



**LATVIJAS JŪRAS MEDICINAS CENTRS JSC**

**CONSOLIDATED REPORT FOR THE YEAR 2012**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**AND INDEPENDENT AUDITOR'S REPORT**

**(Translation of the Latvian original)**

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**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**INFORMATION ABOUT PARENT COMPANY**

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**COMPANY NAME:** LATVIJAS JURAS MEDICINAS CENTRS JSC

**LEGAL STATUS:** Joint stock company

**REGISTRATION:** Registered in Latvian Register of Enterprises at 27.08.2004.  
Registration Number: 40003306807

**LEGAL ADDRESS:** 23, Patversmes str., Riga, LV - 1005, Latvia

**SHARES** 800 000 public registered shares with face value 1,00 LVL  
ISIN code:LV0000100741

**MAJOR SHAREHOLDERS:** Ilze Birka 17.5%  
Martins Birks 17.5%  
Ilze Aizsilniece 11.45%  
Guna Shvarcberga 10.36%  
Janis Birks 8.53%

**REPORTING PERIOD:** January 1, 2012 – December 31, 2012

**AUDITORS NAME AND ADDRESS:** System audit Ltd.  
Licence No.53  
Matisa str. 19-6  
Riga, LV-1001  
Latvia

**Council of the Group**

Number of shares  
owned at  
31/12/2012

From April 28, 2010 till the consolidated financial statements signing day

| Position                | Name              |         |
|-------------------------|-------------------|---------|
| Chairman of the Council | Martins Birks     | 140,000 |
| Member of the Council   | Viesturs Shilinsh | 3,038   |
| Member of the Council   | Ineta Gadzjus     | -       |
| Member of the Council   | Jevgenijs Kalejs  | 5,283   |
| Member of the Council   | Uldis Osis        | -       |

**Board of the Group**

From August 18, 2009 till the consolidated financial statements signing day

| Position              | Name              |        |
|-----------------------|-------------------|--------|
| Chairman of the Board | Janis Birks       | 68,215 |
| Member of the Board   | Marta Aizsilniece | 1,344  |
| Member of the Board   | Andris Vigants    | 700    |



**MANAGEMENT REPORT**

In accordance with the paragraph 1 of Section 4 of the law "On Consolidated Annual Accounts" the joint stock company is under an obligation to prepare the consolidated annual report.

The consolidated financial report contains information concerning the current financial situation and future development of parent company JSC "Latvijas Juras medicinas centrs" (hereinafter referred to as LJMC) and its subsidiary company "Juras medicina" Ltd. (hereinafter referred to as JM).

This audited consolidated financial report is prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union 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 current financial condition of the Group of companies and its development**

The share of the parent company constitutes the dominant part of the group's assets, turnover and profits.

The loss after taxes of LJMC was 53937 LVL

The loss after taxes of JM was 6142 LVL

**The Group financial indexes**

|                                                             | 2012    | 2011    | 2010     |
|-------------------------------------------------------------|---------|---------|----------|
| Net sales (mil. LVL)                                        | 3.79    | 3.52    | 3.36     |
| Assets at the end of year (mil. LVL)                        | 3.72    | 3.94    | 3.57     |
| Profit (loss) after taxes (LVL)                             | -68,181 | -82,094 | -105,838 |
| EBITDA (LVL)                                                | 413,449 | 318,219 | 265,069  |
| Profit (loss) after taxes on shareholders' equity (ROE) (%) | -2.4%   | -2.8%   | -3.5%    |
| Profit (loss) after taxes on share (LVL)                    | -0.09   | -0.10   | -0.13    |
| LJMC share market price at the end of the year (LVL)        | 1.90    | 1.45    | 1.25     |
| LJMC dividends on share (LVL)                               | 0.00    | 0.00    | 0.00     |
| CR                                                          | 3.36    | 2.03    | 3.10     |
| DR                                                          | 0.18    | 0.20    | 0.16     |

**Important events that affected results of the Group's activities in reporting period**

Key developments in LJMC during the year 2012 is offering new medical services, improving the quality of existing services with the help of modern medical technology, new specialists and better patient service culture.

A contract was signed with the National Health Service on state-paid medical services at last year's level.

The "Doctor's Office" information system and patient's queue control system were implemented in the Northern diagnostic center and Sarkandaugava ambulatory health care center. The rehabilitation service for the neurological patients has begun. The transition to an optical Internet in all company's areas is finished.

The reconstruction and renovation of the hospital corps at Patversmes Street 23 as ERDF project to provide an outpatient medical service was completed at April 26. Additionally, new medical equipment, furniture and computer equipment for day-patient and family physicians' offices were purchased or built. The total cost amounted to LVL 660 000. Of these, the ERDF funding was LVL 436 035. In addition to the ERDF project all cabinets and support service areas (reception, wardrobe, and waiting rooms) have been equipped with the necessary furniture, equipment, blinds, and information and communication technologies. A digital communication equipment and medical information system "The Doctor's Office" has been introduced in the new corp and other departments. New patient Corps opening took place at 27th of September. Consequently at Patversmes Street 23 have begun the work several new professionals (oculists, pulmonologists, also bronchoscopes are performed). The general practitioner, gynecologist, urologist and laboratories possibilities to provide high quality medical services have significantly improved.

**MANAGEMENT REPORT**

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In Surgery clinic at Patversmes Street 23, 4 luxury class wards were built. Redecoration of several rooms in North diagnostic center was done. The landscaping at Patversmes Street 23 is done to develop friendly and enjoyable environment for patients. For patient's convenience, additionally a new parking for 36 cars was allocated. In landscaping during the reporting period a sum of LVL 124,000 was invested.

Investments made in buildings and hardware resulted in increase of depreciation amount in the second half of the year by LVL 10,000 per month compared to the same period in 2011. In the third quarter for the outpatient care the purchased inventories was for more than LVL 30,000. Communication and building repairment were made for LVL 119,000 (throughout 2011 – LVL 65,000). Large amount of purchase and VAT increase from June 2011 resulted in increase of non-deductible VAT amount. In 9 months of 2012 it is about LVL 55,000 higher compared to 9 months of 2011.

As a result of these measures the outpatient visits to Latvijas Juras medicinas centrs at Patversmes street 23 in the fourth quarter of 2012 had doubled compared to the fourth quarter of 2011. Sales growth in 2012 was 7.6% higher compared with 2011.

Overall, the 2012th revenue plan is executed at 106.32%. The expenditure side overran by LVL 203,655 (5.4%): repairs and current assets – LVL 98,000, depreciation – LVL 24,000, VAT – LVL 64,000, material and wage growth due to the increase in turnover for LVL 31,000. Estimated losses before taxes were LVL 70,000; actual losses before taxes are LVL 42,000.

Internal transactions with subsidiaries and associated companies in the year 2012 were not made.

The share price at the 31.12.11 was LVL 1,45; 31.03.12 - LVL 1,80; 30.06.12 - LVL 1,95; 30.09.12 - LVL 1,70; 31.12.12 - LVL 1,90

**Important Events after the Balance Sheet Date**

In March 2013, Joint-stock company Latvijas Jūras medicīnas centrs "Ziemeļu diagnostikas centrs" received a quality certificate ISO 9001:2008 for functional diagnostics and radiology from DNV Certification OY/AB, Finland. This certificate is valid till March 14, 2016. The work on the initiation of ISO quality standards in the other structural units continues.

The share price at the 04.04.13 was LVL 1,70.

**Future Development of the Group**

The Board is planning to develop ambulatory care and offer new, high-quality services for the diagnostic and medical treatment, including Patversmes street 23 area. The development of joint computerized information and accounting system will continue. That will provide precise details of the services rendered to patient; the medical information will be in a digital format, as well as perspective – integration into the e-health system. The Board is optimizing the company's organization coping with the ongoing changes in the health service structure and changing public procurement levels.

**Risk Management**

On a regular basis the significant risks are assessed, involving a wide range of specialists. Measures are taken to mitigate the potential impact on business activities. Constantly, the Group's future development scenarios are reviewed based on the underlying and predictable market changes.

On behalf of the Group:

Chairman of the Board  
Janis Birks

Member of the Board  
Marta Aizsilniece

Member of the Board  
Andris Vigants

Riga, 9 April, 2013



**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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Consolidated financial statements are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial statements give a true and fair view of the financial position of the Group and of its financial performance for the period ended 31 December 2012 in all essential aspects. In preparing those financial statements, management:

- selected suitable accounting policies and then apply them consistently;
- made judgments and estimates that are reasonable and prudent;
- prepared the financial statements on the going concern basis to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by EU. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The management Board is also responsible for operation of the Company in compliance with the legislation of the Republic of Latvia.

Chairman of the Board

Janis Birks

Member of the Board

Marta Aizsilniece

Member of the Board

Andris Vigants

Riga, 9 April, 2013

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011**

|                                      | December 31,<br>2012 | December 31,<br>2011 | Notes |
|--------------------------------------|----------------------|----------------------|-------|
| ASSETS                               | LVL                  | LVL                  |       |
| <b>Long-term investments:</b>        |                      |                      |       |
| <b>Intangible assets:</b>            |                      |                      |       |
| Other intangible (fixed) assets      | 15,233               | 732                  | 2     |
| <b>Total intangible assets</b>       | <b>15,233</b>        | <b>732</b>           |       |
| <b>Fixed assets</b>                  |                      |                      |       |
| Land and buildings                   | 1,758,202            | 1,240,610            |       |
| Technological equipment and machines | 782,185              | 888,235              |       |
| Other fixed assets and fixtures      | 37,874               | 39,185               |       |
| Fixed assets add-ons (EU funds)      | 110,039              | 110,039              |       |
| Unfinished construction              | -                    | 411,569              |       |
| Advance payments for fixed assets    | 3,322                | 6,033                |       |
| <b>Total fixed assets</b>            | <b>2,691,622</b>     | <b>2,695,671</b>     | 2     |
| <b>Long-term financial assets</b>    |                      |                      |       |
| Investment in associates             | 135,312              | 142,927              | 3     |
| <b>Total financial assets:</b>       | <b>135,312</b>       | <b>142,927</b>       |       |
| <b>Total long-term investments:</b>  | <b>2,842,167</b>     | <b>2,839,330</b>     |       |
| <b>Current assets:</b>               |                      |                      |       |
| <b>Inventories</b>                   |                      |                      |       |
| Raw materials                        | 68,647               | 67,136               | 4     |
| <b>Total Inventories</b>             | <b>68,647</b>        | <b>67,136</b>        |       |
| <b>Debtors:</b>                      |                      |                      |       |
| Trade receivables                    | 77,594               | 142,875              | 5     |
| Other receivables                    | 6,677                | 31,436               | 6     |
| Deferred expenditure                 | 2,783                | 2,499                | 7     |
| <b>Total debtors</b>                 | <b>87,054</b>        | <b>176,810</b>       |       |
| <b>Cash funds</b>                    | <b>725,035</b>       | <b>854,520</b>       | 8     |
| <b>Total current assets</b>          | <b>880,736</b>       | <b>1,098,466</b>     |       |
| <b>TOTAL ASSETS</b>                  | <b>3,722,903</b>     | <b>3,937,796</b>     |       |

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011**

|                                                     | December 31,<br>2012<br>LVL | December 31,<br>2012<br>LVL | Notes |
|-----------------------------------------------------|-----------------------------|-----------------------------|-------|
| <b>LIABILITIES</b>                                  |                             |                             |       |
| <b>Equity capital:</b>                              |                             |                             |       |
| Share capital                                       | 800,000                     | 800,000                     | 9     |
| Reserves:                                           |                             |                             |       |
| c) reserves provided by the Articles of Association | 31,993                      | 31,993                      |       |
| d) fixed asset's revaluation reserve                | 653,160                     | 750,642                     | 23    |
| <b>Retained earnings:</b>                           |                             |                             |       |
| a) brought forward from previous years              | 1,468,593                   | 1,435,966                   |       |
| b) current year comprehensive income (loss)         | -68,135                     | -82,058                     |       |
| <b>Total shareholders' equity</b>                   | <b>2,885,611</b>            | <b>2,936,543</b>            |       |
| <b>Non-controlling interest</b>                     | <b>1,311</b>                | <b>1,357</b>                |       |
| <b>Total equity capital</b>                         | <b>2,886,922</b>            | <b>2,937,900</b>            |       |
| <b>Provisions for liabilities and charges:</b>      |                             |                             |       |
| Provisions for vacations                            | 48,671                      | 84,190                      |       |
| Deferred tax provisions                             | 106,192                     | 111,315                     | 22    |
| <b>Total provisions</b>                             | <b>154,863</b>              | <b>195,505</b>              |       |
| <b>Non-current liabilities:</b>                     |                             |                             |       |
| Deferred income                                     | 419,348                     | 261,998                     | 10    |
| <b>Total non-current liabilities</b>                | <b>419,348</b>              | <b>261,998</b>              |       |
| <b>Current liabilities:</b>                         |                             |                             |       |
| Advance payments                                    | 12,840                      | 134,581                     | 11    |
| Trade Payables                                      | 63,092                      | 244,782                     | 12    |
| Taxes and social security payments                  | 85,223                      | 75,288                      | 13    |
| Other payables                                      | 100,615                     | 87,742                      | 14    |
| <b>Total current liabilities</b>                    | <b>261,770</b>              | <b>542,393</b>              |       |
| <b>Total liabilities</b>                            | <b>681,118</b>              | <b>804,391</b>              |       |
| <b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>     | <b>3,722,903</b>            | <b>3,937,796</b>            |       |

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011**

|                                                            | <b>2012</b>     | <b>2011</b>     | <b>Notes</b> |
|------------------------------------------------------------|-----------------|-----------------|--------------|
|                                                            | <b>LVL</b>      | <b>LVL</b>      |              |
| Net sales                                                  | 3,789,337       | 3,520,316       | 15           |
| Cost of goods sold                                         | (3,608,993)     | (3,399,809)     | 16           |
| <b>Gross profit or loss</b>                                | <b>180,344</b>  | <b>120,507</b>  |              |
| Administrative expenses                                    | (336,870)       | (278,542)       | 17           |
| Other operating income                                     | 105,301         | 87,362          | 18           |
| Other operating expenses                                   | (5,034)         | (1,723)         | 19           |
| Income from investment in associate                        | 131             | 7,746           | 20           |
| Interest income and similar income                         | 27              | -               | 21           |
| <b>Profit (loss) before taxes</b>                          | <b>(56,101)</b> | <b>(64,650)</b> |              |
| Corporate income tax                                       | (12,080)        | (17,444)        | 22           |
| <b>NET PROFIT OR LOSS</b>                                  | <b>(68,181)</b> | <b>(82,094)</b> |              |
| <b>Other comprehensive income</b>                          |                 |                 |              |
| Peļņa no asociētā uzņēmuma daļu iegādes                    | -               | 5               |              |
| <b>Other comprehensive income for the year, net of tax</b> | <b>-</b>        | <b>5</b>        |              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>             | <b>(68,181)</b> | <b>(82,089)</b> |              |
| Profit attributable to                                     |                 |                 |              |
| Owners of LJMC                                             | (68,135.0)      | (82,058)        |              |
| Non-controlling interest                                   | (46)            | (31)            |              |
|                                                            | <b>(68,181)</b> | <b>(82,089)</b> |              |
| Total comprehensive income attributable to                 |                 |                 |              |
| Owners of LJMC                                             | -               | -               |              |
| Non-controlling interest                                   | -               | -               |              |
|                                                            | <b>-</b>        | <b>-</b>        |              |
| <b>EBITDA</b>                                              | <b>413,449</b>  | <b>318,219</b>  |              |
| <b>Number of shares</b>                                    | <b>800,000</b>  | <b>800,000</b>  |              |
| <b>Earnings per Share (EPS)</b>                            | <b>(0.09)</b>   | <b>(0.10)</b>   |              |



**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011**

|                                              | Share<br>capital | Reserves<br>provided<br>by the<br>Articles of<br>Associatio<br>n | Properties<br>revaluation<br>reserve | Previous<br>years<br>retained<br>earnings | Current<br>year profit | Non-<br>controlli<br>ng<br>interest | Total            |
|----------------------------------------------|------------------|------------------------------------------------------------------|--------------------------------------|-------------------------------------------|------------------------|-------------------------------------|------------------|
|                                              | LVL              | LVL                                                              | LVL                                  | LVL                                       | LVL                    | LVL                                 | LVL              |
| <b>At 31 December 2010</b>                   | <b>800,000</b>   | <b>31,993</b>                                                    | <b>848,124</b>                       | <b>1,427,086</b>                          | <b>(105,805)</b>       | <b>1,388</b>                        | <b>3,002,786</b> |
| Previous years retained earnings             | -                | -                                                                | -                                    | (105,805)                                 | 105,805                | -                                   | -                |
| Depreciation of revaluation surplus          | -                | -                                                                | (114,685)                            | 114,685                                   | -                      | -                                   | -                |
| Deffered tax on revaluation surplus          | -                | -                                                                | 17,203                               | -                                         | -                      | -                                   | 17,203           |
| Profit on purchase of shares from associates | -                | -                                                                | -                                    | -                                         | 5                      | -                                   | 5                |
| Total comprehensive income for the year      | -                | -                                                                | -                                    | -                                         | (82,063)               | (31)                                | (82,094)         |
| <b>At 31 December 2011</b>                   | <b>800,000</b>   | <b>31,993</b>                                                    | <b>750,642</b>                       | <b>1,435,966</b>                          | <b>(82,058)</b>        | <b>1,357</b>                        | <b>2,937,900</b> |
| Previous years retained earnings             | -                | -                                                                | -                                    | (82,058)                                  | 82,058                 | -                                   | -                |
| Depreciation of revaluation surplus          | -                | -                                                                | (114,685)                            | 114,685                                   | -                      | -                                   | -                |
| Deffered tax on revaluation surplus          | -                | -                                                                | 17,203                               | -                                         | -                      | -                                   | 17,203           |
| Total comprehensive income for the year      | -                | -                                                                | -                                    | -                                         | (68,135)               | (46)                                | (68,181)         |
| <b>At 31 December 2012</b>                   | <b>800,000</b>   | <b>31,993</b>                                                    | <b>653,160</b>                       | <b>1,468,593</b>                          | <b>(68,135)</b>        | <b>1,311</b>                        | <b>2,886,922</b> |

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011**

|                                                               | <b>2012</b>      | <b>2011</b>        | <b>NOTES</b> |
|---------------------------------------------------------------|------------------|--------------------|--------------|
|                                                               | <b>LVL</b>       | <b>LVL</b>         |              |
| <b>Cash flows from operating activities</b>                   |                  |                    |              |
| Net income before tax                                         | (56,101)         | (64,650)           |              |
| Adjustments:                                                  |                  |                    |              |
| a) depreciation of fixed assets                               | 477,100          | 396,798            | 2            |
| b) depreciation of intangibles                                | 4,530            | 3,509              | 2            |
| c) provisions                                                 | (35,519)         | (7,354)            |              |
| d) loss (gain) on sale of fixed assets                        | 409              | (1,980)            |              |
| e) interest income                                            | (27)             | -                  | 21           |
| f) gain (loss) from investments in associates                 | (131)            | 7,746              | 20           |
| <b>2. Changes in operating current assets and liabilities</b> | <b>390,261</b>   | <b>334,069</b>     |              |
| Corrections                                                   |                  |                    |              |
| a) receivables                                                | 78,609           | (33,739)           |              |
| b) inventory                                                  | (1,511)          | (9,336)            |              |
| c) current liabilities                                        | (265,906)        | 257,179            |              |
| <b>3. Gross operating cash flow</b>                           | <b>201,453</b>   | <b>548,173</b>     |              |
| 4. Paid corporate income tax                                  | (3,570)          | (11,936)           | 13           |
| <b>5. Net cash used in operating activities</b>               | <b>197,883</b>   | <b>536,237</b>     |              |
| <b>II. Cash flow used in investment activities</b>            |                  |                    |              |
| 1. Purchase of shares of associates                           | -                | (96)               |              |
| 2. Purchase of fixed assets                                   | (492,864)        | (1,131,858)        | 2            |
| 3. Income from sale of fixed assets                           | 373              | 7,371              |              |
| 4. Received dividends                                         | 7,746            | -                  |              |
| 5. Received interest                                          | 27               | -                  | 21           |
| <b>6. Net cash from investment activities</b>                 | <b>(484,718)</b> | <b>(1,124,583)</b> |              |
| <b>III. Cash flows used in financing activities</b>           |                  |                    |              |
| 1. Received grants (EU funds)                                 | 157,350          | 199,431            |              |
| <b>2. Net cash from financing activities</b>                  | <b>157,350</b>   | <b>199,431</b>     |              |
| <b>IV. Net increase (decrease) in cash</b>                    | <b>(129,485)</b> | <b>(388,915)</b>   |              |
| <b>V. Cash at the beginning of the period</b>                 | <b>854,520</b>   | <b>1,243,435</b>   |              |
| <b>VI. Cash at the end of the period</b>                      | <b>725,035</b>   | <b>854,520</b>     |              |



**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011**

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**GENERAL INFORMATION**

"Latvijas Juras Medicinas 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 Group's main activity is health care services.

**1. ACCOUNTING PRINCIPLES**

**Basis of consolidation**

The consolidated financial statements have been prepared in accordance with the International financial reporting standards adopted by the European Union. Enclosed financial statements are prepared in the national currency of Latvia, the lats (LVL).

There is no difference in the dates of the Statements of financial position of the Company and its subsidiary.

The interest of minority shareholders is stated at the minority proportion of the net assets.

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

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

**Foreign currency**

Transactions denominated in foreign currencies are converted into Lats by the official exchange rate of the Bank of Latvia at the date of transaction. Monetary assets and liabilities are converted by the exchange rate of the Bank of Latvia as on the date of statements of financial position.

The applicable rate used for the principal currencies were the follows:

|     | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|-----|--------------------------|--------------------------|
| EUR | 0.702804                 | 0.702804                 |
| USD | 0.546                    | 0.531                    |

Gain or loss on conversion is posted to the statement of comprehensive income on the official exchange rate of the Bank of Latvia as of the statement of financial position date and recognized in the period when they incurred.

Exchange differences rising on the settlement of monetary items are recognized in the period in which they arise.

**Cash and cash equivalents**

The statement on cash flows is prepared according to IAS 7.

**Trade receivables**

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

**Inventory**

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

**Fixed assets**

Fixed assets excluding real estate 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 calculated based on the historical cost.

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Separate accounts are used for assets acquired by EU funding.

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.

Land and buildings (real estate) are accounted according to the revaluation model, recognized at the fair value determined from market-based evidence. Buildings are revaluated as on 31.12.2011 based on the cadastral value as fair value. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Depreciation is calculated based on the revalued amount. The depreciation charge for each period is recognised in the statement of income.

The increase (decrease) in the value of buildings and constructions is reflected in the Statement of comprehensive income under "Gains (losses) from revaluation of properties". Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss.

Depreciation is provided on all fixed assets based on historical cost. Depreciation on fixed assets are 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  |

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

#### **Investments in associates**

Investments in associates are initially recognized at the cost.

#### **Revenue recognition**

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

#### **Dividends**

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

#### **Deferred income**

Government grants are accounted according to IAS 20. A government grant is recognised only when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

The grant is recognised as income in the statement of profit or loss and other comprehensive income the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government grants related to assets, including non-monetary grants, are accounted for at fair value, presented as deferred income in the statement of financial position, which are recognised as income from the different exercises on a systematic and rational, over the life of the related assets.

#### **Property revaluation surplus**

The revaluation surplus is included in other comprehensive income and accrued amount is reflected in equity under the heading "Investment revaluation reserve". According to IASs 16, p.41, the revaluation surplus included in equity is transferred directly to retained earnings. The surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.



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**Taxation**

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.

Deferred tax on revaluation surplus is reflected in the Statement of other comprehensive income.

**Risk Management**

The Management Board is responsible for setting up risk management guidelines and risk monitoring.

The Company has identified the major risk factors and developed policies and mechanisms to control these factors. The major risks are defined as:

Market risk: a country's economic deterioration, changes in the public and the insurer health care and its financing policy, competition, changes in utility tariffs, etc. can significantly affect the demand for Groups services and its profitability.

Operational risk: The possibility of suffering losses caused by inadequate or failed internal process of the medical treatment process, actions of staff or systems, or external events impact. Patient dissatisfaction with the quality of medical services, treatment process organization or staff attitudes in the long term can lead to a fall in income and even financial claims.

Credit Risk: The inability of insurance companies and patients to pay for the services in time and in full amount.

Liquidity risk: unable to meet the legally enforceable requirements without major damage and inability to cope with unplanned changes in Groups resources and / or market conditions related to the fact that it does not have sufficient liquid assets.

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**2. TOTAL FIXED ASSETS AND OTHER INTANGIBLE (FIXED) ASSETS**

As on 31 December 2012 and 31 December 2011  
fixed assets are composed as follows:

| LVL                                               | Intangible assets | Land & buildings | Machinery and equipment | Other fixed assets | Fixed assets add-ons (EU funds) | Unfinished building objects | Advance payments for fixed assets | Total     |
|---------------------------------------------------|-------------------|------------------|-------------------------|--------------------|---------------------------------|-----------------------------|-----------------------------------|-----------|
| <b>Historical cost</b>                            |                   |                  |                         |                    |                                 |                             |                                   |           |
| At 31 December 2010                               | 26,072            | 2,540,655        | 1,880,064               | 353,202            | 2,689                           | 1,397                       | 175,842                           | 4,979,921 |
| Additions                                         | 795               | -                | 707,072                 | 10,475             | 407,483                         | 6,033                       | -                                 | 1,131,858 |
| Transfers                                         | -                 | -                | -                       | -                  | 1,397                           | (1,397)                     | -                                 | -         |
| Disposals                                         | (490)             | 65,803           | (63,829)                | (26,288)           | -                               | -                           | (65,803)                          | (90,607)  |
| At 31 December 2011                               | 26,377            | 2,606,458        | 2,523,307               | 337,389            | 411,569                         | 6,033                       | 110,039                           | 6,021,172 |
| Additions                                         | 19,031            | 49,045           | 173,570                 | 28,217             | 225,712                         | (2,711)                     | -                                 | 492,864   |
| Transfers                                         | -                 | 637,281          | -                       | -                  | (637,281)                       | -                           | -                                 | -         |
| Disposals or change in classification             | -                 | -                | (31,347)                | (13,193)           | -                               | -                           | -                                 | (44,540)  |
| At 31 December 2012                               | 45,408            | 3,292,784        | 2,665,530               | 352,413            | -                               | 3,322                       | 110,039                           | 6,469,496 |
| <b>Accumulated depreciation</b>                   |                   |                  |                         |                    |                                 |                             |                                   |           |
| At 31 December 2010                               | 22,626            | 1,214,785        | 1,479,605               | 292,662            | -                               | -                           | -                                 | 3,009,678 |
| Charge for the year                               | 3,509             | 36,378           | 214,700                 | 31,035             | -                               | -                           | -                                 | 285,622   |
| Charge for the period for revaluated fixed assets | -                 | 114,685          | -                       | -                  | -                               | -                           | -                                 | 114,685   |
| Disposals                                         | (490)             | -                | (59,233)                | (25,493)           | -                               | -                           | -                                 | (85,216)  |
| At 31 December 2011                               | 25,645            | 1,365,848        | 1,635,072               | 298,204            | -                               | -                           | -                                 | 3,324,769 |
| Charge for the year                               | 4,530             | 54,049           | 279,620                 | 28,746             | -                               | -                           | -                                 | 366,945   |
| Charge for the period for revaluated fixed assets | -                 | 114,685          | -                       | -                  | -                               | -                           | -                                 | 114,685   |
| Disposals or change in classification             | -                 | -                | (31,347)                | (12,411)           | -                               | -                           | -                                 | (43,758)  |
| At 31 December 2012                               | 30,175            | 1,534,582        | 1,883,345               | 314,539            | -                               | -                           | -                                 | 3,762,641 |
| <b>Net book value</b>                             |                   |                  |                         |                    |                                 |                             |                                   |           |
| At 31 December 2010                               | 3,446             | 1,325,870        | 400,459                 | 60,540             | 2,689                           | 1,397                       | 175,842                           | 1,970,243 |
| At 31 December 2011                               | 732               | 1,240,610        | 888,235                 | 39,185             | 411,569                         | 6,033                       | 110,039                           | 2,696,403 |
| At 31 December 2012                               | 15,233            | 1,758,202        | 782,185                 | 37,874             | -                               | 3,322                       | 110,039                           | 2,706,855 |

**3. INVESTMENT IN ASSOCIATES**

|                                                                                         | Capital share (%) | Amount of investment | Capital share (%) | Amount of investment |
|-----------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                                                                         | 2012              |                      | 2011              |                      |
|                                                                                         | LVL               |                      | LVL               |                      |
| <b>Participating interests in associated enterprises</b>                                |                   |                      |                   |                      |
| Participation in "Neirozu klinika" Ltd.                                                 | 45.32             | 135,312              | 45.32             | 142,927              |
| <b>Total participating interests in associated enterprises</b>                          |                   | <b>135,312</b>       |                   | <b>142,927</b>       |
| SIA "Neirozu klinika" 64 shares have been bought for 96 LVL (0,03% from total capital). |                   |                      |                   |                      |

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**4. RAW MATERIALS**

|                 | 2012          | 2011          |
|-----------------|---------------|---------------|
|                 | LVL           | LVL           |
| Pharmaceutical  | 68,121        | 66,400        |
| Food products   | 275           | 55            |
| Food products   | -             | 453           |
| Other materials | 251           | 228           |
| <b>Total</b>    | <b>68,647</b> | <b>67,136</b> |

**5. TRADE RECEIVABLES**

|                                                     | 2012          | 2011           |
|-----------------------------------------------------|---------------|----------------|
|                                                     | LVL           | LVL            |
| Riga's health department                            | 20,606        | 6,687          |
| P.Stradiņa klīniskā universitātes slimnīca          | 17,475        | 49,425         |
| Other customers                                     | 16,037        | 15,611         |
| Riga's health department                            | 6,981         | 55,241         |
| Gjensidege Baltic                                   | 3,488         | 3,583          |
| Latvian University                                  | 2,932         | 2,199          |
| Ergo Latvija AAS                                    | 2,384         | 4,398          |
| SEESAM Latvija                                      | 2,068         | 1,434          |
| IF Latvija AAS                                      | 1,746         | 3,065          |
| Latvian railway JSC                                 | 1,210         | 1,220          |
| Olla M Ltd.                                         | 1,161         | 1,191          |
| Baltijas apdrošināšanas nams                        | 1,134         | 1,030          |
| Compensa Life Vienna Insurance group                | 973           | 140            |
| Ministry of Interior – health and social department | 848           | 45             |
| Balva AAS                                           | 724           | 1,188          |
| Balta AAS                                           | 478           | 256            |
| Biogen Idec Ltd.                                    | 125           | 842            |
| Bad debt provisions                                 | (2,776)       | (4,680)        |
| <b>Total</b>                                        | <b>77,594</b> | <b>142,875</b> |

**6. OTHER RECEIVABLES**

|                             | 2012         | 2011          |
|-----------------------------|--------------|---------------|
|                             | LVL          | LVL           |
| Taxes overpaid (note No.12) | 3,592        | 14,801        |
| VAT for unpaid invoices     | 2,042        | 1,100         |
| Other receivables           | 1,043        | 15,535        |
| <b>Total</b>                | <b>6,677</b> | <b>31,436</b> |

**7. DEFERRED EXPENDITURE**

|              | 2012         | 2011         |
|--------------|--------------|--------------|
|              | LVL          | LVL          |
| Assurance    | 2,783        | 2,499        |
| <b>Total</b> | <b>2,783</b> | <b>2,499</b> |

**8. CASH FUNDS**

|               | 2012           | 2011           |
|---------------|----------------|----------------|
|               | LVL            | LVL            |
| Cash in banks | 718,625        | 851,172        |
| Cash on hands | 6,410          | 3,348          |
| <b>Total</b>  | <b>725,035</b> | <b>854,520</b> |



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**9. SHARE CAPITAL**

|                                          | 2012             |                | 2011             |                |
|------------------------------------------|------------------|----------------|------------------|----------------|
| Shareholders:                            | Number of shares | Share %        | Number of shares | Share %        |
| Ilze Birka                               | 140,000          | 17.50%         | 140,000          | 17.50%         |
| Martins Birks                            | 140,000          | 17.50%         | 140,000          | 17.50%         |
| Ilze Aizsilniece                         | 91,565           | 11.45%         | 91,565           | 11.45%         |
| Guna Shvarcberga                         | 82,917           | 10.36%         | 82,917           | 10.36%         |
| Janis Birks                              | 68,215           | 8.53%          | 67,983           | 8.50%          |
| Other shareholders (shares less than 5%) | 277,303          | 34.66%         | 277,535          | 34.69%         |
| <b>Total</b>                             | <b>800,000</b>   | <b>100.00%</b> | <b>800,000</b>   | <b>100.00%</b> |

|                     | 2012           | 2011           |
|---------------------|----------------|----------------|
| <b>Share equity</b> | <b>800,000</b> | <b>800,000</b> |

**10. DEFERRED INCOME**

|                                      | 2012<br>LVL    | 2011<br>LVL    |
|--------------------------------------|----------------|----------------|
| ERAF projektu izdevumu atlīdzināšana | 419,348        | 261,998        |
| <b>Total</b>                         | <b>419,348</b> | <b>261,998</b> |

**11. ADVANCE PAYMENTS**

|                              | 2012<br>LVL   | 2011<br>LVL    |
|------------------------------|---------------|----------------|
| VEK advance payment for 2010 | 2,930         | 133,467        |
| Other advances               | 9,910         | 1,114          |
| <b>Total</b>                 | <b>12,840</b> | <b>134,581</b> |

**12. TRADE PAYABLES**

|                               | 2012<br>LVL   | 2011<br>LVL    |
|-------------------------------|---------------|----------------|
| Tradintek                     | 38,223        | 121,536        |
| Latvenergo Rīgas elektrotikls | 7,866         | 7,152          |
| Sistēmu Audits SIA            | 4,235         | 4,270          |
| Latvijas Gaze                 | 687           | 785            |
| Latvenergo Rīgas elektrotikls | 107           | 302            |
| Būvprojektu vadība            | -             | 89,609         |
| Latvijas Gaze                 | -             | 10,565         |
| Other suppliers               | 11,974        | 10,563         |
| <b>Total</b>                  | <b>63,092</b> | <b>244,782</b> |

**13. TAXES AND SOCIAL SECURITY PAYMENTS**

|                                    | As of 31-12-11 | Calculated     | Paid             | Returned     | As of 31-12-12 |
|------------------------------------|----------------|----------------|------------------|--------------|----------------|
|                                    | LVL            | LVL            | LVL              | LVL          | LVL            |
| Value added tax                    | 1,703          | 26,947         | (27,876)         | 129          | 903            |
| Social insurance                   | 46,748         | 603,980        | (584,911)        | (12,186)     | 53,631         |
| Personal income tax                | 26,353         | 342,987        | (338,699)        | (200)        | 30,441         |
| Corporate income tax               | (14,735)       | -              | (3,570)          | 14,717       | (3,588)        |
| Unemployment duty                  | 76             | 1,044          | (1,039)          | -            | 81             |
| Natural resources tax              | 212            | 814            | (859)            | -            | 167            |
| Uzņēmuma vieglo a/m trasp.nodoklis | 196            | 1,083          | (1,279)          | -            | -              |
| Real estate tax                    | (66)           | 4,181          | (4,119)          | -            | (4)            |
| <b>Total, including</b>            | <b>60,487</b>  | <b>981,036</b> | <b>(962,352)</b> | <b>2,460</b> | <b>81,631</b>  |
| due to the budget                  | 75,288         |                |                  |              | 85,223         |
| overpayment                        | (14,801)       |                |                  |              | (3,592)        |

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**14. OTHER PAYABLES**

|                  | <b>2012</b>    | <b>2011</b>   |
|------------------|----------------|---------------|
|                  | <b>LVL</b>     | <b>LVL</b>    |
| Salaries         | 99,633         | 86,807        |
| Trade union      | 642            | 595           |
| Deposited salary | 340            | 340           |
| <b>Total</b>     | <b>100,615</b> | <b>87,742</b> |

**15. NET SALES**

|                               | <b>2012</b>      | <b>2011</b>      |
|-------------------------------|------------------|------------------|
|                               | <b>LVL</b>       | <b>LVL</b>       |
| Medical ambulant services     | 2,392,942        | 2,209,017        |
| Medical hospital services     | 892,331          | 814,004          |
| Insurance payments            | 211,859          | 189,418          |
| VS ZDC ambulant services      | 160,918          | 164,009          |
| Stomatology services          | 45,349           | 45,123           |
| Family doctors                | 27,801           | 26,983           |
| Residents training            | 26,081           | 31,758           |
| Services - minimum fixed part | 9,238            | 9,238            |
| Other income                  | 22,818           | 30,766           |
| <b>Total</b>                  | <b>3,789,337</b> | <b>3,520,316</b> |

**16. COST OF GOODS SOLD**

|                              | <b>2012</b>      | <b>2011</b>      |
|------------------------------|------------------|------------------|
|                              | <b>LVL</b>       | <b>LVL</b>       |
| Salaries and wages           | 1,491,267        | 1,569,399        |
| Fixed assets depreciation    | 481,630          | 400,308          |
| Medical goods                | 476,031          | 428,161          |
| Social tax                   | 350,026          | 368,457          |
| VAT - expenses               | 223,260          | 159,117          |
| Public utilities             | 163,739          | 131,470          |
| Repair expenses              | 136,695          | 65,350           |
| Current assets write-off     | 59,595           | 22,178           |
| Feeding expenses             | 26,952           | 18,316           |
| Security expenses            | 23,802           | 28,180           |
| Household goods              | 21,748           | 16,431           |
| Computer maintenance, repair | 18,035           | 14,962           |
| Medical researches           | 17,880           | 15,564           |
| Utilities                    | 15,233           | 15,850           |
| Advertising                  | 12,545           | 12,124           |
| Employees trainings          | 6,751            | 4,629            |
| Transport expense            | 6,682            | 5,389            |
| Office expenses              | 6,639            | 9,491            |
| Insurance expenses           | 3,397            | 3,258            |
| Allowances to employees      | 1,200            | 1,200            |
| Unemployment duty            | 1,044            | 1,072            |
| Gifts to employees           | 595              | 1,018            |
| Rent of equipment            | -                | 34,075           |
| Accruals for vacations       | (1,904 )         | 4,679            |
| Received discounts           | (10,292 )        | (7,974 )         |
| Other operating expenses     | 76,443           | 77,105           |
| <b>Total</b>                 | <b>3,608,993</b> | <b>3,399,809</b> |

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**17. ADMINISTRATIVE EXPENSES**

|                                       | <b>2012</b>    | <b>2011</b>    |
|---------------------------------------|----------------|----------------|
|                                       | <b>LVL</b>     | <b>LVL</b>     |
| Salaries and wages                    | 183,445        | 139,610        |
| Social tax                            | 43,135         | 32,600         |
| Board remuneration                    | 23,602         | 24,070         |
| Board chairperson remuneration        | 21,869         | 21,444         |
| Council members remuneration          | 13,440         | 13,440         |
| Communication expenses                | 10,669         | 10,363         |
| Council chairperson remuneration      | 5,760          | 5,760          |
| Office expenses                       | 5,745          | 3,962          |
| Chairperson of the Board social tax   | 5,268          | 5,165          |
| Board members social tax              | 5,016          | 4,959          |
| Audit expenses                        | 5,000          | 5,000          |
| Bank expenses                         | 4,081          | 3,531          |
| Council members social tax            | 2,906          | 3,105          |
| Presentation expenses                 | 2,057          | 1,945          |
| Other administrative expenses         | 1,919          | 2,200          |
| Legal services                        | 1,570          | -              |
| Chairperson of the Council social tax | 1,388          | 1,388          |
| <b>Total</b>                          | <b>336,870</b> | <b>278,542</b> |

**18. OTHER OPERATING INCOME**

|                       | <b>2012</b>    | <b>2011</b>   |
|-----------------------|----------------|---------------|
|                       | <b>LVL</b>     | <b>LVL</b>    |
| Rent income           | 51,055         | 57,417        |
| Hotel services – food | 12,337         | 13,046        |
| Utilities for tenants | 9,937          | 2,602         |
| Laundry income        | 861            | 1,186         |
| Solarium income       | 477            | 636           |
| Feeding income        | -              | 233           |
| Other income          | 30,634         | 12,242        |
| <b>Total</b>          | <b>105,301</b> | <b>87,362</b> |

**19. OTHER OPERATING EXPENSES**

|                                  | <b>2012</b>  | <b>2011</b>  |
|----------------------------------|--------------|--------------|
|                                  | <b>LVL</b>   | <b>LVL</b>   |
| Real estate tax                  | 482          | 452          |
| Loss from fixed assets disposals | 409          | -            |
| Penalties                        | 359          | 85           |
| Currency exchange loss           | -            | -            |
| Other expenses                   | 3,784        | 1,186        |
| <b>Total</b>                     | <b>5,034</b> | <b>1,723</b> |

**20. INCOME FROM INVESTMENT IN ASSOCIATE**

|                       | <b>2012</b> | <b>2011</b>  |
|-----------------------|-------------|--------------|
|                       | <b>LVL</b>  | <b>LVL</b>   |
| Neurology clinic Ltd. | 131         | 7,746        |
| <b>Total</b>          | <b>131</b>  | <b>7,746</b> |

**21. INTEREST INCOME AND SIMILAR INCOME**

|                 | <b>2012</b> | <b>2011</b> |
|-----------------|-------------|-------------|
|                 | <b>LVL</b>  | <b>LVL</b>  |
| Interest income | 27          | -           |
| <b>Total</b>    | <b>27</b>   | <b>-</b>    |



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**22. CORPORATE INCOME TAX**

|                                 | <b>2012</b><br><b>LVL</b> | <b>2011</b><br><b>LVL</b> |
|---------------------------------|---------------------------|---------------------------|
| Deferred Corporate income tax   | 12,080                    | 17,444                    |
| Calculated Corporate income tax | -                         | -                         |
| <b>Total</b>                    | <b>12,080</b>             | <b>17,444</b>             |

|                                                                | <b>2012</b><br><b>LVL</b> | <b>2011</b><br><b>LVL</b> |
|----------------------------------------------------------------|---------------------------|---------------------------|
| Profit (loss) before tax                                       | (56,101 )                 | (64,650 )                 |
| Loss from subsidiary                                           | 6,624                     | 4,463                     |
| Evaluation of the associate company                            | 7,614                     | 7,746                     |
| <b>Theoretically calculated corporate income tax, rate 15%</b> | <b>(6,279 )</b>           | <b>(7,866 )</b>           |
| Permanent differences                                          | 5,323                     | 1,023                     |
| <b>Calculated corporate income tax</b>                         | <b>-</b>                  | <b>-</b>                  |

**Deferred tax**

|                                                                                                 |                   |                   |
|-------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Temporary difference between financial statement depreciation and depreciation for tax purposes | -377,274          | -332,261          |
| Temporary difference of fixed assets revaluation                                                | -379,345          | -494,030          |
| Accruals for vacations                                                                          | 48,671            | 84,190            |
| <b>Total temporary differences</b>                                                              | <b>-707,948</b>   | <b>-742,101</b>   |
| Tax rate applied                                                                                | 15%               | 15%               |
| <b>Deferred tax liabilities</b>                                                                 | <b>(106,192 )</b> | <b>(111,315 )</b> |
| <b>Recognized deferred tax liabilities</b>                                                      | <b>106,192</b>    | <b>111,315</b>    |

**Movement and components of deferred tax**

|                                                                          |                |                |
|--------------------------------------------------------------------------|----------------|----------------|
| Deferred tax liabilities (asset) at the beginning of the financial year  | 111,074        | 111,074        |
| Deferred tax charged to the income statement                             | 17,444         | 17,444         |
| Changes in deferred tax recognised in properties revaluation reserves    | (22,526 )      | (17,203 )      |
| <b>Deferred tax liabilities (asset) at the end of the financial year</b> | <b>105,992</b> | <b>111,315</b> |

**23. PROPERTIES REVALUATION RESERVE**

|                                                   | <b>2012</b><br><b>LVL</b> | <b>2011</b><br><b>LVL</b> |
|---------------------------------------------------|---------------------------|---------------------------|
| Balance at beginning of the year                  | 848,124                   | 848,124                   |
| Depreciation on evaluation surplus                | (114,685 )                | (114,685 )                |
| Reversal of deferred tax liability on revaluation | 17,203                    | 17,203                    |
| <b>Balance at end of the year</b>                 | <b>750,642</b>            | <b>750,642</b>            |

**INDEPENDENT AUDITORS' REPORT****To the Shareholders of JSC Latvijas Juras Medicinas Centrs****Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of JSC Latvijas Juras Medicinas Centrs set out on pages 8 to 21 of the accompanying annual report, which comprise the consolidated statement of financial position as of 31 December 2012 and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of JSC Latvijas Juras Medicinas Centrs as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the International Financial Reporting Standards adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

We have read the management report for 2012 set out on pages 5 to 6 of the accompanying consolidated annual report and did not identify material inconsistencies between the financial information contained in the management report and that contained in the consolidated financial statements for 2012.

System audit Ltd.

Audit company licence No. 53

C.K.Sathyanarayanan

Board member

Aija Kurta

Certified auditor of Latvia

Certificate Nr. 128

Rīga, Latvia  
April 9, 2013.