



**LATVIJAS JŪRAS MEDICĪNAS CENTRS JSC**

**CONSOLIDATED REPORT FOR THE YEAR 2012**

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

**(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 11.4%  
Guna Shvarcberga 10.4%  
Janis Birks 8.5%

**REPORTING PERIOD:** December 31, 2011 - 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**

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

<b>Position</b>	<b>Name</b>	Number of
		shares owned at 31.12.2012
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

<b>Position</b>	<b>Name</b>	
Chairman of the Board	Janis Birks	67 983
Member of the Board	Marta Aizsilniece	1 344
Member of the Board	Andris Vigants	700

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 not 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 before taxes of LJMC was 53937 LVL

The loss before taxes of JM was 6142 LVL

### **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 service, improving the quality of existing services with the help of modern medical technology, new specialists and better patient service culture.

A contract is 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. The rehabilitation service for the neurological patients has started. 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. As well as purchased medical equipment, furniture and computer equipment for day-patient and family physicians' offices. The total cost amounted to 660 000 LVL. Of these, the ERDF funding was LVL 436 035. In addition to the ERDF project all labor offices and support services (reception, wardrobe, and waiting rooms) have been equipped with the necessary furniture, equipment, blinds, and information and communication technologies. Throughout the Latvijas Juras Medicinas Centrs has implemented digital communications equipment and medical information system "The Doctor's Office" has been introduced in the new corp. 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.

In Surgery clinic at Patversmes Street 23 are created 4 luxury class wards. Redecoration of several rooms in North diagnostic center was done. By early September, will be completed landscaping at Patversmes Street 23 developing friendly and enjoyable environment for patients. For patient’s convenience also is created a new parking for 36 cars. In landscaping during the reporting period are invested LVL 124,000.

Investments made in buildings and hardware were resulting in increase of depreciation amount in the second half of the year by 10,000 LVL per month compared to the same period in the 2011th year. In the third quarter for the outpatient care was purchased inventories for more than 30000 LVL. Communication and building repairs were made for 119000 LVL (throughout 2011. only 65000 LVL). Large amount of purchase and VAT increase from the June 2011 resulted in increase of non-deductible VAT amount. In 9 months of 2012th it is about 55000 LVL higher compared to 9 months 2011th year.

**MANAGEMENT REPORT**

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The landscaping is completed at Patversmes Street 23 developing friendly and enjoyable environment for patients. For patient's convenience also is created a new parking for 36 cars. In landscaping during the reporting period was invested LVL124.000.

As a result of these measures the outpatient visits to Latvijas Juras medicinas centrs at Patversmes street 23 in the fourth quarter 2012th was doubled compared to the fourth quarter of 2011th.

EBITDA is LVL 413 449

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**

The share price at the 26.02.13 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, 26 February, 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.

Chairman of the Board

Janis Birks

Member of the Board

Marta Aizsilniece

Member of the Board

Andris Vigants

Riga, 26 February, 2013.

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

	<b>December 31, 2012 LVL</b>	<b>December 31, 2011 LVL</b>	<b>Notes</b>
<b>ASSETS</b>			
<b>Long-term investments:</b>			
<b>Intangible assets:</b>			
Other intangible (fixed) assets	15 233	732	<b>2</b>
<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>	<b>2</b>
<b>Long-term financial assets</b>			
Investment in associates	135 312	142 927	<b>3</b>
<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	<b>4</b>
<b>Total Inventories</b>	<b>68 647</b>	<b>67 136</b>	
<b>Debtors:</b>			
Trade receivables	77 594	142 875	<b>5</b>
Other receivables	6 677	31 436	<b>6</b>
Deferred expenditure	2 783	2 499	<b>7</b>
<b>Total debtors</b>	<b>87 054</b>	<b>176 810</b>	
<b>Cash funds</b>	725 035	854 520	<b>8</b>
<b>Total current assets</b>	<b>880 736</b>	<b>1 098 466</b>	
<b>TOTAL ASSETS</b>	<b>3 722 903,00</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**

	<b>December 31, 2012 LVL</b>	<b>December 31, 2012 LVL</b>	<b>Notes</b>
<b>LIABILITIES</b>			
<b>Equity capital:</b>			
Share capital	800 000,00	800 000,00	<b>9</b>
Reserves:			
c) reserves provided by the Articles of Association	31 993,00	31 993,00	
d) fixed asset's revaluation reserve	653 160,00	750 642,00	<b>23</b>
<b>Retained earnings:</b>			
a) brought forward from previous years	1 468 593,00	1 435 966,00	
b) current year comprehensive income (loss)	(68 135,00)	(82 058,00)	
<b>Total shareholders' equity</b>	<b>2 885 611,00</b>	<b>2 936 543,00</b>	
<b>Non-controlling interest</b>	<b>1 311,00</b>	<b>1 357,00</b>	
<b>Total equity capital</b>	<b>2 886 922,00</b>	<b>2 937 900,00</b>	
<b>Provisions for liabilities and charges:</b>			
Provisions for vacations	48 671,00	84 190,00	
Deferred tax provisions	106 192,00	111 315,00	<b>22</b>
<b>Total provisions</b>	<b>154 863,00</b>	<b>195 505,00</b>	
<b>Non-current liabilities:</b>			
Deferred income	419 348,00	261 998,00	<b>10</b>
<b>Total non-current liabilities</b>	<b>419 348,00</b>	<b>261 998,00</b>	
<b>Current liabilities:</b>			
Advance payments	12 840,00	134 581,00	<b>11</b>
Trade Payables	63 092,00	244 782,00	<b>12</b>
Taxes and social security payments	85 223,00	75 288,00	<b>13</b>
Other payables	100 615,00	87 742,00	<b>14</b>
<b>Total current liabilities</b>	<b>261 770,00</b>	<b>542 393,00</b>	
<b>Total liabilities</b>	<b>681 118,00</b>	<b>804 391,00</b>	
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>3 722 903,00</b>	<b>3 937 796,00</b>	
	-	-	
<b>CR</b>	3,36	2,03	
<b>DR</b>	0,07	0,14	

**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**

	2012, 12 month period	2011, 12 month period	Notes
	LVL	LVL	
Net sales	3 789 337	3 520 316	<b>15</b>
Cost of goods sold	(3 608 993)	(3 399 809)	<b>16</b>
<b>Gross profit or loss</b>	<b>180 344</b>	<b>120 507</b>	
Administrative expenses	(336 870)	(278 542)	<b>17</b>
Other operating income	105 301	87 362	<b>18</b>
Other operating expenses	(5 034)	(1 723)	<b>19</b>
Income from investment in associate	131	7 746	<b>20</b>
Interest income and similar income	27	-	<b>21</b>
<b>Profit (loss) before taxes</b>	<b>(56 101)</b>	<b>(64 650)</b>	
Corporate income tax	(12 080)	(17 444)	<b>22</b>
<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 capital	reserves provided by the Articles of Associatio n	Properties revaluation reserve	Previous years retained earnings	Current year profit	Non- controlli ng 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	-	-
Dividends paid	-	-	-	-	-	-	-
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
Profit on purchase of shares from associates	-	-	-	-	-	-	-
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, 12</b>	<b>2011, 12</b>	
	<b>month period</b>	<b>month period</b>	<b>NOTES</b>
	<b>LVL</b>	<b>LVL</b>	
<b>Cash flows from operating activities</b>			
<b>Net income before tax</b>	(56 101)	(64 650)	
Adjustments:			
a) depreciation of fixed assets	477 100	396 798	<b>2</b>
b) depreciation of intangibles	4 530	3 509	<b>2</b>
c) provisions	-	(7 354)	
d) loss (gain) on sale of fixed assets	-	(1 980)	
e) interest income	27	-	<b>20</b>
f) gain (loss) from investments in associates	131	7 746	<b>19</b>
<b>2. Changes in operating current assets and liabilities</b>	<b>425 687</b>	<b>334 069</b>	
Corrections			
a) receivables	65 281	(33 739)	
b) inventory	(1 511)	(9 336)	
c) current liabilities			
	(168 280)	456 610	
<b>3. Gross operating cash flow</b>	<b>321 177</b>	<b>747 604</b>	
4. Paid interest	-	-	
4. Paid corporate income tax	(3 570)	(11 936)	<b>12</b>
<b>5. Net cash used in operating activities</b>	<b>317 607</b>	<b>735 668</b>	
<b>II. Cash flow used in investment activities</b>			
1. Purchase of shares of associates	-	(96)	
2. Purchase of fixed assets	(447 119)	(1 131 858)	<b>2</b>
3. Income from sale of fixed assets	-	7 371	
4. Received interest	27	-	<b>20</b>
<b>5. Net cash from investment activities</b>	<b>(447 092)</b>	<b>(1 124 583)</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 arising on the settlement of monetary items are recognized in the period in which they arise.

**Cash and cash equivalents**

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

**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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**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.

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
Revaluated part of the buildings	15 years
Machinery and equipment:	3 years
Other fixed assets:	5 years

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**

Investments in associates are initially recognized at the cost and then accounted under the equity method.

**Revenue recognition**

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

**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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**Dividends**

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

**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.

**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 Group 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 pace 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.

Risk control mechanisms include: appropriate risk policies, investment planning, cash flow planning, budgeting and control, liquidity control, the medical treatment process organization and control, sanitary compliance control, staff skill development, implementation of advanced technologies, employee involvement in risk assessment and control.

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

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

As on 31 December 2012 and 31 December 2011

fixed assets are composed as follows:

<b>LVL</b>	<b>Intangible assets</b>	<b>Land &amp; buildings</b>	<b>Machinery and equipment</b>	<b>Other fixed assets</b>	<b>Fixed assets add-ons (EU funds)</b>	<b>Unfinished building objects</b>	<b>Advance payments for fixed assets</b>	<b>Total</b>
<b>Historical cost</b>								
<b>At 31 December 2010</b>	<b>26 072</b>	<b>2 540 655</b>	<b>1 880 064</b>	<b>353 202</b>	<b>2 689</b>	<b>1 397</b>	<b>175 842</b>	<b>4 979 921</b>
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)
<b>At 31 December 2011</b>	<b>26 377</b>	<b>2 606 458</b>	<b>2 523 307</b>	<b>337 389</b>	<b>411 569</b>	<b>6 033</b>	<b>110 039</b>	<b>6 021 172</b>
Additions	19 031	49 045	173 570	28 217	225 712	(48 456)	-	447 119
Transfers	-	637 281	-	-	(637 281)	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals or change in classification	-	-	(31 347)	(13 193)	-	45 745	-	1 205
<b>At 31 December 2012</b>	<b>45 408</b>	<b>3 292 784</b>	<b>2 665 530</b>	<b>352 413</b>	<b>-</b>	<b>3 322</b>	<b>110 039</b>	<b>6 469 496</b>
<b>Accumulated depreciation</b>								
<b>At 31 December 2010</b>	<b>22 626</b>	<b>1 214 785</b>	<b>1 479 605</b>	<b>292 662</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 009 678</b>
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)
<b>At 31 December 2011</b>	<b>25 645</b>	<b>1 365 848</b>	<b>1 635 072</b>	<b>298 204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 324 769</b>
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)
<b>At 31 December 2012</b>	<b>30 175</b>	<b>1 534 582</b>	<b>1 883 345</b>	<b>314 539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 762 641</b>
<b>Net book value</b>								
<b>At 31 December 2010</b>	<b>3 446</b>	<b>1 325 870</b>	<b>400 459</b>	<b>60 540</b>	<b>2 689</b>	<b>1 397</b>	<b>175 842</b>	<b>1 970 243</b>
<b>At 31 December 2011</b>	<b>732</b>	<b>1 240 610</b>	<b>888 235</b>	<b>39 185</b>	<b>411 569</b>	<b>6 033</b>	<b>110 039</b>	<b>2 696 403</b>
<b>At 31 December 2012</b>	<b>15 233</b>	<b>1 758 202</b>	<b>782 185</b>	<b>37 874</b>	<b>-</b>	<b>3 322</b>	<b>110 039</b>	<b>2 706 855</b>



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**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>		<u>135 312</u>		<u>142 927</u>

SIA "Neirozu klinika" 64 shares have been bought for 96,00 LVL (0,03% from total capital).

**4. RAW MATERIALS**

	2012	2011
	LVL	LVL
Pharmaceutical	68 121	66 400
Food products	-	453
Advance payments to supplier of goods	275	55
Inventory in warehouse	-	-
Inventory[re-usable]	-	-
Other materials	251	228
<b>Total</b>	<u><b>68 647</b></u>	<u><b>67 136</b></u>

**5. TRADE RECEIVABLES**

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

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**6. OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
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**

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

**8. CASH FUNDS**

	<b>2012</b>	<b>2011</b>
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>

**9. SHARE CAPITAL**

	<b>2012</b>		<b>2011</b>	
	<b>Number of</b>		<b>Number of</b>	
<b>Shareholders:</b>	<b>shares</b>	<b>Share %</b>	<b>shares</b>	<b>Share %</b>
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%)	345 518	43,19%	345 518	43,19%
<b>Total</b>	<b>800 000</b>	<b>108,53%</b>	<b>800 000</b>	<b>108,50%</b>
<b>Share equity</b>	<b>800 000</b>		<b>800 000</b>	

**10. DEFERRED INCOME**

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

**11. ADVANCE PAYMENTS**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
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**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Tradintek	38 223	121 536
Būvprojektu vadība	-	89 609
Latvijas Gaze	-	10 565
Latvenergo Rīgas elektrotīkls	7 866	7 152
Sistēmu Audits SIA	4 235	4 270
Rīgas Ūdens	687	785
Academic histologic laboratory	107	302
Amerilat MD	-	-
Lattelekom	-	-
Other suppliers	11 974	10 563
<b>Total</b>	<b>63 092</b>	<b>244 782</b>

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**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)

**14. OTHER PAYABLES**

	2012 LVL	2011 LVL
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**

	2012 LVL	2011 LVL
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
Services - minimum fixed part	9 238	9 238
Residents training	26 081	31 758
Stomatology services	45 349	45 123
Family doctors	27 801	26 983
Other income	22 818	30 766
<b>Total</b>	<b>3 789 337</b>	<b>3 520 316</b>

**16. COST OF GOODS SOLD**

	2012 LVL	2011 LVL
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
Rent of equipment	-	34 075
Household goods	21 748	16 431
Security ezpenses	23 802	28 180
Current assets write-off	59 595	22 178

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**16. COST OF GOODS SOLD (Continued..)**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Computer maintenance, repair	18 035	14 962
Medical researches	17 880	15 564
Advertising	12 545	12 124
Office expenses	6 639	9 491
Utilities	15 233	15 850
Feeding expenses	26 952	18 316
Insurance expenses	3 397	3 258
Transport expense	6 682	5 389
Employees trainings	6 751	4 629
Allowances to employees	1 200	1 200
Unemployment duty	1 044	1 072
Gifts to employees	595	1 018
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>

**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
Communication expenses	10 669	10 363
Council members remuneration	13 440	13 440
Office expenses	5 745	3 962
Presentation expenses	2 057	1 945
Council chairperson remuneration	5 760	5 760
Audit expenses	5 000	5 000
Board members social tax	5 016	4 959
Chairperson of the Board social tax	5 268	5 165
Bank expenses	4 081	3 531
Council members social tax	2 906	3 105
Other administrative expenses	1 919	2 200
Chairperson of the Council social tax	1 388	1 388
Legal services	1 570	-
<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
Feeding income	-	233
Laundry income	861	1 186
Solarium income	477	636
Other income	30 634	12 242
<b>Total</b>	<b>105 301</b>	<b>87 362</b>

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**19. OTHER OPERATING EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Real estate tax	482	452
Penalties	359	85
Loss from fixed assets disposals	409	-
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>

**22. CORPORATE INCOME TAX**

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

**22. CORPORATE INCOME TAX (CONTINUED ...)**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<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,</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	(377 274,00 )	(332 261 )
Temporary difference of fixed assets revaluation	(379 345,00 )	(494 030 )
Accruals for vacations	48 671,00	84 190
<b>Total temporary differences</b>	<b>(707 948,00 )</b>	<b>(742 101 )</b>
Tax rate applied	15%	15%
<b>Deferred tax liabilities</b>	<b>(106 192,00 )</b>	<b>(111 315 )</b>
<b>Recognized deferred tax liabilities</b>	<b>106 192,00</b>	<b>111 315,00</b>

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**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>	<b>2011</b>
	<b>LVL</b>	<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>