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LATVIJAS JURAS MEDICINAS CENTRS STOCK COMPANY

STOCK COMPANY

No.000330680

AUGUST 27, 1996

RIGA, LV - 1005, LATVIA

23, PATVERSMES STREET, RIGA, LV - 1005, LATVIA

JANIS BIRKS 37.6 %

ILZE AIZSILNIECE 10.1%

AGRIS SHVARCBERGS 10,7%

STATE SOCIAL INSUARANCE AGENCY 5.0%

MARTA AIZSILNIECE

1 JANUARY 2006 - 31 MARCH 2006

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From June 6, 2003 till the consolidated financial statements signing day

| <u>Name</u>           | <u>Position</u>         |
|-----------------------|-------------------------|
| Agris Shvarcbergs     | Chairman of the Council |
| Antons Vjaters        | Council member          |
| Vladislavs Skrebelis, | Council member          |
| Austris Adumans       | Council member          |
| Janis Aboltins        | Council member          |

| <u>Name</u>       | <u>Position</u>          |
|-------------------|--------------------------|
| Marta Aizsilniece | Chairperson of the Board |
| Andris Vigants    | Board member             |
| Marika Baumgarte  | Board member             |

In accordance with the paragraph 1 of Section 4 of the law “On Consolidated Annual Reports” the joint stock company is under an obligation to prepare the consolidated Annual Report.

The Consolidated Annual Report contains information concerning the current situation and future development of parent company AS “Latvians Juras medicines centrs” (hereinafter referred to as LJMC) and its subsidiary company SIA “Jūras medicīna” (hereinafter referred to as JM).

This Annual Report is prepared in accordance with International Financial Review Standards (IFRS) and is based on business continuation principle. The financial statements were drawn up in Latvian lats (LVL) and euros (EUR). The applied currency exchange rate is EUR/LVL 0.702804.

The share of the parent company constitutes the dominant part of the group’s assets, turnover and profits.  
The profit of the parent company was LVL 30457 before taxes.  
The profit of subsidiary company was LVL 4034 before taxes.

On the base of increased government funding, employees’ salaries have been raised again on 1 January 2006 as required by the relevant regulation by the Cabinet of Ministers and stipulated in the agreement with HCISA.

Since February 2006 the provision of Magnetic Resonance Imaging Services was started. Total joint investments for this type of activity together with cooperation partners constitute almost 0,5 million EUR.

In January 2006 LJMC has increased its shareholding in the capital of SIA "Jūras medicīna" from 86,80% to 87,83% by purchasing shares from other shareholders.

The project development for a new surgery hospital in Vecmilgravis started in this year.

The company has good debt and current ratios. Health Compulsory Insurance State Agency that is the biggest debtor (government procurement) usually settles its payments in due time.

On behalf of the Group:

Chairperson of the Board  
Marta Aizsilniece

Board member  
Andris Vigants

Board member  
Marika Baumgarte

|                                      |          |            |
|--------------------------------------|----------|------------|
|                                      |          |            |
|                                      |          |            |
|                                      |          |            |
| Net sales                            | 912 703  | 3 847 301  |
| Cost of goods sold                   | -826 855 | -3 440 772 |
| Administrative expenses              | -68 734  | -248 899   |
| Other operating income               | 14 542   | 76 701     |
| Other operating expenses             | -1 278   | -14 703    |
| Interest income and similar income   | 4 113    | 7 036      |
| Interest expense and similar expense | -        | -6 308     |
| Corporate income tax                 | -        | (41 800)   |
| Deferred tax                         | -        | -          |
| Minority interest                    | (491)    | (978)      |
|                                      | 800 000  | 800 000    |

*The accompanying notes are an integral part of these financial statements*

The financial statements were approved by:

|       |                   |                          |
|-------|-------------------|--------------------------|
| _____ | Marta Aizsilniece | Chairperson of the Board |
| _____ | Andris Vigants    | Board member             |
| _____ | Marika Baumgarte  | Board member             |







|   |         |         |
|---|---------|---------|
|   |         |         |
|   |         |         |
|   |         |         |
| Other loans   | 53 223  | 53 223  |
| Received advance payments                           | 252 588 | 393 295 |
| Due to customers and suppliers                      | 104 534 | 42 459  |
| Taxes and social security payments                  | 73 114  | 72 337  |
| Other payables                                      | 97 509  | 82 047  |
|   |         |         |
| Accruals for taxes                                  | 40 000  | 46 700  |
| Provisions for vacations                            | 109 557 | 109 557 |
|   |         |         |
|   |         |         |
| Share equity  | 800 000 | 800 000 |
| Reserves:   |         |         |
| c) reserves provided by the Articles of Association | 37 760  | 37 760  |
| Retained earnings:                                  |         |         |
| a) brought forward from previous years              | 369 679 | 192 302 |
| b) current year profit or loss                      | 34 000  | 177 578 |
|   |         |         |
|   | 22 744  | 24 144  |
|   |         |         |
|   |         |         |

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|       |                   |                          |
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| _____ | Andris Vigants    | Board member             |
| _____ | Marika Baumgarte  | Board member             |

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|                                  |          |          |              |           |                |                |
|----------------------------------|----------|----------|--------------|-----------|----------------|----------------|
| Transfers to reserves            | -        | -        | 56 498       | (56 498)  | -              | -              |
| Dividends paid                   | -        | -        | (16 000)     | -         | -              | (16 000)       |
| Profit for the year              | -        |          |              | 177 578   | -              | 177 578        |
| Consolidated accumulated loss    | -        |          | (23 391)     | -         | -              | (23 391)       |
| Minority interest changes        | -        | -        | -            | -         | (27 560)       | (27 560)       |
| Previous years retained earnings | -        | -        | 177 578      | (177 578) | -              | -              |
| Dividends paid                   | -        | -        |              | -         | -              | -              |
| Profit for the year              | -        | -        |              | 34 000    | -              | 34 000         |
| Consolidated accumulated loss    | -        | -        |              | -         | -              | -              |
| Minority interest changes        | -        | -        | (201)        | -         | (1 400)        | (1 601)        |
|                                  | <u>-</u> | <u>-</u> | <u>(201)</u> | <u>-</u>  | <u>(1 400)</u> | <u>(1 601)</u> |

*The accompanying notes are an integral part of these financial statements*

The financial statements were approved by:

|       |                   |                          |
|-------|-------------------|--------------------------|
| _____ | Marta Aizsilniece | Chairperson of the Board |
| _____ | Andris Vigants    | Board member             |
| _____ | Marika Baumgarte  | Board member             |



"Latvijas Juras Medicīnas Centrs" is a joint-stock company (the Company) incorporated in the Republic of Latvia on 27 August 1996. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary - "Juras medicina" Ltd. (the Group).

The Company's main activity is health care services.

The consolidated financial statements have been prepared in accordance with the International Financial reporting Standards. Enclosed financial statements are produced in the national currency of Latvia, the lats (LVL).

There is no difference in balance sheet dates of the Company and its subsidiary.

The interest of minority shareholders is stated at the minority proportion of the assets and liabilities recognized.

All significant intercompany transactions and balances among Group enterprises are eliminated on consolidation.

The portion attributed to the parent of the net assets is offset with the investment and eliminated. The portion attributed to the parent of the retained earnings earned after the acquisition date of shares is included in the consolidated retained earnings.

Transactions denominated in foreign currencies are translated into Lats at the official exchange rate of the Bank of Latvia at the date of transaction. Monetary assets and liabilities are translated at the Bank of Latvia rate at the balance sheet date. The applicable rate used for the principal currencies as of 31 March and 31 December 31 were the follows:

|     |          |          |
|-----|----------|----------|
| USD | 0.582    | 0.593    |
| EUR | 0.702804 | 0.702804 |

Gains or losses on translation are posted to the profit or loss account at the Bank of Latvia official exchange rate as of the balance sheet date and recognized in the period when they occur.

Exchange differences arising on the settlement of monetary items are recognised in the period in which they arise.

Cash includes cash on hand and demand deposits within credit institutions. The statement on cash flow is prepared using indirect method, making adjustments affecting the net profit reconciling it with the changes in cash during the year.

Trade receivables are stated at their net realizable value. Trade receivables represent the gross balance due from customers less provision, if any, for uncollectible accounts receivable. Provision for uncollectible accounts receivable at the balance sheet date represents the estimated amounts of probable losses that have been incurred at the balance sheet date based on individual evaluation of each debtor.

Inventories are stated at the lower of cost or market, using FIFO method.

Fixed assets are stated at historical cost, less accumulated depreciation. The cost of the item comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to working condition for intended use. The cost of self-constructed asset is determined using the same principles as for an acquired asset. Only assets with its useful life more than one year are capitalized.

Depreciation is provided on all fixed assets based on historical cost. Depreciation of fixed assets is computed using the straight-line method over the estimated average useful lives:

|                          |          |
|--------------------------|----------|
| Buildings:               | 20 years |
| Machinery and equipment: | 3 years  |
| Other fixed assets:      | 5 years  |

Repair and maintenance costs are expensed when incurred. Capital expenditures such as refurbishment of buildings and improvements to structural elements are recognized as an asset if the expenditures improve the condition of the asset beyond its original estimated life.

For tax purposes, depreciation on tangible fixed assets is calculated under the double declining balance method over the period established in accordance with prevailing tax legislation.

Investments in associates are stated at historical cost. The fair value can not be estimated because of the lack of the free market.

Sales of goods are recognized when goods are delivered and title has passed.

Dividends are recognized as liabilities in the Group financial statements after the Group shareholders made a decision to pay.

The Group made changes of the investments in associates accounting policy which aroused from the implementation of a new IFRS. These changes have been applied retrospectively, with an adjustment to the opening balance of retained earnings and investments in associates. From the year 2005 all investments in associates are recorded at cost (no fair value can be defined) and the equity method is not applied any more. The effect of these changes in accounting policy is 5,767 LVL which related to the previous years.

2004 year cost of goods sold have been reclassified as other operating expenses for the amount LVL 55 340.

Corporate income tax at a rate of 25 % is calculated based on the taxable income for the year in accordance with Latvian legislation. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in opinion of management, it is more likely than not that some proportion or all deferred tax assets will not be realized.

As of 31 march 2006 and 31 December 2004  
fixed assets are composed as follows:

|                     |       |        |          |          |        |         |          |
|---------------------|-------|--------|----------|----------|--------|---------|----------|
| At 31 December 2004 |       |        |          |          |        |         |          |
| Additions           | 2 799 | 61 557 | 93 278   | 18 650   | 30 785 |         | (11 666) |
| Transfers           |       |        |          |          |        |         |          |
| Disposals           |       |        | (8 250)  | - 29 193 | -      | (1 565) | -        |
| At 31 December 2005 |       |        |          |          |        |         |          |
| Additions           | 970   | -      | 18 135   | 4 166    | 4 887  | -       | -        |
| Disposals           | -     | -      | (23 151) | (119)    | -      | -       | -        |
| At 31 March 2006    |       |        |          |          |        |         |          |
| At 31 December 2004 |       |        |          |          |        |         |          |
| Charge for the year | 2 770 | 35 725 | 132 616  | 32 063   | 8 117  | -       | -        |
| Disposals           | -     | -      | (7 710)  | - 15 190 | -      | -       | -        |
| At 31 December 2005 |       |        |          |          |        |         |          |
| Charge for the year | 785   | 9 603  | 22 991   | 6 258    | 2 030  |         | -        |
| Disposals           | -     |        | (23 151) | (119)    |        |         | -        |
| At 31 March 2006    |       |        |          |          |        |         |          |
| At 31 December 2004 |       |        |          |          |        |         |          |
| At 31 December 2005 |       |        |          |          |        |         |          |
| At 31 March 2006    |       |        |          |          |        |         |          |

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Participation in "Neirozu klinika" Ltd. | 98 780                      | 98 780                      |
|   | <u>                    </u> | <u>                    </u> |
|   | <u>                    </u> | <u>                    </u> |

October 4, 2005 the company changed the name from SIA "Psihiskas veselibas centrs "Dzintari"" to SIA "Neirozu klinika"

|                                       |                             |                             |
|---------------------------------------|-----------------------------|-----------------------------|
| Pharmaceutical                        | 43 813                      | 42 664                      |
| Stock in warehouse                    | 3 482                       | 4 432                       |
| Inventory                             | 4 380                       | 2 516                       |
| Products                              | 1 526                       | 1 266                       |
| Furniture                             | 873                         | 1 001                       |
| Other materials                       | 832                         | 925                         |
| Advance payments to supplier of goods | 567                         | 1 606                       |
|                                       | <u>                    </u> | <u>                    </u> |
|                                       | <u>                    </u> | <u>                    </u> |

|                                |                             |                             |
|--------------------------------|-----------------------------|-----------------------------|
| VOVAA Rigas department         | 210 485                     | 72 812                      |
| Riga slimokase AAS             | 28 860                      | 53 373                      |
| Balta AAS                      | 10 849                      | 10 437                      |
| Med.prof.izglitibas centrs     | 3 544                       | 6 443                       |
| BTA AAS                        | 6 518                       | 6 230                       |
| LF Holdings                    | 5 077                       | 4 508                       |
| NBS militaras medicinas centrs | 1 574                       | 1 832                       |
| Ergo Latvija                   | 1 234                       | 1 822                       |
| SEESAM Life Latvija            | 3 236                       | 1 707                       |
| Balva AAS                      | 1 019                       | 1 088                       |
| BALTIKUMS DZIVIBA AAS          | 612                         | 1 014                       |
| Hospital patients treatment    |                             | 16 911                      |
| Other customers                | 7 192                       | 3 189                       |
|                                | <u>                    </u> | <u>                    </u> |
|                                | <u>                    </u> | <u>                    </u> |

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| VAT advance payment            | 243               | 242               |
| VAT for unpaid invoices        | 679               | 820               |
| Taxes overpayment (note No.20) | 8 857             | 513               |
| Other debtors                  | 3 666             | 347               |
|                                | <u>          </u> | <u>          </u> |
|                                | <u>          </u> | <u>          </u> |

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Riga Stock Exchange, shares quotation |                   | 5 000             |
| Assurance expense                     | 738               | 1 972             |
| Other expense                         |                   | 300               |
|                                       | <u>          </u> | <u>          </u> |
|                                       | <u>          </u> | <u>          </u> |

|               |                   |                   |
|---------------|-------------------|-------------------|
| Cash in banks | 584 250           | 717 559           |
| Deposit       | 29 100            | 28 701            |
| Cash on hands | 8 932             | 4 093             |
|               | <u>          </u> | <u>          </u> |
|               | <u>          </u> | <u>          </u> |

Shareholders:

|  |                   |       |                   |                   |
|--|-------------------|-------|-------------------|-------------------|
| Janis Birks                              | 302 109           | 37,76 | 302 109           | 37,8              |
| Ilze Aizsilniece                         | 80 766            | 10,10 | 80 766            | 10,1              |
| Agris Shvarebergs                        | 85 559            | 10,69 | 44 147            | 5,5               |
| Peteris Augustovs                        |                   | 0,00  | 41 412            | 5,2               |
| State social insurance agency            | 40 000            | 5,00  | 40 000            | 5,0               |
| Other shareholders (shares less than 5%) | 291 566           | 36,45 | 291 566           | 36,4              |
|  | <u>          </u> |       | <u>          </u> | <u>          </u> |
|  | <u>          </u> |       | <u>          </u> | <u>          </u> |



|   |        |        |
|---|--------|--------|
| VOVAA diagnostics equipment - long-term part  | -      |        |
| VOVAA diagnostics equipment - short-term part | 53 223 | 53 223 |
| deed of cession - Latvian Shipping Company    | -      |        |
|   | <hr/>  | <hr/>  |
|   | <hr/>  | <hr/>  |

|                                |         |         |
|--------------------------------|---------|---------|
| VOAVA advance payment for 2006 | 249 597 | 389 453 |
| Other advances                 | 2 991   | 3 842   |
|                                | <hr/>   | <hr/>   |
|                                | <hr/>   | <hr/>   |

|                                 |        |        |
|---------------------------------|--------|--------|
| Recipe Plus SIA                 | 14 117 | -      |
| Tradintek SIA                   | 11 340 | 17 010 |
| Tamro SIA                       | 7 407  | -      |
| B.Braun Medical                 | 9 444  | -      |
| Valsts Patologijas centrs SIA   | 2 759  | 5 063  |
| Invitros SIA                    | 5 925  | 162    |
| Latvijas Gaze                   | 4 825  | 4 361  |
| Arbor Medical Korporācija       | 4 065  | -      |
| Amerilat MD                     | 4 044  | -      |
| Medeksperts SIA                 | 3 494  | -      |
| S.A.V. SIA                      | 1 404  | -      |
| Latvenergo Rīgas rajons         | 2 194  | 1 922  |
| Latvenergo Rīgas elektrotīkls   | 1 060  | 1 554  |
| Rīgas Ūdens                     | 1 203  | 1 530  |
| Sistēmu Audits SIA              | -      | 1 180  |
| Lattelekom                      | 1 465  | 1 061  |
| Nacion.medic.serviss-laboratory | 754    | 799    |
| Hanza Lizings SIA               | -      | -      |
| Hospital Gaiļezers BO           | 470    | 470    |
| Rīgas Slimokases AAS            | -      | -      |
| Rīgas Siltums                   | -      | -      |
| LUMPI institute                 | -      | -      |
| Other suppliers                 | 28 564 | 7 347  |
|                                 | <hr/>  | <hr/>  |
|                                 | <hr/>  | <hr/>  |

|                                |        |        |
|--------------------------------|--------|--------|
| Value added tax                | 995    | 942    |
| Social insurance               | 43 936 | 42 514 |
| Personal income tax            | 28 139 | 26 696 |
| Corporate income tax           | -      | 1 990  |
| Corporate income tax - penalty | 12     | 12     |
| Unemployment duty              | 32     | 183    |
|                                | <hr/>  | <hr/>  |
|                                | <hr/>  | <hr/>  |

|                        |        |        |
|------------------------|--------|--------|
| Due to other companies |        |        |
| Salaries               | 89 354 | 78 446 |
| Board remuneration     | -      | 1 934  |
| Trade union            | 765    | 717    |
| Deposited salary       | 690    | 642    |
| Deferred taxes         | 6 700  | -      |
| Council remuneration   | -      | 308    |
|                        | <hr/>  | <hr/>  |
|                        | <hr/>  | <hr/>  |

|                               |         |           |
|-------------------------------|---------|-----------|
| Medical hospital services     | 498 141 | 1 697 282 |
| Medical ambulant services     | 297 294 | 991 250   |
| Services - minimum fixed part | 2 705   | 691 981   |
| Insurance payments            | 57 348  | 245 334   |
| VS ZDC ambulant services      | 20 912  | 110 113   |
| Stomatology services          | 9 488   | 42 260    |
| Residents training            | 10 632  | 29 050    |
| Family doctors                | 3 623   | 9 262     |
| Other income                  | 12 560  | 30 769    |
|                               | <hr/>   | <hr/>     |
|                               | <hr/>   | <hr/>     |

|                                |         |           |
|--------------------------------|---------|-----------|
| Salaries and wages             | 358 185 | 1 144 263 |
| Medical goods                  | 154 891 | 1 027 156 |
| Social tax                     | 83 371  | 266 388   |
| Other operating expenses       | 61 911  | 174 285   |
| Fixed assets depreciation      | 38 837  | 200 305   |
| Public utilities               | 45 635  | 141 506   |
| Accruals for vacations         | -       | 107 730   |
| Repair expenses                | 2 290   | 97 808    |
| Feeding expenses               | 16 661  | 57 890    |
| Household goods                | 13 461  | 55 937    |
| Medical researches             | 22 043  | 53 463    |
| Current assets write-off       | 12 393  | 35 607    |
| Employees trainings            | 5 478   | 18 443    |
| Gifts to employees             | 729     | 17 879    |
| Office expenses                | -       | 17 688    |
| Rent fixed assets depreciation | 2 029   | 8 118     |
| Transport expense              | 1 809   | 8 464     |
| Insurance expenses             | 797     | 2 896     |
| Advertising                    | 1 626   | 2 813     |
| Tangible assets amortization   | 786     | 2 770     |
| Allowances to employees        | 420     | 2 336     |
| Unemployment duty              | 389     | 2 221     |
| Bad debt write-off             | -       | 855       |
| Received discounts             | - 3 686 | - 14 918  |
| Building maintenance expenses  | -       | 3 327     |
| Other expenses                 | 6 800   | 5 542     |
|                                | <hr/>   | <hr/>     |
|                                | <hr/>   | <hr/>     |

|                                       |        |         |
|---------------------------------------|--------|---------|
| Salaries and wages                    | 37 829 | 127 911 |
| Social tax                            | 7 049  | 29 677  |
| Board chairperson remuneration        | 6 329  | 24 597  |
| Office expenses                       | 6 745  | 20 266  |
| Board remuneration                    | 4 018  | 14 306  |
| Other administrative expenses         | 945    | 6 572   |
| Presentation expenses                 | 1 679  | 5 264   |
| Chairperson of the Board social tax   | 1 261  | 5 163   |
| Board members social tax              | 968    | 3 446   |
| Council chairperson remuneration      | 750    | 3 000   |
| Audit expenses                        | -      | 3 800   |
| Council members remuneration          | 600    | 2 400   |
| Bank expenses                         | 248    | 1 184   |
| Chairperson of the Council social tax | 181    | 723     |
| Council members social tax            | 132    | 553     |
| Legal services                        | -      | 37      |
|                                       | <hr/>  | <hr/>   |
|                                       | <hr/>  | <hr/>   |

|                                 |       |        |
|---------------------------------|-------|--------|
| Rent income                     | 7 213 | 23 850 |
| Gain on sale of fixed assets    | -     | 11 914 |
| Feeding income                  | 2 932 | 9 236  |
| Press goods                     | 1 741 | 4 692  |
| Currency exchange gain          | -     | 3 716  |
| Solarium income                 | 856   | 2 617  |
| Laundry income                  | 365   | 1 794  |
| Other income                    | 1 435 | 18 882 |
|                                 |       |        |
| Fixed assets disposals          | -     | 14 543 |
| Penalties                       | 599   | 160    |
| Currency exchange loss          | 563   | -      |
| Other expenses                  | 116   | -      |
|                                 |       |        |
| Interest income                 | 4 113 | 7 036  |
|                                 |       |        |
| Loan interest expenses (VOAVAA) | -     | 6 269  |
| Leasing interest payments       | -     | 39     |
|                                 |       |        |
|                                 | ***** |        |