



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

**FINANCIAL STATEMENTS FOR THE 9 MONTH OF 2018**  
(15<sup>th</sup> financial year)

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

**Riga, 2018**

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### *Information on the Company*

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Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Number, place and date of registration	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the unified registration number 4000 330 6807	
Core business:	Hospital activities (86.10) Retail sale of medical and orthopaedic goods in specialised stores (47.74) Other education n.e.c. (85.59) General medical practice activities (86.21) Special medical practice activities (86.22) Dental practice activities (86.23) Other human health activities (86.90) Residential nursing care activities (87.10) Other residential care activities (87.90) Other social work activities without accommodation n.e.c. (88.99) Physical well-being activities (96.04) Other personal service activities n.e.c. (96.09)	
Legal address	Patversmes iela 23 Rīga, LV-1005 Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) Ilze Aizsilniece (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs - Member of the Board, since 13.01.2017	
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 period	1 January 2018 – 30 September 2018	
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: Armine Movsisjana Certificate No. 178

### *Statement of the Board's Responsibility*

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

The financial statement on pages 8 to 30 is prepared based on accounting records and source documents and present fairly the financial position of LJMC as at 30 September 2018 and the results of its operations, and cash flows for the 9-month period of 2018.

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

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

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Chairperson of the Board  
Jānis Birks

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Member of the Board  
Juris Imaks

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Member of the Board  
Anatolijs Ahmetovs

21 November 2018

## *Management Report*

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### **Line of business**

A/S Latvijas Jūras medicīnas centrs (LJMC or the Company) is a certified and advanced private medical facility available to everyone, which consists of Sarkandaugava Ambulatory Healthcare Centre at 23 Patversmes iela, Rīga; Central Hospital at 23 Patversmes iela, Rīga; Vecmīlgravis Hospital and Northern Diagnostics Centre 26 Vecmīlgravja 5.linija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2017, the average number of employees of LJMC was 343. 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.

In 2013, LJMC Northern Diagnostics Centre received from DNV Certification OY/AB Finland quality certificate ISO 9001:2008 in functional diagnostics and radiology diagnostics valid until 14 March 2016. This certificate was renewed at the beginning of 2016 to be valid until 15 September 2018. In 2017, LJMC will continue working on implementing ISO quality standards in other structural units of the centre.

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 renewed certificate No. MSC-50-034 issued by Exova BM TRADA confirming the compliance of the energy management system with ISO 50001:2011 requirements.

### **Activities in the 12 months of 2017 and further development**

#### *The Company's activities in the 12 months of 2017*

In 2017 LJMC continued to provide high-quality medical services and attract new local and foreign patients. Similar to prior years, also in 2017 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality, and to establish attraction of foreign patients as one of the development directions for 2017. This, along with the development of services helped to increase the number of foreign patients in 2017, and facilitated the inclusion of LJMC in the registry of medical tourism service providers maintained by the Health Inspectorate of Latvia.

LJMC not only successfully attracted foreign patients in 2017, but also actively popularised paid medical services among local public, thus ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

In 2018, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2018.

On 24 March 2016, a construction contract was signed with SIA Selva būve for the reconstruction of the building owned by LJMC and construction of Radiology Department at 23 Patversmes iela, Rīga. The contractual amount is EUR 920 792 excluding VAT. On 2 May 2017 the Construction State Control Office concluded a commissioning certificate regarding Radiology Department at Patversmes iela 23, Rīga. After the commissioning Radiology Department became fully operational in 2017 offering all planned services (magnetic resonance, X-ray examinations and ultrasonography), gradually increasing the amount and quality of services (both state paid services and services paid by patients). A cooperation agreement on the availability and payment of PET/CT radiological examinations has been concluded.

In 2013, LJMC completed a significant 3-year investment project of EUR 2.3 million, using also EBRD support. The above investment project included a renovation of the old building complex of Latvijas

## *Management Report*

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Jūras Medicīnas Centrs and improvement of its territory according to the standards of modern medical facilities and investments were made in new medical equipment establishing Sarkandaugavas Ambulatorās Veselības Aprūpes Centrs (SAVAC). In 2017 SAVAC in its operation has attracted by 20% more new customers than in 2016. The partial re-profiling from in-patient to out-patient services has already increased, and is expected to continue to increase, the effectiveness of operation of LJMC by enabling maximum use of resources available to the centre and providing a higher quality medical care to patients.

### *Further development of the Company*

To attract more foreign and local patients in 2018 LJMC will continue making investments to implement innovative solutions for providing medical services, improve qualification of staff and enhance patient service. LJMC will also continue the state policy in re-profiling of hospitals to ambulatory healthcare institutions.

Continuing to improve the available services with highly-qualified and professional diagnostics service, LJMC's Radiology Department as one of the most modern and innovative cancer diagnostics centre in Eastern Europe will promote the increase in the number of local and foreign patients.

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

### **Financial results**

In the 9 months of 2018, LJMC operated in accordance with the budget approved for 2018. The losses of LJMC is EUR **37 957**. LJMC continues to implement an intensive investment policy, which is aimed at increasing the competitiveness and profitability of the Company in the future. The planned amount of investment for 2018 is EUR 200 000.

### **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.

## *Management Report*

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### **Subsequent events**

On 23 February 2018, LJMC made a public announcement that it has sold its 50.4% shares of SIA Klīnika Dzintari and has received payment of EUR 69 049 in return.

In March 2018 AS Latvijas Jūras medicīnas centrs has provided public information that it has sold its real estate at Vecmīlgrāvja 5. līnijā 26 in the amount of EUR 190 000. No other significant subsequent events have occurred that would materially impact the presentation of the financial statements.

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Chairperson of the Board  
Jānis Birks

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Member of the Board  
Juris Imaks

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Member of the Board  
Anatolijs Ahmetovs

21 November 2018

*Financial statements*

*Profit and Loss Statement for 9 month of 2018*

	Note	30.09.2018 EUR	2017 EUR	30.09.2017 EUR
1. Net sales from other types of operations	2	4 836 698	5 877 282	4 662 336
2. Cost of services	3	(4 647 193)	(5 465 933)	(4 375 193)
<b>3. Gross profit</b>		<b>189 505</b>	<b>411 349</b>	<b>287 143</b>
4. Administrative expenses	4	(407 517)	(498 739)	(425 581)
5. Other operating income	5	180 745	233 691	234 093
6. Other operating expenses	6	(712)	(344 435)	(9 581)
7. Income from investments in related companies		-	636 966	-
8. Interest and similar income		22	54 930	-
<b>9. Profit before income taxes</b>		<b>(37 957)</b>	<b>493 762</b>	<b>86 074</b>
10. Corporate income tax for the reporting year		-	(15 115)	-
<b>11. Profit after corporate income tax</b>		<b>(37 957)</b>	<b>478 647</b>	
12. Income from changes in balances of deferred tax liabilities		-	27 842	-
<b>13. Profit for the year</b>		<b>(37 957)</b>	<b>506 489</b>	<b>86 074</b>
<b>Number of shares</b>		<b>800 000</b>	<b>800 000</b>	<b>800 000</b>
<b>Earnings per share (EUR)</b>		<b>-0,05</b>	<b>0.63</b>	<b>0.11</b>

\* Profit or loss after corporate income tax/ total shareholders' equity

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

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 Chairperson of the Board  
 Jānis Birks

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 Member of the Board  
 Juris Imaks

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 Member of the Board  
 Anatolijs Ahmetovs

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 Chief Accountant  
 Gunta Kaufmane

21 November 2018



*Balance Sheet as at 30 September 2018*

<b>Assets</b>	<b>Note</b>	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>30.09.2017</b>
		<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>				
<b>I Intangible assets:</b>				
Concessions, patents, licenses, trademarks and similar rights		1 672	2 923	4 329
<b>Total intangible assets:</b>		<b>1 672</b>	<b>2 923</b>	<b>4 329</b>
<b>II Fixed assets:</b>				
1. Land, buildings and engineering structures		4 513 614	4 603 395	5 476 231
2. Equipment and machinery		121 714	113 259	
3. Other fixed assets		45 226	60 176	
4. Construction in progress		1 332	1 332	
<b>Total fixed assets:</b>	8	<b>4 681 886</b>	<b>4 778 162</b>	<b>5 476 231</b>
<b>III Long term financial investments:</b>				
1. Investment in subsidiaries			-	-
<b>Total long term financial investments:</b>			-	-
<b>Total long term investments:</b>		<b>4 683 558</b>	<b>4 781 085</b>	<b>5 480 560</b>
<b>Current assets</b>				
<b>I Stock:</b>				
1. Raw materials		101 704	120 393	119 498
2. Prepayments for stock			-	-
<b>Total stock:</b>	9	<b>101 704</b>	<b>120 393</b>	
<b>II Receivables:</b>				
1. Trade receivables		234 576	235 826	235 337
2. Due from related parties		65 433	40 391	-
3. Other debtors		39 342	8 935	50 061
4. Prepaid expenses		3 330	26 760	-
<b>Total receivables:</b>		<b>342 681</b>	<b>311 912</b>	<b>285 398</b>
<b>III Assets held for sale:</b>		-	<b>259 660</b>	-
<b>IV Cash:</b>		<b>1 829 523</b>	<b>1 391 298</b>	<b>1 370 288</b>
<b>Total current assets:</b>	14	<b>2 273 908</b>	<b>2 083 263</b>	<b>1 775 184</b>
<b>Total assets</b>		<b>6 957 466</b>	<b>6 864 348</b>	<b>7 255 744</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

*Balance Sheet as at 30 September 2018*

	Notes to the Financial Statemen ts	30.09.2018	31.12.2017	30.09.2017
		EUR	EUR	EUR
<b>Equity and Liabilities</b>				
<b>Shareholders' equity:</b>				
1. Share capital	15	1 120 000	1 120 000	1 120 000
2. Long term investment revaluation reserve	17	2 292 360	2 292 360	2 057 203
3. Reserves:				
b) reserves provided by the Company's Statutes		63 819	63 819	63 819
4. Retained earnings	16			
a) retained earnings carried forward from previous years		2 021 575	1 835 086	2 467 249
b) profit of the reporting year		(37 957)		121 221
c) non-controlling interest			506 489	
<b>Total shareholders' equity:</b>		<b>5 459 797</b>	<b>5 817 754</b>	<b>5 829 492</b>
<b>Liabilities:</b>				
<b>Long term liabilities:</b>				
1. Next period income	20	850 419	411 669	421 247
2. Deferred tax liabilities	7	-	-	390 878
<b>Total long term liabilities:</b>		<b>850 419</b>	<b>411 669</b>	<b>812 125</b>
<b>Short term liabilities:</b>				
1. Customer advances		1 831	1 755	-
2. Accounts payable to suppliers and contractors		107 212	131 714	586 201
3 Taxes and compulsory state social security contributions	19	153 662	146 686	-
4. Other liabilities	18	188 686	158 911	-
5. Next period income	20	18 752	18 752	27 929
6. Accrued liabilities	21	177 107	177 107	-
<b>Total short term liabilities:</b>		<b>647 250</b>	<b>634 925</b>	<b>614 127</b>
<b>Total liabilities:</b>		<b>1 497 669</b>	<b>1 046 594</b>	<b>1 426 252</b>
<b>Total equity and liabilities</b>		<b>6 957 466</b>	<b>6 864 348</b>	<b>7 255 744</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
Jānis Birks

Member of the Board  
Juris Imaks

Member of the Board  
Anatolijs Ahmetovs

Chief Accountant  
Gunta Kaufmane

21 November 2018

*Statement of Changes to the Shareholders Equity for 9 month of 2018*

	Share capital	Long term investment revaluation reserve	Reserves	Retained earnings brought forward from previous years	Profit/loss of the reporting year	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31 December 2016</b>	<b>1 120 000</b>	<b>2 057 203</b>	<b>63 819</b>	<b>1 913 216</b>	<b>241 870</b>	<b>5 396 108</b>
Profit of 2016 transferred to retained earnings of previous years	-	-	-	241 870	(241 870)	-
Reversal of deferred tax (see Note 9)	-	363 036	-	-	-	363 036
Dividends for 2016	-	-	-	(320 000)	-	(320 000)
Profit for the year	-	-	-	-	506 489	506 489
<b>Balance as at 31 December 2017</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>1 835 086</b>	<b>506 489</b>	<b>5 817 754</b>
Profit of 2016 transferred to retained earnings of previous years	-	-	-	-	-	-
Dividends for 2017	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>1 835 086</b>	<b>506 489</b>	<b>5 817 754</b>
Profit of 2017 transferred to retained earnings of previous years	-	-	-	506 489	(506 489)	-
Disposal of disposed fixed asset reserve	-	-	-	-	-	-
Dividends for 2017	-	-	-	(320 000)	-	(320 000)
Profit for the year	-	-	-	-	(37 957)	(37 957)
<b>Balance as at 30 September 2018</b>	<b>1 120 000</b>	<b>2 292 360</b>	<b>63 819</b>	<b>2 021 575</b>	<b>(37 957)</b>	<b>5 459 797</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
Jānis Birks

Member of the Board  
Juris Imaks

Member of the Board  
Anatolijs Ahmetovs

Chief Accountant  
Gunta Kaufmane

21 November 2018

*Statement of Cash Flows for 9 month of 2018*

	Note	30.09.2018 EUR	2017 EUR	30.09.2017 EUR
<b>I. Cash flows from operating activities</b>				
1. Profit before corporate income tax		(37 957)	493 762	86 074
<u>Adjustments for:</u>				
a) depreciation and amortisation		151 439	271 379	211 074
b) negative revaluation of fixed assets, net	6, 8		330 396	
c) loss from disposal of fixed assets		276	(6 953)	5 858
d) income from investments in related companies			(636 966)	-
2. Profit before adjustments for the effect of changes to current assets and short term liabilities;		<b>113 758</b>	<b>449 618</b>	<b>303 006</b>
<u>Adjustments for:</u>				
a) decrease/(increase) in trade receivables		(30 769)	27 021	62 831
b) decrease/(increase) in stock		18 689	11 069	14 636
c) increase in the accounts payable to suppliers and other liabilities		451 075	25 911	(266 582)
<b>3. Gross cash flows from operating activities</b>		<b>552 753</b>	<b>513 619</b>	<b>113 891</b>
4. Corporate income tax		-	(35 207)	-
<b>5. Net cash flows from operating activities</b>		<b>552 753</b>	<b>478 412</b>	<b>113 891</b>
<b>II. Cash flows from investing activities</b>				
a) dividends received	8		636 966	(320 000)
b) purchase of fixed and intangible assets	8	(54 188)	(605 510)	(585 020)
c) profit from the decrease of subsidiary's equity		69 660	85 641	-
d) profit from disposal of fixed and intangible assets		190 000	12 810	-
<b>6. Net cash flows used in investing activities</b>		<b>205 472</b>	<b>129 907</b>	<b>(905 020)</b>
<b>III. Cash flows from financing activities</b>				
a) dividends paid		(320 000)	(320 000)	<b>(626 824)</b>
<b>7. Net cash flows used in financing activities</b>		<b>(320 000)</b>	<b>(320 000)</b>	<b>(626 824)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the reporting year</b>		<b>438 225</b>	<b>288 319</b>	<b>(1 502 231)</b>
Cash and cash equivalents at the beginning of the year		1 391 298	1 102 979	2 872 519
<b>Cash and cash equivalents at the end of the year</b>	14	<b>1 829 523</b>	<b>1 391 298</b>	<b>1 370 288</b>

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Chairperson of the Board  
Jānis Birks

Member of the Board  
Juris Imaks

Member of the Board  
Anatolijs Ahmetovs

Chief Accountant  
Gunta Kaufmane

21 November 2018

## *Notes to the Financial Statements*

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

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

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

The Board comprises Jānis Birks (Chairperson of the Board), Juris Imaks (Board Member) and Anatolijs Ahmetovs (Board Member). The Chairperson of the Council is Mārtiņš Birks, Council Members are Viesturs Šiliņš, Ineta Gadzjus, Jevgēņija Kalējs and Uldis Osis.

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

#### ***Basis of preparation***

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia. Until July 2017 the Company's management used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements – available on [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) – it continued to recognise, measure and disclose deferred tax liabilities according to the International Accounting Standards (International Financial Reporting Standards as adopted by the EU) and provided appropriate disclosures on these items. See Note 9 and 20, as well as Section 'Corporate income tax' of Note 1 regarding the impact of changes in tax legislation to deferred tax as at 31 December 2017.

In addition, the Company's management used the exemption under Section 13 of the Annual Reports and Consolidated Annual Reports Law and in these financial statements it recognises and measures Assets held for sale according to the International Accounting Standards and provided appropriate disclosures on these items in Note 11.

According to Article 3(6) of the Annual Reports and Consolidated Annual Reports Law, the Company applies the requirements of the law applicable to large companies as its transferable securities are included in the regulated market of the Republic of Latvia.

The profit and loss statement was prepared according to the turnover costing method. The cash flow statement was prepared according to the indirect method. The financial statements are prepared on the historical cost basis except for the fixed assets disclosed under 'Land, buildings and engineering structures' and 'Assets held for sale' – land and buildings, which are measured using a revaluation method.

#### ***Accounting principles***

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

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

## *Notes to the Financial Statements*

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- f) The opening balance agrees with the prior year closing balance;
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

### ***Related parties***

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

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

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

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

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

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

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

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

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

## *Notes to the Financial Statements*

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Management believes that interest rate risk is not material.

### *Liquidity risk*

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

### *Fair value of financial assets and liabilities*

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

### **Reporting period**

The reporting period is the 9 months from 1 January 2018 to 30 September 2018.

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

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

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

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

Exchange rate per EUR 1:

	31.12.2017	31.12.2016
USD	1.19930	1.0541

Gain or loss resulting from payments under transactions executed in foreign currencies and the translation of monetary assets and liabilities denominated in foreign currencies is reflected in the profit and loss statement of the respective period.

### ***Estimates and judgements***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

## *Notes to the Financial Statements*

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### **(i) Impairment of fixed assets**

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable value. The recoverable amount is the highest of the fair value less selling expenses or value in use. Impairment losses are recognised in the profit and loss statement.

### **(ii) Useful lives of fixed and intangible assets**

Management estimates the useful lives of fixed and intangible assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. Land is not subject to depreciation. For other assets, depreciation and amortization is calculated on a straight-line basis over the entire useful life of the respective intangible asset and fixed asset in order to write their value or revalued value down to the estimated book value at the end of the useful life based on the following rates:

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

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

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

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

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

Based on the Company's position as at 31 December, the Company has estimated the value of the balance sheet item 'Land, buildings and engineering structures', and in accordance with the estimation, determined the carrying amount of all land, buildings and engineering structures in line with market value and based on valuation of external certified valuers.

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 accumulated depreciation is eliminated against the cost or other value, which replaces cost in the financial statements, and the gross carrying amount is increased or decreased according to the revalued value of the building or structure in the following manner: accumulated depreciation to the date of revaluation is written-off against the current carrying amount of fixed asset, and afterwards the residual value is increased or decreased according to the fair value of fixed asset as a result of revaluation.

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

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



## *Notes to the Financial Statements*

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

### ***(iv) Valuation of receivables***

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

### ***(v) Provisions***

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk.

### ***Revenue recognition***

#### *Income from sales of goods*

Revenue from the sales of goods is recognized in the profit and loss statement after the risks and rewards of ownership are transferred to the client.

No revenue is recognized if according to the provisions of the transaction the Company retains significant risks pertaining to the ownership of goods and the goods can be returned.

#### *Income from services*

Income from services provided is recognized in the profit and loss statement as generated. Income is received and recorded according to signed cooperation agreements.

#### *Rental income*

Rental income is recognised on a straight-line basis over the rental term.

#### *Dividend income*

Dividends are recognized when the Company incurs a legal right to receive them.

### ***Long and short term classification***

Amounts whose terms of receipt, payment or write off are due more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within 12 months are classified as short-term.

### ***Lease transactions***

#### *Operating lease – (the Company as a Lessor)*

The Company leases premises, which are part of revalued fixed assets. Depreciation is calculated on a straight-line basis over the entire useful life of the respective tangible asset in order to write their value down to the estimated book value at the end of the useful life based on the rates set for similar tangible 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.

## *Notes to the Financial Statements*

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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.

### **Assets held for sale**

Assets held for sale are such objects for which the balance sheet value will be recovered in a trading transaction rather than in the course of further utilization, and that comply with both of the classification criteria:

- these objects in their current condition are available for immediate sale and are subject only to common selling conditions of such objects;
- their trading transaction is credible.

Assets held for sale are not subject to amortisation.

Assets held for sale that prior to reclassification were carried at cost are recognised according to the carrying amount at the date of reclassification. Assets held for sale that prior to reclassification were measured using revaluation method cost are recognised at fair value.

Assets held for sale are recognized at the lowest of carrying amount, comparing the carrying amount and net realisable value of those assets.

### **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**

##### *In the reporting year*

Current tax for the reporting year is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. See below for information on changes effective as of 1 January 2018.

##### *Changes to the calculation of Corporate Income Tax as of 1 January 2018*

As of 1 January 2018, the new Law on Enterprise Income Tax of the Republic of Latvia comes into effect setting out a new regime for paying taxes. As of the date, the tax rate will be 20% instead of the current 15%, the taxation period will be one month instead of a year and the taxable base will include:

- distributed profit (dividends calculated, payments equalled to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive

## Notes to the Financial Statements

expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

### **(B) Deferred tax**

In accordance with the Annual Reports and Consolidated Annual Reports Law of the Republic of Latvia, companies are permitted to recognise deferred tax supported by justified reasons. In such cases, deferred tax should be recognised, assessed and disclosed in the financial statements in line with the International Financial Reporting Standards as adopted by the EU. Under IAS 12 Income taxes, whenever there is a difference to tax rates being applied to distributed and undistributed profits deferred tax assets and liabilities should be recognised by applying the rate applicable to undistributed profits.

According to the new Law on Enterprise Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profit, while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount. This principle has been applied in the Company's financial statements for the year ended 31 December 2017.

Deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period, except when deferred tax was recognised in relation to revaluation reserves. In that case, reversal of deferred tax was charged to revaluation reserves as disclosed in Note 9.

### **(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.

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Ambulatory medical services	4 485 829	5 347 200
Services covered by insurance	341 508	507 431
<i>Paid ambulatory medical services</i>	189 878	282 131
<i>Paid in-patient care</i>	151 630	225 300
In-patient care	-	-
Dental services	9 361	17 395
Resident training	-	5 256
	<b><u>4 836 698</u></b>	<b><u>5 877 282</u></b>

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

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

## *Notes to the Financial Statements*

### **(3) Cost of 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.

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration	2 261 784	2 479 681
Medicines, medical materials	570 131	721 768
Compulsory state social security contributions	534 378	571 812
Non-deductible value added tax	233 962	313 778
Lease of equipment	291 808	289 104
Depreciation	151 508	271 379
Utilities and maintenance	166 456	241 120
Office items and equipment, other materials	118 818	170 485
Repair costs	107 595	128 494
Medical examinations and other services	36 535	49 064
IT expenses	25 395	26 861
Advertisement expenses	24 142	24 273
Security	17 537	24 368
Changes in doubtful debt allowances	-	21 578
Medical fund risk expenses	11 679	14 160
Transport	8 461	11 181
Office expenses	6 513	11 787
Patient catering expenses	6 970	10 684
Real estate tax	-	7 845
Insurance	6 730	4 388
Staff training	1 771	4 509
Risk duty	1 056	1 361
Benefits and gifts to employees	1 354	1 207
Changes in cost of accrued vacations	-	-
Other costs related to services	62 607	65 046
	<b>4 647 193</b>	<b>5 465 933</b>

### **(4) Administrative expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration	284 109	318 077
Compulsory state social security contributions	67 004	72 936
Communication expenses	12 964	60 770
Audit of the financial statements	7 514	13 750
Office expenses	8 883	10 372
Bank services	6 170	7 833
Legal activities	16 551	5 646
Representation expenses	1 748	2 141
Other	2 574	7 214
	<b>407 517</b>	<b>498 739</b>

### **(5) Other operating income**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Income from rent	106 683	122 680
Amortisation of funds received from EBRD	-	18 752
Recovered overpaid taxes	-	-
Other income	74 062	92 259
	<b>180 745</b>	<b>233 691</b>

*Notes to the Financial Statements*

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

**(6) Other operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Loss from revaluation of long-term assets (see Note 10)	-	333 390
Loss on disposal of fixed assets, net	-	5 857
Penalties	-	2 802
Other expenses	-	2 386
	<hr/>	<hr/>
	<hr/>	<hr/>
		<b>344 435</b>

*Notes to the Financial Statements*

**(7) Corporate income tax**

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

	<b>2018 EUR</b>	<b>2017 EUR</b>
Current tax	-	15 115
Deferred tax		(27 842)
	<u>-</u>	<u>(12 727)</u>

(ii) *Reconciliation of effective income tax rate*

Income tax expenses disclosed for the years ended 31 December 2017 and 2016 are different from the amounts calculated by applying the statutory rate to the Company's profit before taxes as reflected below:

	<b>2018 EUR</b>	<b>2017 EUR</b>
Profit/(loss) before corporate income tax		<b>493 762</b>
Theoretically calculated corporate income tax, 15%		74 064
Effect of non-deductible expenses		54 457
Effect of non-taxable income		(113 406)
Reversal of deferred tax		(27 842)
<b>Corporate income tax for the reporting year</b>	<u>-</u>	<u>(12 727)</u>

(iii) *Deferred tax*

Deferred tax relates to the following temporary differences:

	<b>2018 EUR</b>		<b>2017 EUR</b>	
	assets	liabilities	assets	liabilities
Depreciation	-	-	-	-
<b>Net deferred tax liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Total movements in deferred tax:

	<b>2018 EUR</b>	<b>2017 EUR</b>
<b>Deferred tax liabilities, beginning of the period</b>		<b>390 878</b>
Changes in deferred tax recognized in the profit or loss statement		(27 842)
Recognised deferred tax changes from revaluation		-
Adjustment to deferred tax recognized in the revaluation reserve		(363 036)
<b>Deferred tax liabilities, end of the period</b>	<u>-</u>	<u>-</u>

*Notes to the Financial Statements*

**(8) Intangible assets and fixed assets**

	Intangi ble assets	Land, buildings and engineerin g structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Historical cost</b>						
<b>31.12.2016</b>	<b>81 960</b>	<b>4 683 297</b>	<b>3 495 743</b>	<b>474 574</b>	<b>864 159</b>	<b>9 599 733</b>
Additions	-	-	42 424	35 462	527 624	605 510
Reclassification*	-	1 382 824	-	7 627	(1 390 451)	-
Accumulated depreciation allocated to historical cost before revaluation	-	(616 518)	-	-	-	(616 518)
Negative result of revaluation allocated to the profit and loss statement	-	(333 390)	-	-	-	(333 390)
Negative result of revaluation allocated to reserves	-	(218 354)	-	-	-	(218 354)
Positive result of revaluation allocated to reserves	-	125 402	-	-	-	125 402
Reclassified to assets held for sale	-	(190 000)	-	-	-	(190 000)
Disposals	(1 412)	(151 622)	(745 100)	(17 702)	-	(915 836)
<b>31.12.2017</b>	<b>80 548</b>	<b>4 681 639</b>	<b>2 793 067</b>	<b>499 961</b>	<b>1 332</b>	<b>8 056 547</b>
Additions			51 672	2 516		54 188
Reclassification*						
Disposals	(95)	-	(244 625)	(7 232)	-	(251 952)
<b>30.09.2018</b>	<b>80 453</b>	<b>4 681 639</b>	<b>2 600 114</b>	<b>495 245</b>	<b>1 332</b>	<b>7 858 783</b>
<b>Accumulated depreciation</b>						
<b>31.12.2016</b>	<b>73 677</b>	<b>671 874</b>	<b>3 327 276</b>	<b>425 820</b>	-	<b>4 498 647</b>
Depreciation for 2017	5 360	142 577	91 777	31 665		271 379
Depreciation of disposed fixed assets	(1 412)	(119 689)	(739 245)	(17 700)	-	(878 046)
Accumulated depreciation allocated to historical cost before revaluation	-	(616 518)	-	-	-	(616 518)
<b>31.12.2017</b>	<b>77 625</b>	<b>78 244</b>	<b>2 679 808</b>	<b>439 785</b>	-	<b>3 275 462</b>
Depreciation for 2018	1 251	89 781	42 941	17 466		151 439
Depreciation of disposed fixed assets						

*Notes to the Financial Statements*

Accumulated depreciation allocated to historical cost before revaluation	(95)	(244 349)	(7 232)		(251 676)
<b>30.09.2018</b>	<b>78 781</b>	<b>168 025</b>	<b>2 478 400</b>	<b>450 019</b>	<b>3 175 225</b>
<b>Balance as at 31.12.2017</b>	<b>2 923</b>	<b>4 603 395</b>	<b>113 259</b>	<b>60 176</b>	<b>4 781 085</b>
<b>Balance as at 30.09.2018</b>	<b>1672</b>	<b>4 513 614</b>	<b>121 714</b>	<b>45 226</b>	<b>4 683 558</b>

\* Transferred from construction in progress at Radiology Department, Patversmes 23 (EUR 1 382 824).

In February 2018, during the preparation of these financial statements 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. According to the management, the fair value of these assets approximates their carrying amount after revaluation as at 31 December 2017. The result of a upward revaluation of buildings and constructions at Melīdas iela 10 by EUR 95 402 was recognised as an increase in long-term investment revaluation reserve. The result of a upward revaluation of land at Patversmes iela 23 by EUR 30 000 was recognised as an increase in long-term investment revaluation reserve. The result of revaluation of buildings and constructions at Patversmes iela 23 by EUR 336 931 was recognised as a decrease in previously recognised long-term investment revaluation reserve. The result of a downward revaluation of buildings and constructions at Vecmīlgrāvja 5. līnija by EUR 214 813 was recognised as a decrease in previously recognised long-term investment revaluation reserve.

**Information on changes due to revaluation**

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

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 'Land, buildings and engineering structures', 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 3 100 000 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 470 Rent rate per m2 – EUR 2.3-9 Capacity – 90% Capitalisation rate – 9%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher);
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of: Comparison approach: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow method;: The model is based on discounted cash flows from rendering services	Price per m2 EUR 349 Rent rate per m2 – EUR 3.5-5 Capacity – 90% Capitalisation rate – 10%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).

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

In 2017, the management initiated sales process for a real estate at Vecmīlgrāvja 5. līnijā 26. This real estate property was reclassified to Assets held for sale at fair value. In March 2018 the object was sold. Refer to Note 11.

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 engineering structures' as at 31.12.2017 had revaluation not taken place would be EUR 3 071 601 (31.12.2016 – EUR 1 784 151).

Including:	2018 EUR	31.12.2017 EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(949 689)	(949 689)

*Notes to the Financial Statements*

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**(9) Stock**

	<b>2018 EUR</b>	<b>31.12.2017 EUR</b>
Medicines in warehouse, pharmacy	93 716	103 994
Medicines in departments	7 213	8 588
Other materials	775	7 811
	<u><b>101 704</b></u>	<u><b>120 393</b></u>

**(10) Trade receivables**

	<b>2018 EUR</b>	<b>31.12.2017 EUR</b>
National Health Service	142 096	157 746
Insurance companies	57 110	50 238
Doubtful debt allowance	(11 757)	(11 757)
Other institutions, companies and individuals	47 127	39 599
	<u><b>234 576</b></u>	<u><b>235 826</b></u>

**(11) Due from related parties**

	<b>2018 EUR</b>	<b>31.12.2017 EUR</b>
Due from related parties, gross value	82 743	57 701
Doubtful debt allowance	(17 310)	(17 310)
	<u><b>65 433</b></u>	<u><b>40 391</b></u>

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

**(12) Other debtors**

	<b>2018 EUR</b>	<b>31.12.2017 EUR</b>
Overpaid taxes (see Note 22)	26 413	2 496
Value added tax on unpaid services	4	4 979
Security deposit	-	-
Other receivables	12 925	1 460
	<u><b>39 342</b></u>	<u><b>8 935</b></u>

## Notes to the Financial Statements

### (13) Prepaid expenses

	2018 EUR	31.12.2017 EUR
Insurance	3 330	3 472
Advertising		297
Press subscription		-
Rent		22 952
Other		39
	<b>3 330</b>	<b>26 760</b>

### (14) Cash

#### By currency:

		2018		2017	
		Currency	EUR	Currency	EUR
Current account	USD	5 840	4 870	5 840	4 870
Current account	EUR		1 814 104	-	1 381 862
Cash on hand	EUR		10 549	-	4 566
			<b>1 829 523</b>		<b>1 391 298</b>

### (15) Share capital

Share capital of the Company as at 30 September 2018 is EUR 1 120 000 and it is divided into 800 000 shares with the nominal value of EUR 1.40.

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

	30.09.2018		31.12.2017	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
Ilze Aizsilniece	70 565	8.82%	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.17%	209 319	26.17%
<b>Total</b>	<b>800 000</b>	<b>100.00%</b>	<b>800 000</b>	<b>100.00%</b>
<b>Share capital (EUR)</b>	<b>1 120 000</b>		<b>1 120 000</b>	

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

### (16) Retained earnings

Retained earnings, including the profit of 2018 of EUR **112 660**, as at 31 December 2017 amount to EUR 2 341 575 (2016: EUR 2 155 086).

### (17) Revaluation reserves

Revaluation reserve as at 31 December 2017 includes the amount of revaluation of fixed assets. The negative result of revaluation of fixed assets amounting to EUR 92 952 was recognised under 'Revaluation reserve' in equity.

*Notes to the Financial Statements*

Long term investment revaluation reserve		
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Revaluation reserves as at 1 January</b>		<b>2 057 203</b>
Decrease as a result of revaluation	-	(92 952)
Disposal of disposed fixed asset reserve	-	(34 927)
Deferred tax changes from revaluation	-	-
Reversal of deferred tax	-	363 036
Adjustment in deferred tax	-	-
<b>Revaluation reserves as at 31 December</b>	<b>-</b>	<b>2 292 360</b>

**(18) Other liabilities**

	<b>2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Salaries		158 337
Payments to the trade union		574
Deposited remuneration for work and injunctions	-	-
	<b>-</b>	<b>158 911</b>

**(19) Taxes and compulsory state social security contributions**

	Balance as at 31.12.2017	Calculated for 2018	Paid in 2018	Balance as at 30.09.2018
	EUR	EUR	EUR	EUR
Corporate income tax	(2490)	0	(23 917)	(26 407)
VAT	17 738	142 686	(159 794)	630
Real estate tax	(6)	-	-	(6)
Natural resources tax	1 610	0	(1 506)	104
Risk duty	115	1 081	(1 078)	118
Social contributions	82 597	875 235	(853 851)	103 981
Personal income tax	44 626	431 620	(427 417)	48 829
<b>Total</b>	<b>144 190</b>	<b>145 062 2</b>	<b>(998 546)</b>	<b>127 249</b>
Including:				
Overpaid taxes	(2 496)			(26 413)
Tax liabilities	146 686			153 662

Overpaid taxes are disclosed under "other receivables".

**(20) Next period income**

	<b>2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
The part of capital grants to be charged to profit or loss within 1 to 5 years	411 669	411 669
Lease payment for 10 years	438 750	
<b>Deferred income, long term</b>	<b>850 750</b>	<b>411 669</b>
The part of capital grants to be charged to profit or loss within one year	18 752	18 752
<b>Deferred income, short term</b>	<b>18 752</b>	<b>18 752</b>

In 2012, the Company received EBRD funding to purchase fixed assets. In 2017, the Company recognised revenue of EUR 18 752 (2016: EUR 27 926) (see Note 5).

*Notes to the Financial Statements*

**(21) Accrued liabilities**

	<b>2018</b>	<b>31.12.2017</b>
	<b>EUR</b>	<b>EUR</b>
Accrued expenses on unused vacations	177 107	177 107
	<u><b>177 107</b></u>	<u><b>177 107</b></u>

As at the year-end, the following provisions for employee salaries have been recognized, which are calculated for 2017 and will be paid in 2018 in accordance to the order of calculation of remuneration approved by the management of the Company.

**(22) Average number of employees by category**

	<b>2018</b>	<b>2017</b>
Average number of employees in the reporting year:	343	343
incl. Board Members	3	3
Members of the Council	5	5
Other employees	335	335

**(23) Personnel expenses**

<b>Type of costs</b>	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration	2 545 893	2 797 758
Compulsory state social security contributions	601 382	644 748
	<u><b>3 147 382</b></u>	<u><b>3 442 506</b></u>

**(24) Remuneration to management**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Members of the Board remuneration	78 654	78 158
· compulsory state social security contributions	18 948	18 436
Members of the Council remuneration	20 489	27 319
· compulsory state social security contributions	4 636	6 011
Other members of the administration remuneration	184 966	212 600
· compulsory state social security contributions	43420	48 489
	<u><b>351 113</b></u>	<u><b>391 013</b></u>

**(25) Future liabilities**

As at 30 September 2018, the Company has not incurred future payment liabilities under effective agreements.

The management of the Company 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 2018.

**(26) Related party transactions**

In 2018, the Company made transactions with related parties:

## *Notes to the Financial Statements*

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— issue invoices to SIA Kodolmedicīnas klīnika for rent payments of EUR 82 743 (2017: EUR 57 701).

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

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Audit of the financial statements	7 514	13 750
	<u>7 514</u>	<u>13 750</u>

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

The Company has 25 effective operating lease agreements regarding equipment. According to this agreement, lease payments are the following:

In 2018	EUR 337 920
In 2019-2021	EUR 979 121

### **(29) Subsequent events**

In February 2018 LJMC sold its 50.4% shares in SIA Klīnika Dzintari in the amount of EUR 69 049. In March 2018 AS Latvijas Jūras medicīnas centrs has provided public information that it has sold its real estate at Vecmīlgrāvja 5. līnijā 26 in the amount of EUR 190 000. No other significant subsequent events have occurred that would materially impact the presentation of the financial statements.

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Chairperson of the Board  
Jānis Birks

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Member of the Board  
Juris Imaks

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Member of the Board  
Anatolijs Ahmetovs

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Chief Accountant  
Gunta Kaufmane

21 November 2018