



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

FINANCIAL STATEMENTS FOR 2021
(18th financial year)

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

Riga, 2022

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Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Number, place and date of registration	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the unified registration number 4000 330 6807	
Core business:	Hospital activities (86.10) Retail sale of medical and orthopaedic goods in specialised stores (47.74) Other education n.e.c. (85.59) General medical practice activities (86.21) Special medical practice activities (86.22) Dental practice activities (86.23) Other human health activities (86.90) Residential nursing care activities (87.10) Other residential care activities (87.90) Other social work activities without accommodation n.e.c. (88.99) Physical well-being activities (96.04) Other personal service activities n.e.c. (96.09)	
Registered office	Patversmes iela 23 Rīga, LV-1005, Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) SIA 'POM' (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs – Member of the Board	
Names 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 2021 – 31 December 2021	
Name and address of the certified auditor in charge	KPMG Baltics SIA Licence No. 55 Vesetas iela 7 Rīga, LV-1013, Latvia	Certified auditor in charge: Rainers Vilāns Certificate No. 200

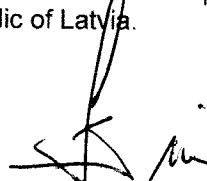
Statement of the Board's Responsibility

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

The financial statement on pages 9 to 28 is prepared based on accounting records and source documents and present fairly the financial position of Companies as at 31 December 2021 and the results of its operations, and cash flows for the 12-month period of 2021.

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

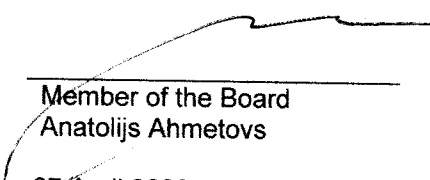
The management of the Company is responsible for the maintenance of a proper accounting system, safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The management is also responsible for compliance with laws of the Republic of Latvia.



Chairman of the Board
Jānis Birks



Member of the Board
Juris Imaks



Member of the Board
Anatolijs Ahmetovs

27 April 2022

Management Report

Type of business

A/S Latvijas Jūras medicīnas centrs (hereinafter – LJMC or the Company) is a certified and advanced private medical facility available to everyone, which consists of Sarkandaugava Ambulatory Healthcare Centre at 23 Patversmes iela, Rīga; Central Hospital at 23 Patversmes iela, Rīga; Vecmīlgravis Hospital and Northern Diagnostics Centre 26 Vecmīlgravja 5.linija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2021, the average number of employees at LJMC was 352. The shares of A/S Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Rīga.

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

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

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

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

Activities in the 12 months of 2021 and further development

The Company's activities in the 12 months of 2021

In 2021, LJMC continued to provide high-quality medical services and attract new patients. Similar to prior years, also in 2021 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality and adherence to strict precautionary standards, and personnel can ensure safe and accessible services for patients when providing health care services. LJMC is on the official list of providers of medical tourism services maintained by the Health Inspection of the Republic of Latvia. In 2021, LJMC published information in the catalogue "Health Tourism in Latvia", created and supported by LIDA.

During 2021, LJMC, when providing health care services, adapted flexibly to the normative documents of the Ministry of Health, which imposed restrictions on preventing and overcoming the spread of Covid-19. Both secondary ambulatory health care services and daily hospital services, as well as paid health care services were provided to the extent permitted in the normative documents, ensuring continuity of activity and the monitoring of the impact of new events and conditions.

In 2021, LJMC promoted paid health care services, ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

The Radiology Department in 2021 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 ensure compliance with the requirements of GDPR in 2021, LJMC in cooperation with an independent data protection inspector continued improvement of documents in compliance with the laws and regulations, continued improvement of renewing the 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 2021, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2021.

In 2021, 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 2025, and continued updating the hygiene and disinfection plan, and implementing ISO certification in other units of LJMC.

Management Report

Further development of the Company

To attract even more patients, in 2021 LJMC will by made investments to introduce innovative solutions for providing medical services, improve the qualification of the staff and enhance patient service. Also, LJMC will continue the state policy in re-profiling of hospitals to ambulatory healthcare institutions, thus adding to the health care service offering. In 2022, the LJMC will continue to further ensure compliance with precautionary standards in the provision of healthcare services, so that cooperation between the patients and healthcare professionals could facilitate access to those services.

Continuing to improve the available services with a highly qualified and professional diagnostic service, the Radiology Department of LJMC, as one of the most modern and innovative cancer diagnostic centres in Eastern Europe, will help to increase the flow of local and foreign patients when a safe flow of patients is restored.

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

Financial results

In the 12 months of 2021, LJMC operated in accordance with the budget approved for 2021. The profit of LJMC is EUR 880 259.

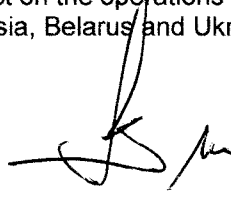
Risk management

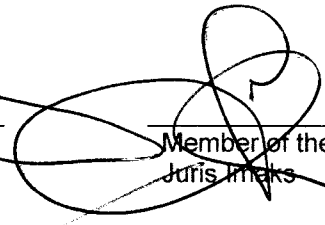
LJMC continues carrying out activities seeking to limit the negative impact of potential financial risks on the financial position of LJMC by implementing a set of control and analysis measures. Financial assets exposed to credit risk are mostly cash, trade receivables and other receivables. Credit risk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

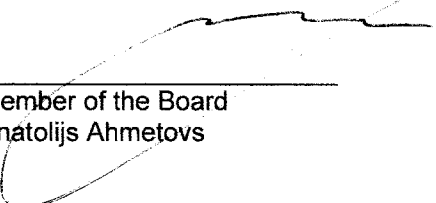
Liquidity risk is managed by LJMC in line with the principle of prudence ensuring that appropriate credit resources are available to cover liabilities as they fall due. LJMC does not use loans, except operating leases.

Subsequent events and going concern

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto. The Russia-Ukraine war is not expected to have material effect on the operations of the Company. The Company does not plan to enter into transactions with Russia, Belarus and Ukraine.



Chairman of the Board
Jānis Birks

Member of the Board
Jūris Imaks

Member of the Board
Anatolijs Ahmetovs

27 April 2022

Remuneration Report for 2021

Introduction

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

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

According to the Audit Services Law of the Republic of Latvia, a sworn auditor is under the obligation to provide an opinion on whether the information referred to in Section 59.4 of the Financial Instrument Market Law has been included in the remuneration report and whether significant non-conformities have been established in the remuneration statement in relation to the financial information indicated in the annual report.

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

Remuneration to the Board and Council

The remuneration policy of the Board and the Council ensures that in 2021 the Company's strategy, realization of long-term interests and sustainability, ensuring business continuity, is implemented.

Remuneration to the members of the Council consists only of fixed component of remuneration. In 2021, the following total remuneration was granted and paid to the members of the Council:

Name, surname	Position	Remuneration paid in 2021, EUR
Mārtiņš Birks	Chairman of the Council	8 195.76
Ineta Gadzjus	Member of the Council	4 780.92
Viesturs Šiliņš	Member of the Council	4 780.92
Jevgēņijs Kalējs	Member of the Council	4 780.92
Uldis Osis	Member of the Council	4 780.92

In 2020, the total remuneration granted and paid to the members of the Supervisory Board of the Company was as follows: EUR 27 319.44

Remuneration to the members of the Board consists of a fixed and variable component of remuneration. In 2021, the following total remuneration was granted and paid to the members of the Board:

Name, surname	Position	Remuneration paid in 2021, EUR	Fixed part of remuneration, %	Variable part of remuneration, %
Jānis Birks	Chairman of the Board	67 445	30.45%	69.55%
Juris Imaks	Member of the Board	59 028	31.7%	68.3%
Anatolijs Ahmetovs	Member of the Board	48 477	47.2%	52.8%

In 2020, the total remuneration granted and paid to the members of the Company's Board of Directors was EUR 165 624.

Remuneration Report for 2021

Members of the Board and the Council did not receive remuneration from another company belonging to the same group in the understanding of the Annual Reports and Consolidated Annual Report Law.

Shares or share options were not granted and offered to members of the Board and the Council.


No variable part of remuneration was reclaimed from members of the Board and the Council.

There were no cases of applying temporary derogations from the remuneration policy.

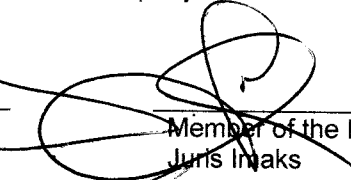
Section 59⁴, paragraph one, point 3 of the Financial Instrument Market Law requires to report, in a comparable manner, changes that took place in the last five financial years in remuneration paid to members of the Board and the Council, performance of the company and average remuneration on a full-time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

This is the second Remuneration Report prepared by the Company and it covers 2021. In accordance with Paragraph 66 of the Transitional Provisions of the Financial Instrument Market Law, a comparison of the changes referred to in Section 59⁴, paragraph one, Clause 3 of the Law is provided for at least the period of the last five financial years beginning not later than 1 January 2020. The Company has identified that there are no current annual changes relating to the period beginning no later than 1 January 2020.

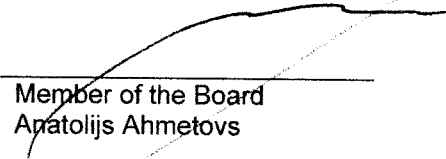
Remuneration to the Board and the Council has not changed significantly during the last 5 years, performance of the company matches its strategic goals, average remuneration on a full-time equivalent basis of employees of the company has increased in line with the overall trends of the labour market.



Chairman of the Board
Jānis Birks



Member of the Board
Jūris Ināks



Member of the Board
Anatolijs Ahmetovs

27 April 2022

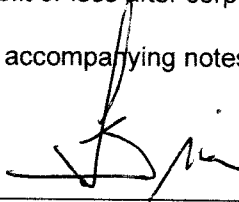
Financial statements

Profit and Loss Statement for 2021

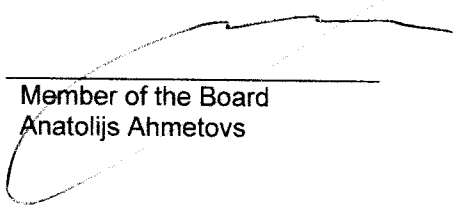
	Note	31.12.2021 EUR	2020 EUR
1. Net sales	2	9 363 852	7 080 939
2. Cost of goods and services	3	(8 146 691)	(6 488 048)
3. Gross profit		1 217 161	592 891
4. Administrative expenses	4	(580 253)	(557 818)
5. Other operating income	5	247 435	241 697
6. Other operating expenses	6	(3 439)	(2 153)
7. Profit before corporate income tax		880 904	274 617
Corporate income tax for the reporting			
8. year	7	(645)	(1 062)
9. Profit for the reporting year		880 259	273 555
Number of shares		800 000	800 000
x Earnings per share (EUR)*		1.10	0.34

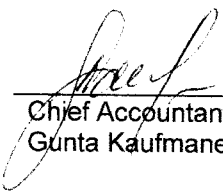
* Profit or loss after corporate income tax / average number of shares during the reporting year.

The accompanying notes on pages 14 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

27 April 2022

Balance Sheet as at 31 December 2021

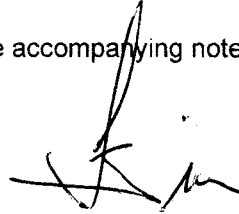
	Note	31.12.2021 EUR	31.12.2020 EUR
Assets			
Long-term assets			
I Fixed assets:			
1. Land, buildings and engineering structures		4 919 770	4 440 002
2. Equipment and machinery		883 062	244 153
3. Other fixed assets		70 196	76 129
4. Construction in progress		70 407	359 779
Total fixed assets:	8	5 943 435	5 120 063
Total long term investments:		5 943 435	5 120 063
Current assets			
I Stock:			
1. Raw materials, primary materials and auxiliary materials	9	156 517	138 556
Total stock:		156 517	138 556
II Receivables:			
1. Trade receivables	10	102 008	57 794
2. Other receivables and advanced payments	11	600 254	21 767
3. Prepaid expenses	12	7 270	24 621
4. Accrued income	13	429 311	216 782
Total receivables:		1 138 843	320 964
III Cash:	14	1 017 259	1 765 040
Total current assets:		2 312 619	2 224 560
Total assets		8 256 054	7 344 623

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

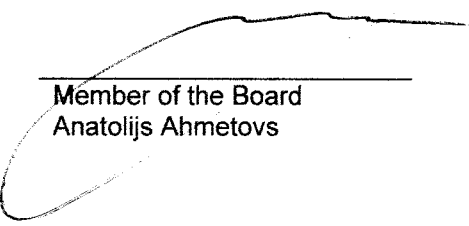
Balance Sheet as at 31 December 2021

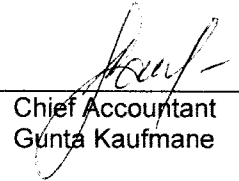
	Note	31.12.2021 EUR	31.12.2020 EUR
Equity and Liabilities			
Shareholders' equity:			
1. Share capital	15	1 120 000	1 120 000
2. Long-term investment revaluation reserve	17	2 472 973	2 472 973
3. Reserves:			
b) reserves according to Statutes		63 819	63 819
4. Retained earnings:			
a) retained earnings brought forward from previous years	16	1 803 462	1 585 907
b) profit for the reporting year		880 259	273 555
Total shareholders' equity:		6 340 513	5 516 254
Liabilities:			
Long term liabilities:			
1. Deferred income	20	628 654	669 617
Total long term liabilities:		628 654	669 617
Short-term liabilities:			
1. Customer advances		34 057	1 831
2. Accounts payable to suppliers and contractors		303 198	387 250
3 Taxes and compulsory state social security contributions			
	19	249 572	155 019
4. Other creditors	18	277 672	194 938
5. Deferred income	20	58 126	55 513
6. Accrued liabilities	21	364 262	364 201
Total short term liabilities:		1 286 887	1 158 752
Total liabilities:		1 915 541	1 828 369
Total equity and liabilities		8 256 054	7 344 623

The accompanying notes on pages 14 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

27 April 2022

Statement of Changes to the Shareholders Equity for 2021

	Share capital EUR	Long-term investment revaluation reserve EUR	Reserves set in the Company's statutes EUR	Retained earnings brought forward from previous years EUR	Profit/ (loss) for the reporting year EUR	Total shareholder's equity EUR
Balance as at 31 December 2019	1 120 000	2 292 360	63 819	1 861 747	164 160	5 502 086
Profit of 2019 transferred to retained earnings of previous years	-	-	-	164 160	(164 160)	-
Result of revaluation in 2020 (see Note 18)	-	180 613	-	-	-	180 613
Profit for the reporting year	-	-	-	-	-	-
Dividends for 2017	-	-	-	(440 000)	-	(440 000)
Profit for the reporting year	-	-	-	-	273 555	273 555
Balance as at 31 December 2020	1 120 000	2 472 973	63 819	1 585 907	273 555	5 516 254
Profit of 2020 transferred to retained earnings of previous years	-	-	-	273 555	(273 555)	-
Dividends for 2017	-	-	-	(56 000)	-	(56 000)
Profit for the reporting year	-	-	-	-	880 259	880 259
Balance as at 31 December 2021	1 120 000	2 472 973	63 819	1 803 462	880 259	6 340 513

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Jūris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

27 April 2022

Statement of Cash Flows for 2021

	Note	2021 EUR	2020 EUR
I. Cash flows from operating activities			
1. Profit before corporate income tax		880 904	274 617
<u>Adjustments for:</u>			
a) impairment of fixed assets	8	286 644	234 829
2. Profit before adjustments for the effect of changes to current assets and short-term liabilities		<u>1 167 548</u>	<u>509 446</u>
<u>Adjustments for:</u>			
a) decrease/ (increase) in trade receivables		(817 879)	13 032
b) decrease/ (increase) in stock		(17 961)	(36 810)
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		87 591	247 037
3. Gross cash flows from operating activities		<u>419 299</u>	<u>732 705</u>
Corporate income tax		(1 064)	-
Net cash generated from operating activities		<u>418 235</u>	<u>732 705</u>
II. Cash flows from investing activities			
a) purchase of fixed and intangible assets	8	(1 110 016)	(515 119)
6. Net cash flows used in investing activities		<u>(1 110 016)</u>	<u>(515 119)</u>
III. Cash flows from financing activities			
a) Dividend paid		(56 000)	(440 000)
7. Net cash flows used in financing activities		<u>(56 000)</u>	<u>(440 000)</u>
Net increase/(decrease) in cash and cash equivalents in the reporting year		<u>(747 781)</u>	<u>(222 414)</u>
Cash and cash equivalents at the beginning of the year		1 765 040	1 987 454
Cash and cash equivalents at the end of the year	15	<u>1 017 259</u>	<u>1 765 040</u>

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Jūris Imāks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

27 April 2022

Notes to the financial statements

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

Information on the Company

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

The Board comprises Jānis Birks (Chairperson of the Board), Juris Imaks (Board Member) and Anatolijs Ahmetovs (Board Member). The Chairperson of the Council is Mārtiņš Birks, Council Members are Viesturs Šiliņš, Ineta Gadzjus, 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 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 fixed assets disclosed under Land, buildings and engineering structures – land and buildings, which are measured using a revaluation method.

Accounting principles

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

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

Related parties

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

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

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

Financial instruments and financial risks

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

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

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

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

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

Management has implemented procedures to control the key risks.

Credit risk

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

Interest rate risk

Management believes that interest rate risk is not material.

Notes to the financial statements

Liquidity risk

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

Fair value of financial assets and liabilities

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

Reporting period

The reporting period comprises the 12 months from 1 January 2021 to 31 December 2021.

Currency unit and revaluation of foreign currency

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

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

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

Exchange rate per EUR 1:

	31.12.2021	31.12.2020
USD	1.13260	1.22710

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 the 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 accounting estimates are recognized in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

(i) Useful lives of fixed and intangible assets

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.

Notes to the financial statements

(ii) Fixed assets

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

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

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

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

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

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

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

Receivables

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

Provisions

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk. No provisions were made as at 31 December 2021.

Notes to the financial statements

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 with terms of receipt, payment or write off 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 a year 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.

Remuneration

Remuneration is set according to employment contracts, taking into account the changing requirements and trends of the labour market: by mutual agreement on the application of specific principles: %, fixed numbers, individual conditions, combined conditions. Employees have access to the procedure for calculating remuneration (data selection algorithms, data processing procedures,

Notes to the financial statements

data flow organisation). The Company provides only short-term remuneration benefits to its employees.

Grants

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

Corporate income tax

(a) Current tax

On 1 January 2018 the Law on Enterprise Income Tax of the Republic of Latvia entered into force and set out a new regime for paying taxes. The tax rate is 20% from the taxable base determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends), and
- conditionally distributed profit (such as non-operating expenses and other specific cases provided for by the law).

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

Notes to the financial statements

(2) Net sales

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

	2021 EUR	2020 EUR
Ambulatory medical services	8 721 772	6 558 049
Services covered by insurance	642 080	522 890
<i>Paid ambulatory medical services</i>	359 565	290 726
<i>Paid in-patient care</i>	282 515	232 164
	9 363 852	7 080 939

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

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

(3) Cost of goods and services

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

	2021 EUR	2020 EUR
Remuneration	4 409 742	3 244 861
Medicines, medical materials	864 355	757 676
Compulsory state social security contributions	997 841	750 079
Non-deductible value added tax	372 725	303 825
Lease of equipment	279 627	258 548
Depreciation	286 644	234 829
Utilities and maintenance	224 023	212 814
Office items and equipment, other materials	176 127	153 893
Repair costs	226 154	157 467
Medical examinations and other services	72 284	53 975
IT expenses	13 321	40 350
Advertisement expenses	630	635
Security	26 631	28 614
Changes in doubtful debt allowances	-	63 245
Medical fund risk expenses	13 129	13 531
Transport	17 365	8 873
Office expenses	10 790	7 658
Patient catering expenses	23 593	6 951
Real estate tax	6172	6 173
Insurance	12 494	11 929
Staff training expenses	1 818	1 085
Risk duty	1 445	1 341
Benefits and gifts to employees	1 849	7 973
Changes in cost of accrued vacations	25 098	80 257
Other costs related to services	82 834	81 466
	8 146 691	6 488 048

Notes to the financial statements

(4) Administrative expenses

	2021	2020
	EUR	EUR
Remuneration	416 643	395 692
Compulsory state social security contributions	95 395	90 942
Communication expenses	19 998	19 612
Audit of the financial statements	21 434	20 650
Office expenses	5 092	7 858
Bank services	10 783	9 597
Legal services	8 802	7 570
Representation expenses	603	1 113
Other	1 503	4 784
	580 253	557 818

(5) Other operating income

	2021	2020
	EUR	EUR
Income from rent	170 490	135 708
Amortisation of funds received from EBRD	10 513	10 513
Other income – tax refund	-	7 165
Other income	66 432	88 311
	247 435	241 697

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

(6) Other operating expenses

	2021	2020
	EUR	EUR
Penalties	1 142	974
Other expenses	2 297	1 179
	3 439	2 153

(7) Corporate income tax

	2021	2020
	EUR	EUR
Current tax	645	1 062
	645	1 062

Notes to the financial statements

(8) Fixed assets

	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Intangible assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost						
31.12.2020	4 862 253	2 639 190	573 065	80 453	359 779	8 514 740
Additions	-	410 992	36 350	-	662 674	1 110 016
Transfers	596 426	355 620	-	-	(952 046)	-
Disposals	-	(29 837)	(17 325)	-	-	(47 162)
31.12.2021	5 458 679	3 375 965	592 090	80 453	70 407	9 577 594
Accumulated depreciation and amortisation						
31.12.2020	422 251	2 395 037	496 936	80 453	-	3 394 677
Accumulated depreciation and amortisation for the year	116 658	127 703	42 283	-	-	286 644
Depreciation of disposed fixed assets	-	(29 837)	(17 325)	-	-	(47 162)
31.12.2021	538 909	2 492 903	521 894	80 453	-	3 634 159
Balance as at 31.12.2019	4 370 610	176 891	107 499	-	4 159	4 659 159
Balance as at 31.12.2020	4 440 002	244 153	76 129	-	359 779	5 120 063
Balance as at 31.12.2021	4 919 770	883 062	70 196	-	70 407	5 943 435

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

A new revaluation was not performed on 31 December 2021, 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:

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 3 000 000 at Patversmes iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 452 Rent rate per m2 – EUR 2.3-9 Capacity – 90% Capitalisation rate – 9%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: rent rate would be higher (lower); capacity percentage would be higher (lower); capitalisation rate would be lower (higher);
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 327 Rent rate per m2 EUR 3.5-5 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).

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 630 000 at Melidas 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 315 Rent rate per m2 EUR 5 Capacity – 90% Capitalisation rate – 9.0%	Fair value would increase (reduce), if the price per m ² was higher (lower). The estimated fair value would increase (decrease), if: rent rate would be higher (lower); capacity percentage would be higher (lower); capitalisation rate would be lower (higher).

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

Had revaluation not taken place, the carrying amount of land, buildings and constructions as at 31.12.2021 would be EUR 3 191 888.

Including:

	31.12.2021	31.12.2020
	EUR	EUR
-historical cost	4 617 716	4 021 290
-accumulated depreciation	(1 425 828)	(1 306 793)

Notes to the financial statements

(9) Stock

	31.12.2021	31.12.2020
	EUR	EUR
Medicines in warehouse	121 308	124 285
Medicines in departments	20 639	13 888
Other materials	14 570	383
	156 517	138 556

(10) Trade receivables

	31.12.2021	31.12.2020
	EUR	EUR
Insurance companies	66 802	36 017
Other institutions, companies and individuals	207 057	195 442
Doubtful debt allowance	(171 851)	(173 665)
	102 008	57 794

(11) Other receivables

	31.12.2021	31.12.2020
	EUR	EUR
Overpaid taxes (see Note 20)	6	698
Value added tax on unpaid services	4 786	4 356
Prepayments for fixed assets	571 228	-
Other receivables	24 234	16 713
	600 254	21 767

(12) Prepaid expenses

	31.12.2021	31.12.2020
	EUR	EUR
Rent	-	17 961
Insurance	6 866	6 416
Other	404	244
	7 270	24 621

(13) Accrued income

	31.12.2021	31.12.2020
	EUR	EUR
Accrued income for invoices issued after the year end	429 311	216 782
	429 311	216 782

'Accrued income' represents invoices from the National Health Service issued after the reporting period.

Notes to the financial statements

(14) Cash

By currency:

		31.12.2021		31.12.2020	
		Currenc y	EUR	Currenc y	EUR
Current account	USD	5 840	5 156	5 839	4 758
Current account	EUR	-	1 004 291	-	1 756 643
Cash on hand	EUR	-	7 812	-	3 639
			1 017 259		1 765 040

(15) Share capital

Share capital of the Company as at 31 December 2021 amounted to EUR 1 120 000 (31.12.2020: EUR 1 120 000) and consisted of 800 000 shares with nominal value of EUR 1.40.

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

	31.12.2021		31.12.2020	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
SIA 'POM'	70 565	8.82%	-	-
Ilze Aizsilniece	-	-	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.17%	209 319	26.17%
Total	800 000	100.00%	800 000	100.00%
Share capital (EUR)	1 120 000		1 120 000	

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

(16) Retained earnings

Retained earnings, including profit for 2021 in the amount of EUR 2 683 721.

(17) Revaluation reserves

Revaluation reserve as at 31 December 2020 includes the result of revaluation of fixed assets. In 2021, the revaluation reserve was not changed.

Long-term investment revaluation reserve

	2021 EUR	2020 EUR
Revaluation reserves as at 1 January	2 472 973	2 292 360
Appreciation as a result of revaluation	-	208 538
Decrease as a result of revaluation	-	(27 925)
Revaluation reserves as at 31 December	2 472 973	2 472 973

(18) Other liabilities

	31.12.2021 EUR	31.12.2020 EUR
Salaries	277 050	194 505
Payments to the trade union	622	433
	277 672	194 938

Notes to the financial statements

(19) Taxes and compulsory state social security contributions

	Balance as at 31.12.2020	Calculated for 2021	Paid in 2021	Balance as at 31.12.2021
	EUR	EUR	EUR	EUR
Corporate income tax	568	645	(1 064)	149
VAT	4 060	189 558	(175 931)	17 687
Real estate tax	(6)	6 172	(6 172)	(6)
Natural resources tax	(692)	4 713	(60)	3 961
Risk duty	111	1 445	(1 437)	119
Social contributions	93 581	1 624 712	(1 569 364)	148 929
Personal income tax	56 699	871 884	(849 856)	78 727
Total	154 321	2 699 129	(2 603 884)	249 566

Including:

Overpaid taxes	(698)	(6)
Tax liabilities	155 019	249 572

Overpaid taxes are disclosed under 'Other receivables'.

(20) Deferred income

	31.12.2021 EUR	31.12.2020 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	58 126	55 513
The part of capital grants to be charged to profit or loss for more than 5 years	320 655	332 854
Lease payment of 10 years	236 250	281 250
The part of capital grants to be charged to profit or loss for more than 5 years	13 623	-
Deferred income, long term	628 654	669 617
The part of capital grants to be charged to profit or loss within one year	10 929	10 513
Lease payment of 10 years	45 000	45 000
The part of capital grants to be charged to profit or loss within one year	2 197	-
Deferred income, short term	58 126	55 513

In 2012, the Company received EBRD funding to purchase fixed assets. In 2021, the Company recognised revenue of EUR 10 513 (2020: EUR 10 513) (see Note 5).

In 2021, the Company received EBRD funding to purchase fixed assets. In 2021, the Company received funding from CFCA for the purchase of fixed assets in the amount of EUR 17 578 (agreement No. 9.3.2.0/20/a/074). The Company started to revenue recognition in 2022.

The Company received lease payments for the next 10 years amounting to EUR 450 000. In 2021, the Company recognised revenue of EUR 45 000 (2020: EUR 45 000) according to the terms of lease agreements that secured lease rights for a specified period and promoted operating activities in line with the specific classification. Revenue is reflected under 'Income from rent', refer to Note 5.

Notes to the financial statements

(21) Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR
Accrued expenses for unused vacations	364 262	339 164
Accrued liabilities to suppliers	-	25 037
	364 262	364 201

(22) Average number of employees by category

	2021	2020
Average number of employees in the reporting year:	352	330
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	344	322

(23) Personnel expenses

Type of costs	2021 EUR	2020 EUR
Remuneration	4 826 385	3 640 553
Compulsory state social security contributions	1 093 236	841 021
	5 919 621	4 481 574

(24) Remuneration to management

	2021 EUR	2020 EUR
Members of the Board		
remuneration (variable and fixed)	174 950	165 624
compulsory state social security contributions	39 369	39 899
Members of the Council		
remuneration	27 319	27 319
compulsory state social security contributions	6 040	6 182
Other members of the administration		
remuneration	214 374	262 812
compulsory state social security contributions	49 986	60 301
	512 038	562 137

(25) Future liabilities

As at 31 December 2021, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2020: none).

The management has no information on issued guarantees, legal proceedings and other contingent liabilities, which could impact the financial position of the Company as at 31 December 2021 (31.12.2020: none).

(26) Related party transactions

In 2021, the Company issued invoices to SIA Kodolmedicīnas klīnika for rent payments in the amount of EUR 17 864 (2020: EUR 32 560). In 2021, additional provisions were not accrued (2020: EUR 58 821). The outstanding amount of the credit line as at 31 December 2021 is EUR 163 863 (31 December 2020: EUR 163 863). Since December 2021, SIA Kodolmedicīnas klīnika is not considered as a related company. The provisions are made as at 31.12.2020 to reduce the impact of transaction risk in the profit and loss statement.

Notes to the financial statements

(27) Remuneration to the certified auditor

	2021 EUR	2020 EUR
Audit of the financial statements	20 386	20 650
	<u>20 386</u>	<u>20 650</u>


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

The Company has 11 effective operating lease agreements regarding equipment. Under these agreements, lease payments, including VAT, are the following:

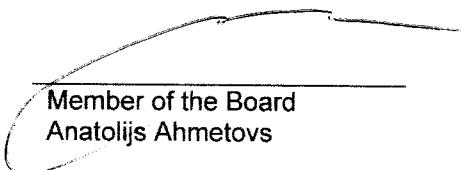
In 2020 EUR 386 090
In 2021 EUR 299 530
From 2022 to 2025 EUR 119 281

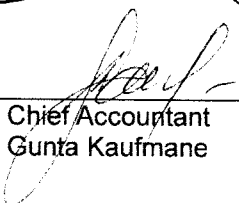
(29) Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements or disclosures added within the financial statements. The Russia-Ukraine war is not expected to have material effect on the operations of the Company. The Company does not plan to enter into transactions with Russia, Belarus and Ukraine.


Chairman of the Board
Jānis Birks


Member of the Board
Juris Ināks


Member of the Board
Anatolijs Ahmetovs


Chief Accountant
Gunta Kaufmane

27 April 2022



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

- the balance sheet as at 31 December 2021,
- the statement of profit or loss for the year then ended,
- the statement of changes to the shareholders' 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 2021, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 outpatient and inpatient medical services (including services covered by insurance) in the financial statements as at and for the year ended 31 December 2021: EUR 9.36 million (31 December 2020: EUR 7.08 million).</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Note 2 (financial disclosures).</p> <p>The Company offers a wide variety of healthcare services. The major part of revenues relates to the agreements with the National Health Service and the largest insurance companies in Latvia which cover the patient's costs for medical procedures. Both the National Health Service and the insurance companies regularly monitor the compensation for services that the Company receives.</p> <p>Additionally, the Company provides a large volume of sales to individual patients, including sales on credit terms. Sales to individual patients are not subject to the same level of external controls and scrutiny as sales to National Health Service or insurance companies.</p> <p>As a consequence, there is an increased risk of misstatement in revenue balances due to fraud, including through potential override of controls by management, for sales conducted on credit terms. Therefore, revenue recognition was considered by us as a key audit matter.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • testing the design and implementation of controls over revenue recognition process; • assessing the completeness and existence of revenue by analysing revenue trends by month in the current period and challenging any unusual fluctuations using our knowledge of the Company and through inquiries of management; • inspecting incoming cash receipts in 2022 for a sample of outstanding balances due from larger customers as at 31 December 2021; • for a sample of revenue transactions recognized shortly before and after year-end assessing whether revenue was recognised in the appropriate period by reference to the relevant documentation, supporting delivery of services, for example, invoices and cash receipts; • obtaining third party confirmations for revenues from outpatient and inpatient medical services financed by the National Health Service and on a sample basis from insurance companies and tracing the amounts from those confirmations to the revenues recognized by the Company for the year ended 31 December 2021; • performing substantive analytical procedure by comparing incoming cash transactions for outpatient and inpatient medical services to the revenue recognised throughout the year; • evaluating the accuracy and completeness of the financial statement disclosures relating to revenues against the relevant requirements of the financial reporting standards.



Completeness of remuneration expenses	
Key audit matter	Our response
<p>Remuneration expenses in the financial statements as at and for the year ended 31 December 2021: EUR 4.8 million (31 December 2020: EUR 3.6 million).</p> <p>We refer to the financial statements: Note 1 (accounting policy) and Notes 3, 4 and 24 (financial disclosures).</p> <p>Nearly 58% of Remuneration expenses for the year ended 31 December 2021 is comprised of variable pay that is calculated based on the volume and type of services provided by professional medical staff and rates set by the management or agreed with National Health Service for state funded services, including services provided by family doctors.</p> <p>The remuneration calculation process in the Company, which is inherently complex and involves multiple inputs, is not automated. This significantly increases the risk of error, which specifically relates to completeness of inputs used and manual calculations performed; and therefore, required our increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • updating our understanding over salary calculation process with particular focus for the calculation of the variable pay; • for a sample of individuals developing an independent expectation of their salary costs based on the variable pay rates approved by management or rates agreed with the National Health Service and by reference to the respective employment contracts, and comparing them to the salary costs recorded by the Company; • testing the completeness of recognized amounts of variable pay by reference to lists of medical services paid by National Health Service and the list of provided medical services during the year reimbursed by the insurance companies or paid by cash. This procedure included the following: <ul style="list-style-type: none"> — randomly comparing lists of medical services reimbursed by National Health Service attached to invoices paid by National Health Service against the list of provided medical services during the year, and compare against Company's salary calculations; — randomly comparing the report for total paid medical services against the Company's salary calculations. • evaluating the accuracy and completeness of the financial statement disclosures relating to remuneration expenses against the relevant requirements of the financial reporting standards.

Reporting on Other Information

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



- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages from 5 to 6 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 4 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage <http://www.ljmc.lv> and publicly available,
- the Remuneration Report, as set out on pages from 7 to 8 of the accompanying Annual Report.

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

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

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

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

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

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

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

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



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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with '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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 10 June 2021 to audit the financial statements of AS Latvijas Jūras medicīnas centrs for the year ended 31 December 2021. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2016 to 31 December 2021.

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 (NASSs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying financial statements, as included in the Annual Report, we have also been engaged by the management of the Company to express an opinion on compliance of the financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the financial statements in the applicable xHTML format;
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised)*, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things, evaluating the appropriateness of the format of the financial statements.

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

Opinion

In our opinion, the ESEF Report of the Company as at and for the year ended 31 December 2021 DEQ3QU33RkBFMM= has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.



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Certificate No. 200

Riga, Latvia

April 27 2022

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