Long term investment revaluation reserve	18	2 292 360	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		1 861 747	2 021 575
b) profit/(loss) for the reporting year		164 160	(79 828)
<b>Total shareholders' equity:</b>		<b>5 502 086</b>	<b>5 417 926</b>
<b>Liabilities:</b>			
<b>Long term liabilities:</b>			
1. Deferred income	21	725 132	780 643
<b>Total long term liabilities:</b>		<b>725 132</b>	<b>780 643</b>
<b>Short-term liabilities:</b>			
1. Customer advances		1 831	1 840
2. Accounts payable to suppliers and contractors		179 885	212 961
3. Taxes and compulsory state social security contributions	20	163 775	163 563
4. Other creditors	19	195 720	193 636
5. Deferred income	21	55 513	55 514
6. Accrued liabilities	22	258 907	234 447
<b>Total short term liabilities:</b>		<b>855 631</b>	<b>861 961</b>
<b>Total liabilities:</b>		<b>1 580 763</b>	<b>1 642 604</b>
<b>Total equity and liabilities</b>		<b>7 082 849</b>	<b>7 060 530</b>

The accompanying notes on pages 13 to 29 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

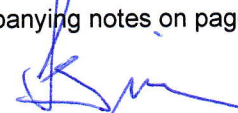
30 April 2020

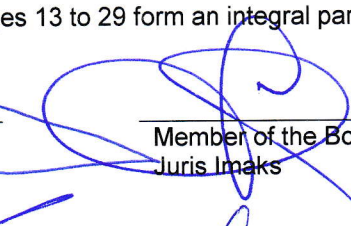


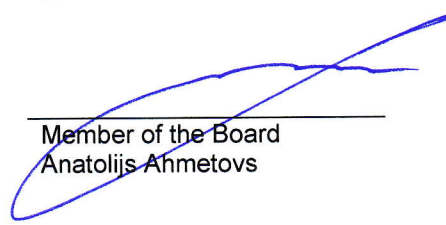
*Statement of Changes to the Shareholders Equity for 2019*


	Share capital	Long-term investment revaluation reserve	Reserves set in the Company's statutes	Retained earnings brought forward from previous years	Profit/ (loss) for the reporting year	Total share- holder's equity
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31 December 2017</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>1 835 086</b>	<b>506 489</b>	<b>5 817 754</b>
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)
<b>Balance as at 31 December 2018</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>2 021 575</b>	<b>(79 828)</b>	<b>5 417 926</b>
Loss of 2018 transferred to retained earnings of previous years	-	-	-	(79 828)	79 828	-
Dividends for 2017	-	-	-	(80 000)	-	(80 000)
Profit for the year	-	-	-	-	164 160	164 160
<b>Balance as at 31 December 2019</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>1 861 747</b>	<b>164 160</b>	<b>5 502 086</b>

The accompanying notes on pages 13 to 29 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

30 April 2020



*Statement of Cash Flows for 2019*

	Note	2019 EUR	2018 EUR
<b>I. Cash flows from operating activities</b>			
1. Profit/ (loss) before corporate income tax		165 095	(79 329)
<u>Adjustments for:</u>			
a) depreciation of fixed assets	8	195 619	199 318
b) amortisation of intangible assets	8	1 264	1 659
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		<b>361 978</b>	<b>121 648</b>
<u>Adjustments for:</u>			
a) decrease/ (increase) in trade receivables		96 927	(97 022)
b) decrease/ (increase) in stock		15 793	2 854
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		(61 841)	596 010
<b>3. Gross cash flows from operating activities</b>		<b>412 857</b>	<b>623 490</b>
4. Corporate income tax		-	(23 917)
<b>5. Net cash flows from operating activities</b>		<b>412 857</b>	<b>599 573</b>
<b>II. Cash flows used in investing activities</b>			
a) purchase of fixed and intangible assets	8	(190 161)	(86 453)
b) Income from disposal of shares in related, associated or other companies		-	69 660
c) Income from disposal of fixed and intangible assets		680	190 000
<b>Net cash flows from investing activities</b>		<b>(189 481)</b>	<b>173 207</b>
<b>III. Cash flows from financing activities</b>			
a) Dividends paid		(80 000)	(320 000)
<b>7. Net cash flows from financing activities</b>		<b>(80 000)</b>	<b>(320 000)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the reporting year</b>		<b>143 376</b>	<b>452 780</b>
Cash and cash equivalents at the beginning of the year		1 844 078	1 391 298
<b>Cash and cash equivalents at the end of the year</b>	15	<b>1 987 454</b>	<b>1 844 078</b>

The accompanying notes on pages 13 to 29 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

30 April 2020



## *Notes to the Financial Statements*

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

#### ***Information on the Company***

The legal address AS Latvijas Jūras medicīnas centrs (LJMC or the Company) is 22 Patversmes iela, Rīga, Latvia. The Company was registered with the Commercial Register under the common registration number 40003306807. The largest shareholders of the Company are Ilze Birka (17.50%), Mārtiņš Birks (17.50%), Jānis Birks (12.80%), Guna Švarcberga (10.36%), Ilze Aizsilniece (8.82%), Adomas Navickas (6.85%).

The Board comprises Jānis Birks (Chairperson of the Board), Juris Imaks (Board Member) and Anatolijs Ahmetovs (Board Member). The Chairperson of the Council is Mārtiņš Birks, Council Members are Viesturs Šiliņš, Ineta Gadzjus, Jevgēnija 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; and,
  - 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 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.



## *Notes to the Financial Statements*

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### **Related parties**

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

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

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

### **Financial instruments and financial risks**

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

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

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

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

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

Management has implemented procedures to control the key risks.

#### *Credit risk*

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

#### *Interest rate risk*

Management believes that interest rate risk is not material.



## Notes to the Financial Statements

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### *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 2019 to 31 December 2019.

### **Currency unit and revaluation of foreign currency**

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

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

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

Exchange rate per EUR 1:

	As at 31.12.2019	As at 31.12.2018
USD	1.12340	1.14500

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.

Judgments applied to going concern basis application have been outlined in note 31 of these financial statements.

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**

The management estimates the useful lives of fixed 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:



## *Notes to the Financial Statements*

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

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

### **(iii) Fixed assets**

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

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

As at 31 December 2019 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.

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.



## *Notes to the Financial Statements*

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### **(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 2019.

### **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.



## *Notes to the Financial Statements*

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### **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.

### **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.

	2019 EUR	2018 EUR
Ambulatory medical services	6 710 538	6 202 110
Services covered by insurance	560 931	462 422
<i>Paid ambulatory medical services</i>	<i>311 877</i>	<i>257 106</i>
<i>Paid in-patient care</i>	<i>249 054</i>	<i>205 316</i>
Dental services	-	9 361
	<b>7 271 469</b>	<b>6 673 893</b>

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.

	2019 EUR	2018 EUR
Remuneration	3 335 719	3 030 946
Medicines, medical materials	827 279	781 358
Compulsory state social security contributions	786 948	716 326
Non-deductible value added tax	365 522	345 885
Lease of equipment	318 210	356 250
Depreciation	196 883	200 701
Utilities and maintenance	247 516	256 921
Office items and equipment, other materials	203 514	170 347
Repair costs	181 424	165 655
Medical examinations and other services	51 291	50 105
IT expenses	39 684	32 394
Advertisement expenses	5 078	35 115
Security	23 559	25 012
Changes in doubtful debt allowances	39 569	49 385
Medical fund risk expenses	14 206	15 571
Transport	15 211	11 100
Office expenses	13 750	9 729
Patient catering expenses	10 465	10 369
Real estate tax	6 173	7 835
Insurance	6 926	6 730
Staff training expenses	8 756	6 298
Risk duty	1 399	1 411
Benefits and gifts to employees	1 577	1 782
Changes in cost of accrued vacations	24 460	57 340
Other costs related to services	91 300	112 223
	<b>6 816 419</b>	<b>6 456 788</b>



*Notes to the Financial Statements*

**(4) Administrative expenses**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration	393 596	378 474
Compulsory state social security contributions	92 435	89 064
Staff training expenses	27 000	-
Communication expenses	17 382	17 252
Audit of the financial statements	14 895	14 750
Office expenses	6 764	11 599
Bank services	10 610	8 410
Legal activities	9 852	23 535
Representation expenses	2 742	1 934
Other	4 824	6 526
	<b>580 100</b>	<b>551 544</b>

**(5) Other operating revenue**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Income from rent	127 689	147 212
Amortisation of funds received from EBRD	10 513	10 514
Other income	-	252
Other revenue	154 625	99 606
	<b>292 827</b>	<b>257 584</b>

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

**(6) Other operating expenses**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Penalties	319	946
Loss on disposal of fixed assets, net	-	276
Other expenses	2 363	1 252
	<b>2 682</b>	<b>2 474</b>

**(7) Corporate income tax**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Current tax	935	499
	<b>935</b>	<b>499</b>



Notes to the Financial Statements

(8) Intangible assets and fixed assets

	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
Historical cost					
31.12.2018	80 453	2 576 997	500 797	1 332	7 841 218
Additions	-	96 519	90 815	2 827	190 161
Disposals	-	(135 872)	(15 076)	-	(150 948)
31.12.2019	80 453	2 537 644	576 536	4 159	7 880 431
Accumulated depreciation and amortisation					
31.12.2018	79 189	2 441 788	455 729	-	3 174 657
Accumulated depreciation and amortisation	1 264	113 078	28 384	-	196 883
Depreciation of disposed fixed assets	-	(135 192)	(15 076)	-	(150 268)
31.12.2019	80 453	311 029	469 037	-	3 221 272
Balance as at 31.12.2018	1 264	4 483 688	45 068	1 332	4 666 561
Balance as at 31.12.2019	-	4 370 610	107 499	4 159	4 659 159

In February 2018 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. As at 31 December 2019, 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.

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-relationship between significant unobservable inputs and fair value measurement
Buildings and land	Fair value has been estimated based on the amount of EUR 3 100 000 at average of:	Price per m2 EUR 470	The fair value would increase (decrease) if the price per m2 was higher (lower).
Patversmes iela, Rīga	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Rent rate per m2 – EUR 2.3-9	Rent rate would be higher (lower); Capacity percentage would be higher (lower);
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Capacity – 90%	Capitalisation rate would be lower (higher);
		Capitalisation rate – 9%	



## Notes to the Financial Statements

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per 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).
Buildings and land in the amount of EUR 640 000 at Melīdas iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 334 Rent rate per m2 EUR 1-4.7 Capacity – 90% Capitalisation rate – 9.0%	The fair value would increase (decrease) if the price per m <sup>2</sup> was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).

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

The carrying amount of land, buildings and constructions as at 31 December 2019 had revaluation not taken place would be EUR 2 833 532 (31.12.2018 – EUR 2 952 566).

Including:

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 187 758)	(1 068 724)

### (9) Stock

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Medicines in warehouse	93 576	111 405
Medicines in departments	8 002	5 580
Other materials	168	554
	<b>101 746</b>	<b>117 539</b>



*Notes to the Financial Statements*

**(10) Trade receivables**

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Insurance companies	67 705	70 186
Other institutions, companies and individuals	41 346	37 335
Doubtful debt allowance	(12 979)	(11 695)
	<u>96 072</u>	<u>95 826</u>

**(11) Due from related parties**

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Due from related parties, gross value	131 303	93 432
Doubtful debt allowance	(105 042)	(66 757)
	<u>26 261</u>	<u>26 675</u>

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

**(12) Other receivables**

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Overpaid taxes (see Note 19)	24 979	25 914
Value added tax on unpaid services	3 846	4 640
Other receivables	31 816	4 823
	<u>60 641</u>	<u>35 377</u>

**(13) Prepaid expenses**

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Rent	28 410	26 549
Insurance	4 971	3 323
Advertising	-	297
Other	195	3 997
	<u>33 576</u>	<u>34 66</u>

**(14) Accrued income**

	31.12.2019. EUR	31.12.2018. EUR
Accrued income invoiced after the end of the reporting year	117 940	240 308
	<u>117 940</u>	<u>240 308</u>



## Notes to the Financial Statements

The accrued income consists of the invoices of the National Health Service, which are issued after the end of the reporting year.

### (15) Cash

By currency:	2019		2018	
	Currency	EUR	Currency	EUR
Current account	USD	5 839	5 576	4 870
Current account	EUR	- 1 976 187	-	1 830 172
Cash on hand	EUR	- 6 069	-	9 036
		<b>1 987 454</b>		<b>1 844 078</b>

### (16) Share capital

Share capital of the Company as at 31 December 2019 amounted to EUR 1 120 000 (31.12.2018: 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:

	As at 31.12.2019		As at 31.12.2018	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
Ilze Aizsilniece	70 565	8.82%	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.17%	209 319	26.17%
<b>Total</b>	<b>800 000</b>	<b>100.00%</b>	<b>800 000</b>	<b>100.00%</b>
<b>Share capital (EUR)</b>	<b>1 120 000</b>		<b>1 120 000</b>	

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

### (17) Retained earnings

Retained earnings, including the profit of 2019 of EUR 164 160 as at 31 December 2019 amount to EUR 2 025 907 (2018: EUR 1 941 747). If the profit for 2019 were divided into dividends, the tax payable would be EUR 41 040 under the new tax regime, which became effective on 1 January 2018.

### (18) Revaluation reserves

Revaluation reserve as at 31 December 2019 includes the amount of revaluation of fixed assets. In 2019 and 2018, the revaluation reserve was not changed.

### (19) Other creditors

	As at 31.12.2019	As at 31.12.2018
	EUR	EUR
Salaries	195 288	193 046
Payments to the trade union	432	490
Deposited remuneration for work and injunctions	-	100
	<b>195 720</b>	<b>193 636</b>



## Notes to the Financial Statements

### (20) Taxes and compulsory state social security contributions

	Balance as at 31.12.2018	Calculated for 2019	Paid in 2019	Balance 31.12.2019
	EUR	EUR	EUR	EUR
Corporate income tax	(25 908)	935	-	(24 973)
VAT	7 862	51 157	(53 237)	5 782
Real estate tax	(6)	-	-	(6)
Natural resources tax	593	1 167	(1 760)	-
Risk duty	118	1 399	(1 402)	115
Social contributions	103 695	1 280 017	(1 279 030)	104 682
Personal income tax	51 295	651 968	(650 067)	53 196
<b>Total</b>	<b>137 649</b>	<b>1 986 643</b>	<b>(1 985 496)</b>	<b>138 796</b>

Including:

Overpaid taxes	(25 914)	(24 979)
Tax liabilities	163 563	163 775

Overpaid taxes are disclosed under "Other receivables".

### (21) Deferred income

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	52 565	52 565
The part of capital grants to be charged to profit or loss in period up to 5 years	346 317	356 828
Lease payment of 10 years	326 250	371 250
<b>Deferred income, long term</b>	<b>725 132</b>	<b>780 643</b>
The part of capital grants to be charged to profit or loss within one year	10 513	10 514
Lease payment of 10 years	45 000	45 000
<b>Deferred income, short term</b>	<b>55 513</b>	<b>55 514</b>

In 2012, the Company received EBRD funding to purchase fixed assets. In 2019, the Company recognised revenue of EUR 10 513 (2018: EUR 18 752) (see Note 5).

The Company received lease payments for the next 10 years amounting to EUR 450 000. In 2019, the Company recognised revenue of EUR 45 000 (2018: 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.

### (22) Accrued liabilities

	As at 31.12.2019 EUR	As at 31.12.2018 EUR
Accrued expenses on unused vacations	258 907	234 447
	<b>258 907</b>	<b>234 447</b>



## *Notes to the Financial Statements*

### **(23) Average number of employees by category**

	<b>2019</b>	<b>2018</b>
Average number of employees in the reporting year:	<b>340</b>	<b>347</b>
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	332	339

### **(24) Personnel expenses**

<b>Type of costs</b>	<b>2019 EUR</b>	<b>2018 EUR</b>
Remuneration	3 729 315	3 409 420
Compulsory state social security contributions	879 383	805 390
	<b><u>4 608 698</u></b>	<b><u>4 214 810</u></b>

### **(25) Remuneration to management**

	<b>2019 EUR</b>	<b>2018 EUR</b>
Members of the Board remuneration	95 380	91 582
· compulsory state social security contributions	22 977	22 062
Members of the Council remuneration	27 319	27 319
· compulsory state social security contributions	6 182	6 182
Other members of the administration remuneration	270 897	259 573
· compulsory state social security contributions	63 276	60 820
	<b><u>486 031</u></b>	<b><u>467 538</u></b>

### **(26) Future liabilities**

As at 31 December 2019, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2018: 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 2019 (31.12.2018: none).

### **(27) Related party transactions**

In 2019, the Company made transactions with related parties:

- During 2019 invoices issued to SIA Kodolmedicīnas klīnika for rent payments of EUR 37 871 (2018. gadā: EUR 29 530). During 2019 additional provisions are accrued at amount of EUR 38 285 (2018: EUR 49 447). The outstanding amount of the credit line as at 31 December 2019 is EUR 105 042 (as at 31 December 2018 : EUR 66 757). The provisions are made to reduce the impact of transaction risk on the profit and loss statement.



## *Notes to the Financial Statements*

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### **(28) Remuneration to the certified auditor**

	2019 EUR	2018 EUR
Audit of the financial statements	14 895	14 750
	<u>14 895</u>	<u>14 750</u>

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

The Company has 22 effective operating lease agreements regarding equipment. According to this agreement, lease payments are the following:

Year 2020 – EUR 386 090.  
In 2021-2023 – EUR 898 293.

### **(30) Suggestions regarding profit distribution**

The management suggests that profit of the reporting period amounting to EUR 164 160 be retained undistributed.

### **(31) Events after the balance sheet date and their impact on the ability of the Company to continue operations**

The financial statements are based on a qualitative and quantitative assessment and the issuer has ensured transparency with regard to the actual and potential impact of Covid-19 on its business, financial position and economic indicators.

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020, which was extended on 7 April 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments. In particular, airlines, sea carriers and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities were closed or restricted their activities. Many businesses in Latvia have also instructed employees to remain at home and some have curtailed or temporarily suspended business operations. Similar measures were taken by other European countries and other countries affected by the pandemic.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Latvia, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Latvia and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

On 22 March 2020 the law on measures to prevent and overcome the national threat and combat its consequences in relation to the spread of the disease caused by COVID-19 was ratified with retrospective effect from 12 March 2020. The law provides for a number of measures to help companies overcome the emergency.



## *Notes to the Financial Statements*

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The Company is engaged in commercial activities in the health care sector, which has been impacted by the outbreak of Covid-19 and following Order No. 59 by the Ministry of Health the provision of secondary ambulatory health care services, day hospital services and paid health care services was suspended. Net sales to 23 March 2020 were strong. According to the information published by the Company on 23 March 2020 on the websites of NasdaqRiga and FCMC the provision of secondary ambulatory services and day hospital services were suspended. After 23 March 2020, unaudited net sales of the Company decreased and as a result March sales decreased by 24% versus February and those for April are expected to decrease by more than 30%. Based on the publicly available information at the date of these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Company and the economic environment, in which the Company operates, including the measures already taken by the Latvian government.

Management considered the following operating risks that may adversely affect the Company:

- Unavailability of staff for extended period of time;
- Legal restrictions on provision of services;
- Recession in the Latvian economy and globally that would significantly reduce the purchasing power of end consumers and businesses.

The management has considered the fact that the Company operates in the health care sector subject to temporary lock-down imposed by the government due to global circumstances and has considered that the lock-down period may be extended beyond the initially announced period of one month up to two or even three months or beyond and the adverse economic environment may last throughout the remainder of 2020 with recovery in the 1st quarter of 2021. On 17 April 2020, order No. 59 by the Ministry of Health was amended to allow the provision of the following planned health care services from 20 April 2020: diagnostics services with referrals of family doctors or specialists and consultations of certain specialists. The Company started to offer health care services starting from 20 April 2020 as stipulated in order No. 59 by the Ministry of Health. The level of services that can be provided under the regulations is limited to around 40% of the state funded services pool serviced by the Company, which is representative of 25% of the annual revenue. Based on the current state of affairs it is expected that additional health care services will be allowed from 12 May 2020.

In order to mitigate the risks resulting from potential adverse scenarios, Management started to implement the measures, which notably include:

- implementation of a work-from-home program on a rotational basis for a significant group of administrative employees and remote consultations of family doctors;
- employees in the administration department have been trained to adhere to very strict precautionary standards including social distancing;
- remote negotiations with the bank to provide a grace period for lease payments on medical equipment until the 4th quarter of 2020.
- the Board has decided to suspend capital expenditure for the upcoming 9 months.

The Company has assessed different scenarios as to how the situation might develop. Forecast for an adverse development scenario: Based on economic calculations and accounting estimates the Company forecasted that revenues in 2020 may decrease by 35% compared to 2019 on the assumption that state paid services will decrease by 31% during the year and the total volume of paid services will decrease by 45% during the year. It is based on the scenario that it will be allowed to partly provide state paid services from 20 April 2020 and the total volume of services provided will decline for various reasons to reach an overall level which is 31% lower than that in 2019. As concerns paid services, they might be resumed from July with a lower demand compared to previous periods, which results in a decrease of 45% during the year. In this scenario, the Company will reduce remuneration (majority of which is variable based), tax expenses related primarily to the variable part of remuneration, reduce the cost of medicines and medical materials, repairs and operating expenses. According to the management, the Company could be able to overcome such a scenario assuming that net sales return to historical levels in 2021.

Forecast for the base case scenario: Based on economic calculations and accounting estimates the Company believes that revenue in 2020 may decrease by 17% compared to 2019 on the assumption



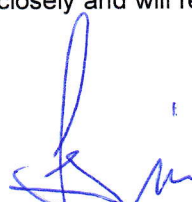
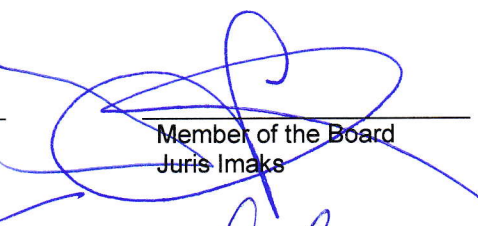
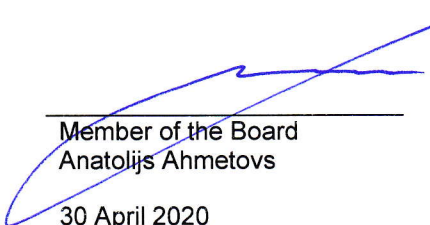

## Notes to the Financial Statements

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that state paid services will decrease by 12% during the year while the total volume of paid services will decrease by 29% during the year. It is based on the scenario that it will be allowed to partly provide state paid services from 20 April 2020 and during the year these services could be provided in full, with appropriate adjustments to the circumstances, and the total volume of services will decline for various reasons to reach an overall level which is 12% lower than that in 2019. The key difference between the adverse and the base scenario is the total volume of services provided and the ability to adapt to changing circumstances. It will be possible to resume the provision of paid services from July; however, the overall demand will decrease significantly. In this scenario, the Company will partly reduce remuneration related primarily to the variable part of remuneration, partly reduce tax expenses, partly reduce the cost of medicines and medical materials, repairs and operating expenses. In this scenario the management believes the Company will be able to complete the year with insignificant losses.

Current assets as at 31 December 2019 amounted to EUR 2 423 690 and current liabilities amounted to EUR 855 631 the liquidity ratio was 2.8. The management believes that equity of EUR 5 502 086 and cash of EUR 1 987 454 at the end of 2019 provide a sound basis for the Company to continue as a going concern. In management's view, the above factors support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the period end date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company operates in will have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

  
\_\_\_\_\_  
Chairman of the Board  
Jānis Birks  
\_\_\_\_\_  
Member of the Board  
Juris Imaks  
\_\_\_\_\_  
Member of the Board  
Anatolijs Ahmetovs  
\_\_\_\_\_  
Chief Accountant  
Gunta Kaufmane

30 April 2020





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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 7 to 28 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2019,
- 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 2019, 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	
Key audit matter	Our response
<p>Revenues from ambulatory medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2019: EUR 7.27 million (31 December: EUR 6.67 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. The revenue recognition is complex in nature as it involves a multitude of services and rates.</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 error resulting from complexity of revenue recognition process and 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"> <li>• testing the design and implementation of controls over revenue recognition process;</li> <li>• 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;</li> <li>• obtaining all third party confirmations for revenues from medical services financed by the National Health Service and insurance companies and tracing the amounts from those confirmations to the revenues recognized by the Company for the year ended 31 December 2019;</li> <li>• inspecting incoming cash receipts in 2020 for a sample of outstanding balances due from key customers as at 31 December 2019;</li> <li>• for a sample of revenue transactions recognized throughout the year and related to individual patients, assessing whether revenue was recognised appropriately by reference to the relevant documentation, supporting delivery of services for example, invoices and cash receipts;</li> <li>• 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.</li> </ul>





Existence and accuracy of remuneration expenses	
Key audit matter	Our response
<p>Remuneration expenses in the financial statements as at and for the year ended 31 December 2019: EUR 3.7 million (31 December 2018: EUR 3.4 million).</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Notes 3, 4 and 24 (financial disclosures).</p> <p>Nearly 65% of Remuneration expenses for the year ended 31 December 2019 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"> <li>• updating our understanding over salary calculation process with particular focus for the calculation of the variable pay;</li> <li>• 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;</li> <li>• 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"> <li>— 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;</li> <li>— comparing the report for total paid medical services against the Company's salary calculation.</li> </ul> </li> </ul>





Going concern	
Key audit matter	Our response
<p>The Company's financial statements are prepared on a going concern basis.</p> <p>The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, and also, on Latvian government declared a state of emergency on 12 March 2020. The measures taken by the government to counter the effects of the outbreak include suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments, among other things. The Company is engaged in commercial activities in the health care sector, which has been impacted by the outbreak of Covid-19 and following Order No. 59 by the Ministry of Health the provision of secondary ambulatory health care services, day hospital services and paid health care services was suspended.</p> <p>The Company's going concern assessment was based on cash flow forecasts which in the Management Board's view support the assertion that the Company will have sufficient resources to continue its operation on a going concern basis for a period of at least 12 months from the period end date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the Management Board to be severe but plausible, such as continued limitations to provide full scope of services and suppressed demand. The COVID-19 pandemic is an unprecedented challenge for</p>	<p>Our procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Understanding the Company's business planning process over the assessment of the Company's ability to continue as a going concern, including preparation and validation of cash flow forecasts used in the assessment;</li> <li>• Inspecting the Management Board's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Company's CEO and CFO;</li> <li>• Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following: <ul style="list-style-type: none"> <li>— Challenging the key assumptions used in the determination of the forecast financial information under various scenarios. This primarily included challenging the assumed lockdown period, forecast sales volumes and forecasted cost reductions, based on our understanding of the Company's activities and by reference to publicly available information;</li> <li>— Performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;</li> </ul> </li> <li>• Considering whether any additional relevant facts or information have become available since the date on which the Company made its assessment;</li> </ul>





humanity and for the economy globally, and at the date of the financial statements its effects are subject to significant levels of uncertainty. The Company's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Management Board's plans for future actions and their financial impact.	<ul style="list-style-type: none"><li>• Evaluating the appropriateness of Company's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the financial statements.</li></ul>
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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](http://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 2019 to audit the financial statements of AS Latvijas Jūras medicīnas centrs for the year ended 31 December 2019.





Our total uninterrupted period of engagement is 4 years, covering the periods ending 31 December 2016 to 31 December 2019.

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  
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Certificate No. 200  
*Rīga, Latvia*  
30 April 2020

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