



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

FINANCIAL STATEMENTS FOR THE 9 MONTH OF 2022
(19th 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 Ōsis – Member of the Council	
Reporting year	1 January 2022 – 30 September 2022	
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 26 is prepared based on accounting records and source documents and present fairly the financial position of Companies as at 30 September 2022 and the results of its operations, and cash flows for the 9-month period of 2022.

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

25 November 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.līnija; 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 9 months of 2022, LJMC operated in accordance with the budget approved for 2022. The profit of LJMC is EUR 346 508.

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
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

25 November 2022

Financial statements

Profit and Loss Statement for the 9-month period of 2022

	Note	30.09.2022	2021 EUR	30.09.2021 EUR
1. Net sales	2	7 320 780	9 363 852	6 910 621
2. Cost of goods and services	3	(6 633 560)	(8 146 691)	(6 044 174)
3. Gross profit		687 220	1 217 161	866 447
4. Administrative expenses	4	(504 705)	(580 253)	(417 789)
5. Other operating income	5	181 905	247 435	166 744
6. Other operating expenses	6	(17912)	(3 439)	(622)
7. Profit before corporate income tax		346 508	880 904	614 780
Corporate income tax for the reporting year		-	(645)	-
9. Profit for the reporting year		346 508	880 259	614 780
Number of shares		800 000	800 000	800 000
x Earnings per share (EUR)*		0.43	1.10	0.77

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

The accompanying notes on pages 14 to 26 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

25 November 2022

Balance Sheet as at 30 September 2022

	Note	30.09.2022	2021 EUR	30.09.2021 EUR
Assets				
Long-term assets				
I Fixed assets:				
1. Land, buildings and engineering structures			4 919 770	4 352 509
2. Equipment and machinery		1 198 288	883 062	655 280
3. Other fixed assets		64046	70 196	60 245
4. Construction in progress			70 407	223 411
Total fixed assets:	8	6 156 841	5 943 435	5 291 445
Total long term investments:		6 156 841	5 943 435	5 291 445
Current assets				
I Stock:				
1. Raw materials, primary materials and auxiliary materials		151 518	156 517	180 404
Total stock:		151 518	156 517	180 404
II Receivables:				
1. Trade receivables		120 415	102 008	99 243
2. Other receivables and advanced payments		576 857	600 254	220 732
3. Prepaid expenses		280	7 270	6 001
4. Accrued income		269 657	429 311	308 402
5. Due from related parties		-		13 398
Total receivables:		967 209	1 138 843	647 776
III Cash:	14	996 378	1 017 259	1 674 523
Total current assets:		2 115 105	2 312 619	2 502 703
Total assets		8 271 946	8 256 054	7 794 148

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Balance Sheet as at 30 September 2022

	Note	30.09.2022	2021 EUR	30.09.2021 EUR
Equity and Liabilities				
Shareholders' equity:				
1. Share capital	15	1 120 000	1 120 000	1 120 000
2. Long-term investment revaluation reserve		2 472 973	2 472 973	2 472 973
3. Reserves:				
b) reserves according to Statutes		63 819	63 819	63 819
4. Retained earnings:				
a) retained earnings brought forward from previous years		2 523 721	1 803 462	1 803 462
b) profit for the reporting year		346 508	880 259	614 780
Total shareholders' equity:		6 527 021	6 340 513	6 075 034
Liabilities:				
Long term liabilities:				
1. Deferred income	19	628 654	628 654	669 617
Total long term liabilities:		628 654	628 654	669 617
Short-term liabilities:				
1. Customer advances		51 606	34 057	1 831
2. Accounts payable to suppliers and contractors		144 466	303 198	192 291
3 Taxes and compulsory state social security contributions		241 368		
	18		249 572	229 099
4. Other creditors		290 193	277 672	265 349
5. Deferred income	19	58 126	58 126	21 793
6. Accrued liabilities		364 262	364 262	339 164
Total short term liabilities:		1 116 271	1 286 887	1 049 497
Total liabilities:		1 744 925	1 915 541	1 719 114
Total equity and liabilities		8 271 946	8 256 054	7 794 148

The accompanying notes on pages 14 to 26 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

25 November 2022

Balance Sheet as at 30 September 2022

	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 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)	-
Result of revaluation in 2020 (see Note 18)						
Profit for the reporting year						
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
Profit of 2020 transferred to retained earnings of previous years				880 259	(880 259)	-
Dividends for 2017				(160 000)		(160 000)
Profit for the reporting year					346 508	346 508
Balance as at 30 September 2022	1 120 000	2 472 973	63 819	2 523 721	346 508	6 527 021

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

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Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

25 November 2022

Statement of Cash Flows for 9 month period of 2022

	Note	30.09.2022	2021 EUR	30.09.2021 EUR
I. Cash flows from operating activities				
1. Profit before corporate income tax			880 904	614 780
<u>Adjustments for:</u>		346 508		
a) impairment of fixed assets	8		286 644	
b) Depreciation and result from disposals of fixed assets		317 295		212 383
2. Profit before adjustments for the effect of changes to current assets and short-term liabilities		663 803	1 167 548	827 163
<u>Adjustments for:</u>				
a) decrease/ (increase) in trade receivables		171 634	(817 879)	(326 812)
b) decrease/ (increase) in stock		4999	(17 961)	(41 848)
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		(170 616)	87 591	(109 255)
3. Gross cash flows from operating activities		669 820	419 299	349 248
Corporate income tax		-	(1 064)	-
Net cash generated from operating activities		669 820	418 235	349 248
II. Cash flows from investing activities				
a) purchase of fixed and intangible assets	8	(530 701)	(1 110 016)	(383 765)
6. Net cash flows used in investing activities		(530 701)	(1 110 016)	(383 765)
III. Cash flows from financing activities				
a) Dividend paid		(160 000)	(56 000)	(56 000)
7. Net cash flows used in financing activities		(160 000)	(56 000)	(56 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(20 881)	(747 781)	(90 517)
Cash and cash equivalents at the beginning of the year		1 017 259	1 765 040	1 765 040
Cash and cash equivalents at the end of the year	14	996 378	1 017 259	1 674 523

The accompanying notes on pages 14 to 26 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

25 November 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, Jevgēņija Kalējs and Uldis Osis.

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

Basis of preparation

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' (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:
- 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

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 9 months from 1 January 2022 to 30 September 2022.

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.

	2022 EUR	2021 EUR
Ambulatory medical services	6 945 258	8 721 772
Services covered by insurance	375 522	642 080
<i>Paid ambulatory medical services</i>	<i>210 293</i>	<i>359 565</i>
<i>Paid in-patient care</i>	<i>165 229</i>	<i>282 515</i>
	7 320 780	9 363 852

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.

	2022 EUR	2021 EUR
Remuneration	3 693 360	4 409 742
Medicines, medical materials	690 437	864 355
Compulsory state social security contributions	847 715	997 841
Non-deductible value added tax	273 058	372 725
Lease of equipment	101 512	279 627
Depreciation	317 298	286 644
Utilities and maintenance	199 938	224 023
Office items and equipment, other materials	136 497	176 127
Repair costs	112 231	226 154
Medical examinations and other services	60 753	72 284
IT expenses	10 947	13 321
Advertisement expenses	5 600	630
Security	21 934	26 631
Changes in doubtful debt allowances	-	-
Medical fund risk expenses	8178	13 129
Transport	11 080	17 365
Office expenses	8158	10 790
Patient catering expenses	19 245	23 593
Real estate tax	6 172	6172
Insurance	22 656	12 494
Staff training expenses	2 145	1 818
Risk duty	1 109	1 445
Benefits and gifts to employees	1 259	1 849
Changes in cost of accrued vacations	-	25 098
Other costs related to services	82 278	82 834
	6 633 560	8 146 691

Notes to the financial statements

(4) Administrative expenses

	2022	2021
	EUR	EUR
Remuneration	370 126	416 643
Compulsory state social security contributions	85 763	95 395
Communication expenses	11 986	19 998
Audit of the financial statements	9 894	21 434
Office expenses	8 350	5 092
Bank services	8846	10 783
Legal services	6828	8 802
Representation expenses	928	603
Other	1984	1 503
	504 705	580 253

(5) Other operating income

	2022	2021
	EUR	EUR
Income from rent	100 230	170 490
Amortisation of funds received from EBRD	-	10 513
Other income – tax refund	-	-
Other income	81 675	66 432
	181 905	247 435

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

(6) Other operating expenses

	2022	2021
	EUR	EUR
Penalties	54	1 142
Other expenses	17 858	2 297
	17 912	3 439

(7) Corporate income tax

	2022	2021
	EUR	EUR
Current tax	-	645
	-	645

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						
31.12.2021	5 458 679	3 375 965	592 090	80 453	70 407	9577594
Additions	-	494 521	30 278	-	58 02	530 701
Transfers						
Disposals	-	(14346)	(6816)	-	-	(21 162)
30.09.2022	5 458 679	3 856 240	615 552	80 453	76 209	10 087 133
Accumulated depreciation and amortisation						
31.12.2021	538 909	2 492 903	521 894	80 453	-	3 634 159
Accumulated depreciation and amortisation for the year	101 472	179 395	36 428	-		317 295
Depreciation of disposed fixed assets		(14346)	(6816)	-	-	(21 162)
30.09.2022	640 381	2 657 952	551 506	-	-	3930292
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
Balance as at 30.09.2022	4 818 298	1 198 288	64 046	-	76 209	6 156 841

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:	30.09.2022	31.12.2021
	EUR	EUR
-historical cost	4 617 716	4 617 716
-accumulated depreciation	(1 425 828)	(1 425 828)

Notes to the financial statements

(9) Stock

	30.09.2022	31.12.2021
	EUR	EUR
Medicines in warehouse	130 159	121 308
Medicines in departments	20 022	20 639
Other materials	1337	14 570
	151 518	156 517

(10) Trade receivables

	30.09.2022	31.12.2021
	EUR	EUR
Insurance companies	186 003	66 802
Other institutions, companies and individuals	106 263	207 057
Doubtful debt allowance	(171 851)	(171 851)
	120 415	102 008

(11) Other receivables

	30.09.2022	31.12.2021
	EUR	EUR
Overpaid taxes (see Note 20)	4498	6
Value added tax on unpaid services	-	4 786
Prepayments for fixed assets	572 359	571 228
Other receivables	-	24 234
	576 857	600 254

(12) Prepaid expenses

	30.09.2022	31.12.2021
	EUR	EUR
Rent	-	-
Insurance	-	6 866
Other	280	404
	280	7 270

(13) Accrued income

	30.09.2022	31.12.2021
	EUR	EUR
Accrued income for invoices issued after the year end	269 657	426 311
	269 657	426 311

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

Notes to the financial statements

(14) Cash

By currency:

		30.09.2022		31.12.2021	
	Currency	EUR		Currency	EUR
Current account	USD	5840	5156	5 840	5 156
Current account	EUR		981 720	-	1 004 291
Cash on hand	EUR		9 502	-	7 812
			996 378		1 017 259

(15) Share capital

Share capital of the Company as at 30 September 2022 amounted to EUR 1 120 000 (31.12.2021: EUR 1 120 000) and consisted of 800 000 shares with nominal value of EUR 1.40.

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

	30.09.2022		31.12.2021	
	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) 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

	2022 EUR	2021 EUR
Revaluation reserves as at 1 January	2 472 973	2 472 973
Appreciation as a result of revaluation	-	-
Decrease as a result of revaluation	-	-
Revaluation reserves as at 30 September	2 472 973	2 472 973

(17) Other liabilities

	30.09.2022 EUR	31.12.2021 EUR
Salaries	289 643	277 050
Payments to the trade union	545	622
	290 193	277 672

Notes to the financial statements

(18) Taxes and compulsory state social security contributions

	Balance as at 31.12.2021	Calculated for 2022	Paid in 2022	Balance as at 30.09.2022
	EUR	EUR	EUR	EUR
Corporate income tax	149	-	(198)	(49)
VAT	17 687	38 810	(42 685)	13 812
Real estate tax	(6)	4629	(46 44)	(21)
Natural resources tax	3 961	1631	(10 020)	(4428)
Risk duty	119	1109	(1103)	125
Social contributions	148 929	1 349 020	(1 346 983)	150 966
Personal income tax	78 727	737 307	(739 569)	76 465
Total	249 566	2 132 506	(2 145 202)	236 870
Including:				(4498)
Overpaid taxes	(6)			241 368
Tax liabilities	249 572			

Overpaid taxes are disclosed under 'Other receivables'.

(19) Deferred income

	30.09.2022 EUR	31.12.2021 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	58 126	58 126
The part of capital grants to be charged to profit or loss for more than 5 years	320 655	320 655
Lease payment of 10 years	236 250	236 250
The part of capital grants to be charged to profit or loss for more than 5 years	13 623	13 623
Deferred income, long term	628 654	628 654
The part of capital grants to be charged to profit or loss within one year	10929	10 929
Lease payment of 10 years	11250	45 000
The part of capital grants to be charged to profit or loss within one year	2197	2 197
Deferred income, short term	24 376	58 126

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

(20) Accrued liabilities

	30.09.2022 EUR	31.12.2021 EUR
Accrued expenses for unused vacations	364 262	364 262
Accrued liabilities to suppliers	-	-
	364 262	364 262

(21) Average number of employees by category

	2022	2021
Average number of employees in the reporting year:	352	352
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	344	344

(22) Personnel expenses

Type of costs	2022 EUR	2021 EUR
Remuneration	4 063 486	4 826 385
Compulsory state social security contributions	776 200	1 093 236
	4 839 686	5 919 621

(23) Remuneration to management

	2022 EUR	2021 EUR
Members of the Board		
remuneration (variable and fixed)	166 687	174 950
· compulsory state social security contributions	37 361	39 369
Members of the Council		
Remuneration	23 166	27 319
· compulsory state social security contributions	5 465	6 040
Other members of the administration		
Remuneration	180 273	214 374
· compulsory state social security contributions	42 937	49 986
	455 889	512 038

(24) Future liabilities

As at 30 September 2022, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2021: 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 30 September 2022 (31.12.2021: none).

(25) 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

(26) Remuneration to the certified auditor

	2022 EUR	2021 EUR
Audit of the financial statements	9 894	20 386
	9 894	20 386

(27) 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

(28) 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 Imaks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

25 November 2022