



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

ANNUAL REPORT FOR THE 6 MONTHS OF 2023
(20th financial year)

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

Riga, 2023

Content

Information on the Company	3
Statement of the Board's Responsibility	4
Management Report	5 – 6
Financial Statements:	
Profit and Loss Statement	7
Balance Sheet	8 – 9
Statement of Changes in the Shareholders' Equity	10
Statement of Cash Flows	11
Note	12 – 26

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)	
Legal address	Patversmes iela 23 Rīga, LV-1005, Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) SIA POM (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs – Member of the Board	
Names 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 2023 – 30 June 2023	
Name and address of the certified auditor in charge	KPMG Baltics SIA License No. 55 Roberta Hirša iela 1 Rīga, LV-1045, 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 statements on pages 7 to 26 are prepared based on accounting records and source documents and present fairly the financial position of the Company as at 30 June 2023 and the results of its operations, and cash flows for the 6-month period then ended.

The above mentioned financial statement of the Company is prepared in accordance with the 'Accounting Law' 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 August 2023

Management Report

Type of activity

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 2022, the average number of employees of LJMC was 361. 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 2022 and further development

The Company's activities in the 12 months of 2022

In 2022, LJMC continued to provide high-quality medical services and attract new patients. Similar to prior years, also in 2022 LJMC employed excellent doctors from Latvia and competent medical personnel. The highly qualified and professional staff of LJMC is the driving force behind its competitive, high quality examinations and adherence to precautionary standards in the provision of healthcare services, so that interactions between patients and healthcare persons promote accessibility. LJMC is on the official list of providers of medical tourism services maintained by the Health Inspection of the Republic of Latvia. In 2022, LJMC placed information in the medical tourism catalogue created and supported by LIDA. In 2022, the war between Russia and Ukraine has not had a potentially material impact on the Company's operations. In 2022, LJMC had no business transactions with Russia, Belarus and Ukraine.

In 2022, when providing healthcare services, LJMC demonstrated flexibility in adapting to the regulatory documents issued by the Ministry of Health and their ever changing conditions. Both secondary outpatient and day hospital services, as well as paid healthcare services, were provided to the extent allowed by the regulatory documents, ensuring continuity of operations and stable monitoring of the impact of new events and circumstances.

In 2022, LJMC focussed on the promotion of paid medical services, which helped increase the number of patients living in Latvia and enhanced competitiveness and raised the profile 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 2022 LJMC, in cooperation with an independent data protection officer, continued the improvement of documents in compliance with the laws and regulations, continued the improvement of the contract renewal procedure (digital access to medical examinations, use of health information systems, services of insurance companies, communication services), and began the training process for LJMC staff.

In 2022, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2022.

In 2022, LJMC continued working on ISO: 9001-2015. In 2022, 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

In order to attract an increasing number of new patients, in 2023 LJMC plans to make investments to introduce innovative solutions for providing medical services, improve staff qualifications and enhance patient service. In 2023, LJMC will also continue to participate in the national policy on the conversion of hospitals into outpatient facilities, by complementing the offer of healthcare services. In 2023, LJMC will continue to make sure that precautionary standards are adhered to in the provision of healthcare services, so that interactions between patients and healthcare persons facilitate accessibility.

Continuing to improve the available services with highly-qualified and professional diagnostics service, LJMC's Radiology Department, as one of the most modern and innovative cancer diagnostics centre in Eastern Europe, will contribute to the increase in domestic and international patient flow when the safe patient flow is restored.

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

Financial results

In the 6 months of 2023, LJMC performed loss EUR 199 896.

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.

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 and disclosures added to the notes thereto.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

25 August 2023

Financial statements

Profit and Loss Statement for 2023

	Note	2023 EUR	2022 EUR	30.06.2022 EUR
1. Net sales	2	4 628 782	9 700 898	5 184 566
2. Cost of goods and services	3	(4 631 777)	(8 926 149)	(4 639 643)
3. Gross profit		(2 995)	774 749	544 923
4. Administrative expenses	4	(314 418)	(704 751)	(343 341)
5. Other operating income	5	136 681	582 442	108 559
6. Other operating expenses	6	(19 164)	(26 107)	(17 846)
7. Profit before income tax		(199 896)	626 333	292 295
Corporate income tax for the reporting				
8. year		-	(604)	-
9. Profit of the reporting year		(199 896)	625 729	292 295
Number of shares		800 000	800 000	800 000
x Earnings per share (EUR)*		-0.25	0.78	0.37

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

The accompanying notes on pages 12 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 August 2023

Balance Sheet as at 30 June 2023

	Note	30.06.2023 EUR	31.12.2022 EUR	30.06.2022 EUR
Assets				
Non-current assets				
I Fixed assets				
1. Land, buildings and engineering structures		4 716 826	4 784 474	4 852 122
2. Equipment and machinery		3 046 227	1 401 099	1 264 750
3. Other fixed assets		73 173	92 020	77 200
4. Construction in progress		703 601	76 209	75 829
Total fixed assets:	8	8 539 827	6 353 802	6 269 901
Total long term investments:		8 539 827	6 353 802	6 269 901
Current assets				
I Stock:				
1. Raw materials		158 684	143 201	151 712
Total stock:		158 684	143 201	151 712
II Receivables:				
1. Trade receivables		71 413	82 057	127 983
2. Other receivables		16 286	585 094	591 767
3. Prepaid expenses		11 792	9 927	341
4. Deferred income		329 842	350 787	337 959
Total receivables:		429 333	1 027 865	1 058 050
III Cash:	14	606 665	1 321 420	893 524
Total current assets:		1 194 982	2 492 486	2 103 286
Total assets		9 734 509	8 846 288	8 373 187

The accompanying notes on pages 12 to 26 form an integral part of these financial statements.

Balance Sheet as at 30 June 2023

	Note	30.06.2023 EUR	31.12.2022 EUR	30.06.2022 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 provided by the Co-operative's Statutes		63 819	63 819	63 819
4. Retained earnings				
a) retained earnings carried forward from previous years		3 149 490	2 523 721	2 523 721
b) profit of the reporting year		(199 896)	625 729	292 295
Total shareholders' equity:		6 606 346	6 806 242	6 472 808
Liabilities:				
Long term liabilities:				
1. Deferred income	19	567 544	567 544	628 654
Total long term liabilities:		567 544	567 544	628 654
Short-term liabilities:				
1. Customer advances		51 606	51 606	51 606
2. Accounts payable to suppliers and contractors		1 238 643	447 021	148 563
3 Taxes and compulsory state social security contributions		292 065	217 045	324 545
	18			
4. Other liabilities		532 033	288 058	347 123
5. Deferred income	19	409 680	59 092	364 262
6. Accrued liabilities		36 592	409 680	35 626
Total short term liabilities:		2 560 619	1 472 502	1 271 725
Total liabilities:		3 128 163	2 040 046	1 900 379
Total equity and liabilities		9 734 509	8 846 288	8 373 187

The accompanying notes on pages 12 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 August 2023

Statement of Changes to the Shareholders Equity for 2023

	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 of the reporting year EUR	Total share- holders' equity EUR
Balance as at 31 December 2021	1 120 000	2 472 973	6 3819	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					625 729	625 729
Balance as at 31 December 2022	1 120 000	2 472 973	6 3819	2 523 721	625 729	6 806 242
Profit of 2021 transferred to retained earnings of previous years				625 729	(625 729)	-
Dividends for 2017						
Profit for the reporting year					(199 896)	(199 896)
Balance as at 30 June 2023	1 120 000	2 472 973	6 3819	3 149 450	(199 896)	6 606 346

The accompanying notes on pages 12 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 August 2023

Statement of Cash Flows for 2023

	Note	2023 EUR	2022 EUR	30.06.2022 EUR
I. Cash flows from operating activities				
1. Profit before corporate income tax		(199 896)	626 333	292 295
<u>Adjustments for:</u>				
a) impairment of fixed assets	8	240 425	427 880	201 979
b) (gain)/loss on disposal of fixed assets			5 524	
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		40 529	1 059 737	494 274
<u>Adjustments for:</u>				
a) decrease/ (increase) in trade receivables		598 532	110 978	80 793
b) decrease/ (increase) in stock		(15 483)	13 316	4 805
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		1 100 181	124 588	(15 162)
3. Gross cash flows from operating activities		1 723 759	1 308 619	564 710
Corporate income tax		-	(687)	-
Net cash flows from operating activities		1 723 759	1 307 932	-
II. Cash flows used in investing activities				
a) purchase of fixed and intangible assets	8	(2 438 514)	(843 771)	(528 445)
6. Net cash flows used in investing activities		(2 438 514)	(843 771)	(528 445)
III. Cash flows from financing activities				
a) Dividends paid		-	(160 000)	(160 000)
7. Net cash flows used in financing activities		-	(160 000)	(160 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(714 755)	304 161	(123 735)
Cash and cash equivalents at the beginning of the year		1 321 420	1 017 259	1 017 259
Cash and cash equivalents at the end of the year	14	606 665	1 321 420	893 524

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 August 2023

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 'Accounting Law' 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 the fixed assets disclosed under Land, buildings and engineering structures – land and buildings, which are measured using a revaluation method.

Accounting principles

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

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - The financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - all amounts of impairment and depreciation have been taken into consideration and calculated irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately;
- f) The opening balance agrees with the prior year closing 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 6 months from 1 January 2023 to 30 June 2023.

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:

	31.12.2022	31.12.2021
USD	1.06660	1.13260

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 expenses. 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 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

Notes to the financial statements

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

(ii) Fixed asset valuation

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.

Management has, as at 31 December 2020, carried out a valuation of the entire balance sheet item 'Land, buildings and engineering structures' and determined the carrying amounts of all land plots, buildings and engineering structures to be consistent with market value based on valuations by external certified appraisers. For details on the 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.

(iii) Valuation of receivables

Receivables are disclosed at amortised cost net of impairment allowances. Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable. Impairment allowances are recognized 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.

(iv) 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 2022.

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 reporting 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 costs

Remuneration costs are determined in accordance with effective employment contracts, taking account of changing labour market requirements and trends. The application of certain principles is mutually agreed: per cent, fixed figures, individual conditions, combined conditions. Employees have access to the payroll procedures (data selection algorithms, data processing procedures, data flow organisation). The Company provides only short-term remuneration benefits to its employees.

Notes to the financial statements

Donations

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 main activities – sales of services, net of value added tax and discounts.

	2023	2022
	EUR	EUR
Medical and hospital outpatient services	4 253 222	8 967 187
Services covered by insurance	375 560	733 711
<i>Paid outpatient services</i>	<i>210 313</i>	<i>410 950</i>
<i>Paid inpatient services</i>	<i>165 247</i>	<i>322 761</i>
	4 628 782	9 700 898

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.

	2023	2022
	EUR	EUR
Remuneration	2 447 975	4 846 025
Medicines, medical materials	500 907	922 309
Compulsory state social security contributions	558 952	1 114 143
Non-deductible value added tax	239 344	379 561
Lease of equipment	48 477	119 859
Depreciation	240 455	427 880
Utilities and maintenance	257 411	373 117
Office items and equipment, other materials	88 509	168 467
Repair costs	61 234	159 517
Medical examinations and other services	42 454	87 965
IT expenses	2 568	13 932
Advertisement expenses	23 642	6 805
Security	22 085	30 923
Medical fund risk expenses	5 740	10 898
Transport expenses	3 908	17 404
Office expenses	4 494	10 598
Patient catering expenses	15 331	27 365
Real estate tax	-	6 173
Insurance	5 076	14 897
Staff training expenses	999	4 002
Risk duty	752	1 482
Benefits and gifts to employees	491	1 525
Changes in cost of accrued vacations	-	45 418
Other costs related to services	60 973	135 884
	4 631 777	8 926 149

Notes to the financial statements

(4) Administrative expenses

	2023	2022
	EUR	EUR
Remuneration	232 369	507 283
Compulsory state social security contributions	55 009	116 821
Communication expenses	6 772	17 600
Audit of the financial statements	-	22 880
Office expenses	4 996	11 194
Bank services	7 171	11 852
Legal services	7 247	11 792
Representation expenses	854	1 173
Other	-	4 156
	314 418	704 751

(5) Other operating income

	2023	2022
	EUR	EUR
Income from rent	59 222	130 435
Amortisation of funds received from EBRD	-	10 928
Other income - business related	77 459	303 527
Other income – cession*	-	117 226
Tax adjustment	-	20 326
	136 681	582 442

* During the course of several years, outstanding rent payments from tenant SIA Kodolmedicīnas klīnika accumulated.

In September 2022, a cession agreement was signed and all liabilities of SIA Kodolmedicīnas klīnika were eliminated. As a result of the cession, allowances for doubtful receivables were partly released.

(6) Other operating expenses

	2023	2022
	EUR	EUR
Donations	-	19 000
Fines	27	426
Other expenses	19 137	6 681
	19 164	26 107

(7) Corporate income tax for the reporting year

	2023	2022
	EUR	EUR
Current tax	-	604
	-	604

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						
31.12.2022	5 458 679	4 044 447	647 239	80 453	76 209	10 307 027
Additions		1 801 195	9 927	-	627 392	2 438 514
Disposals		(18 142)	(16 451)	(205)	-	(34798)
30.06.2023	5 458 679	5 827 500	640 715	80 248	703 601	12 710 743
Accumulated depreciation and amortisation						
31.12.2022	674 205	2 643 348	555 219	80 453	-	3 953 225
Depreciation and amortisation charge for the year	67 648	156 067	16 710	-		240 425
Depreciation of disposed fixed assets	-	(18 142)	(4 387)	(205)		(22 734)
30.06.2023	741 853	2 781 273	567 542	80 248	-	4 170 916
Balance as at 31.12.2021	4 919 770	553 062	70 196	-	70 407	5 943 435
Balance as at 31.12.2022	4 784 474	1 401 099	92 020	-	76 209	6 353 802
Balance as at 30.06.2023	4 716 826	3 046 227	73 173	-	703 601	8 539 827

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.

As at 31 December 2022, a new revaluation was not performed as the management assessed that no significant changes had taken place in the market and the recognised carrying amount did not differ materially from the fair value of the property.

The fair value of land and building was determined by an external, independent property valuer, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Notes to the financial statements

The following table shows the valuation technique used in measuring the fair value of core real estate items included in position 'Buildings and land', as well as the significant unobservable inputs used:

Type	Valuation approach	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 approach: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow approach: 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 810 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Market approach: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow approach: The model is based on discounted cash flows from rendering services	Price per m2 EUR 327 Rent rate per m2 EUR 3.5 - EUR 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).
Buildings and land in the amount of EUR 630 000 at Melīdas iela, Rīga	Fair value has been estimated based on the average of: Market approach: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow approach: 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:

The carrying amount of 'Land, buildings and constructions' as at 31 December 2022 had revaluation not taken place would be EUR 3 054 217 (31.12.2021 – EUR 3 191 888).

Including:

	30.06.2023	31.12.2022
	EUR	EUR
-historical cost	4 617 716	4 617 716
-accumulated depreciation	(1 563 499)	(1 563 499)

Notes to the financial statements

(9) Raw materials

	30.06.2023	31.12.2022
	EUR	EUR
Medicines in warehouse	133 625	124 784
Medicines in departments	21 770	18 291
Other materials	3 289	126
	158 684	143 201

(10) Trade receivables

	30.06.2023	31.12.2022
	EUR	EUR
Insurance companies	40 758	56 194
Other institutions, companies and individuals	38 643	33 851
Doubtful debt allowance	(7 988)	(7 988)
	71 413	82 057

(11) Other receivables

	30.06.2023	31.12.2022
	EUR	EUR
Overpaid taxes (see Note 18)	2 426	2 360
Value added tax on unpaid services	189	7 841
Prepayment for fixed assets*	-	561 561
Other receivables	13 671	13 332
	16 286	585 094

*The prepayment was made to SIA Tradintek for the purchase of a magnetic resonance equipment.

(12) Prepaid expenses

	30.06.2023	31.12.2022
	EUR	EUR
Insurance expenses	11 792	8 775
Other prepaid expenses	-	1 152
	11 792	9 927

(13) Accrued income

	30.06.2023	31.12.2022
	EUR	EUR
Accrued income for invoices issued after the year end	329 842	350 787
	329 842	350 787

Accrued income consists of invoices issued to the National Health Service after the reporting date.

Notes to the financial statements

(14) Cash

By currency:		30.06.2023		31.12.2022	
		Currency	EUR	Currency	EUR
Current account	USD	5 840	5 475	5 840	5 475
Current account	EUR		593 717	-	1 307 936
Cash on hand	EUR		7 473	-	8 009
			606 665		1 321 420

(15) Share capital

Share capital of the Company as at 30 June 2023 amounted to EUR 1 120 000 (31.12.2022: 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:

	30.06.2023		31.12.2022	
	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%	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

In 2021 and 2022, the revaluation reserve was not changed.

(17) Other liabilities

	30.06.2023 EUR	31.12.2022 EUR
Salaries	330 851	287 426
Payments to the trade union/court orders	1182	632
Credit lines	200 000	
	532 033	288 058

Notes to the financial statements

(18) Taxes and compulsory state social security contributions

	Balance as at 31.12.2021 EUR	Calculated for 2022 EUR	Paid in 2022 EUR	Balance as at 30.06.2023 EUR
Corporate income tax	66	-	-	
VAT	10 097	159 462	(126 233)	43 326
Real estate tax	(21)	-	-	(21)
Natural resources tax	(24 05)	-	-	(2 405)
Risk duty	124	752	(751)	125
VSAOI	127 071	887 271	(860 259)	155 083
Personal income tax	78 753	480 664	(465 952)	93 465
Total	214 685	1 528 149	(1 453 195)	289 639
Including:				
Overpaid taxes	(2 360)			(2 426)
Tax liabilities	217 045			292 065

Overpaid taxes are disclosed under "other receivables".

(19) Deferred income

	30.06.2023 EUR	31.12.2022 EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years*	54 640	54 640
The part of capital grants to be charged to profit or loss within for more than 5 years*	311 455	311 455
Lease payments to be charged to profit or loss within 1 to 5 years**	191 250	191 250
The part of capital grants to be charged to profit or loss within 1 to 5 years***	10 199	10 199
Deferred income, long term	567 544	567 544
The part of capital grants to be charged to profit or loss within one year*	10 928	10 928
Lease payments to be charged to profit or loss within one year**	22 500	45 000
The part of capital grants to be charged to profit or loss within one year***	3 164	3 164
Deferred income, short term	36 592	59 092

* In 2012, the Company received EBRD funding to purchase fixed assets. In 2022, the Company recognised revenue of EUR 10 928 (2021: EUR 10 929) (see Note 5).

** 2018, the Company received lease payments for the next 10 years amounting to EUR 450 000. In 2022, the Company recognised revenue of EUR 45 000 (2021: 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 specific classification. Revenue is reflected under 'Income from rent', refer to Note 5.

In 2021, the Company received funding of EUR 17 578 from the CFLA for the purchase of fixed assets (contract No. 9.3.2.0/20/a/074). Revenue recognition started in 2022.

Notes to the financial statements

(20) Accrued liabilities

	30.06.2023	31.12.2022
	EUR	EUR
Accrued expenses for unused vacations	409 680	409 680
	409 680	409 680

(21) Average number of employees by category

	2023	2022
Average number of employees in the reporting year:	361	361
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	353	353

(22) Personnel expenses

Type of costs	2023	2022
	EUR	EUR
Remuneration	2 680 344	5 353 308
Compulsory state social security contributions	613 961	1 230 964
	3 294 305	6 584 272

(23) Remuneration to management

	2023	2022
	EUR	EUR
Members of the Board		
· remuneration (fixed and variable)	90 604	214 483
· compulsory state social security contributions	20 358	48 043
Members of the Council		
remuneration	18 000	32 166
· compulsory state social security contributions	3 979	7 112
Other members of the administration		
remuneration	123 769	260 634
· compulsory state social security contributions	30 672	61 666
	287 378	624 104

(24) Future liabilities

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 June 2023 (31.12.2022: none).

Notes to the financial statements

(25) Remuneration to the certified auditor

	2023 EUR	2022 EUR
Audit and translation of the financial statements	-	22 880
Other assurance services	-	2 050
	-	24 930

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

The Company has signed 11 operating lease agreements for lease of equipment, of which 3 are in force at the year end. Under these agreements lease payments, including VAT, are the following:

In 2022 EUR 421 925

In 2023 EUR 10 199

In 2024 EUR 3 744

(27) 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 and disclosures added to the notes thereto.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

25 August 2023