



**LATVIJAS JURAS MEDICINAS CENTRS JSC**

**CONSOLIDATED INTERIM REPORT FOR THE 6 MONTHS OF 2013**

**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 17,50%  
Martins Birks 17,50%  
Ilze Aizsilniece 11,45%  
Guna Shvarcberga 10,36%  
Janis Birks 08,61%

**REPORTING PERIOD:** December 31, 2012 - June 30, 2013

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

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**COUNCIL AND BOARD OF THE GROUP**

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**Council of the Group**

Number of  
shares owned at  
30.06.2013

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

<b>Position</b>	<b>Name</b>	
Chairman of the Council	Martins Birks	140 000
Member of the Council	Viesturs Shilinch	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	68 903
Member of the Board	Marta Aizsiliece	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 308758 LVL

The loss before taxes of JM was 9228 LVL

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

Key developments in LJMC during the year 2013 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 and increase of operational efficiency based on rational use of resources.

A contract was signed with the National Health Service on state-paid medical services at the level planned at the beginning of 2012.

On March 2013 Joint-stock company Latvijas Jūras medicīnas centrs „Ziemeļu diagnostikas centrs” received a quality certificate ISO 9001:2008 in functional diagnostics and radiology from DVN 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.

LJMC JSC has won the tender for PSKUS patient medical care for one year.

A project is developed for more rational use of premises at Vecmīlgrāvis area to reduce utility costs.

Significant rise of utilities and electricity tariffs, as well as the prices of medicines, medical materials and tools in comparison with previous year, has a negative effect on Company's financial performance 2013th. The short-term negative impact on spending leaves the depreciation of large investments in the information technologies at 2012th.

Negative impact on the 2013th the planned and actual financial results left the extra public funding at the end of 2012th. That gave a significant increase in salaries in the last months of the year 2012, which increased the 2013th annual allowance, mainly to the increased holiday costs, in amount about 40000 LVL including taxes.

The results also affected the exceeding the 6 months state financing quota by 240000 LVL. This gave the possibilities to take holidays and activity during the summer months when for the medical services is minimal demand. All material costs and part of the salaries spend for the services in amount of 240000 LVL have been referred to the 6 months but income will be when the state gradually pays for these services in the next months. It will result in a reduction of losses approximately by 150000 LVL.

Overall, the 2013th 6 months of the revenue plan is drawn up by 98% (or -34000 LVL). On the expenditure side is overflowing (excess 64721 LVL (3%) inclosing salary 15000 LVL (1.3%), medical equipment and current assets 23000 LVL (1.2%). Parent company loss before taxes: planned - 210 thousand LVL, actual loss 308 thousand LVL.

**MANAGEMENT REPORT**

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The parent company has given to its subsidiary company a loan of 9500 LVL for 1 year with interest rate 5.3% per year in order to complete the restructuring of real estate.

23.05.2013 JSC " LATVIJAS JURAS MEDICINAS CENTRS " has purchased 1,411 (0.7%) Ltd "Juras Medicina" shares with nominal value of 1.00 LVL from the owner AS Baltic Marine Fishing Company paying 2,500 EUR. Consequently, JSC "LATVIJAS JURAS MEDICINAS CENTRS" has become an owner of 100% its subsidiary company "Juras Medicina" Ltd

The share price at the 31.12.12. was LVL 1,90; 31.03.13 - LVL 1,70.

The share price at the 28.05.13 was LVL 2,00.

**Important Events after the Balance Sheet Date**

**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, 28 August, 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 30 June 2013 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, 28 August, 2013.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2013 AND 31 DECEMBER 2012**

	June 30, 2013	December 31, 2012	Notes	June 30, 2012
	LVL	LVL		LVL
<b>ASSETS</b>				
<b>Long-term investments:</b>				
<b>Intangible assets:</b>				
Other intangible (fixed) assets	18 715	15 233	<b>2</b>	12 080
<b>Total intangible assets</b>	<b>18 715</b>	<b>15 233</b>		<b>12 080</b>
<b>Fixed assets</b>				
Land and buildings	1 666 718	1 758 202		1 800 282
Technological equipment and machines	678 095	782 185		796 008
Other fixed assets and fixtures	50 613	37 874		42 693
Fixed assets add-ons (EU funds)	110 039	110 039		110 039
Unfinished construction	-	-		-
Advance payments for fixed assets	-	3 322		-
<b>Total fixed assets</b>	<b>2 505 465</b>	<b>2 691 622</b>	<b>2</b>	<b>2 749 022</b>
<b>Long-term financial assets</b>				
Investment in associates	135 312	135 312	<b>3</b>	142 927
<b>Total financial assets:</b>	<b>135 312</b>	<b>135 312</b>		<b>142 927</b>
<b>Total long-term investments:</b>	<b>2 659 492</b>	<b>2 842 167</b>		<b>2 904 029</b>
<b>Current assets:</b>				
<b>Inventories</b>				
Raw materials	64 722	68 647	<b>4</b>	69 497
<b>Total Inventories</b>	<b>64 722</b>	<b>68 647</b>		<b>69 497</b>
<b>Debtors:</b>				
Trade receivables	72 659	77 594	<b>5</b>	186 346
Other receivables	29 802	6 677	<b>6</b>	31 895
Deferred expenditure	643	2 783	<b>7</b>	841
<b>Total debtors</b>	<b>103 104</b>	<b>87 054</b>		<b>219 082</b>
<b>Cash funds</b>	604 051	725 035	<b>8</b>	528 696
<b>Total current assets</b>	<b>771 877</b>	<b>880 736</b>		<b>817 274</b>
<b>TOTAL ASSETS</b>	<b>3 431 369</b>	<b>3 722 903</b>		<b>3 721 303</b>



**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2013 AND 31 DECEMBER 2012**

	June 30, 2013	December 31, 2012	Notes	June 30, 2012
<b>LIABILITIES</b>	<b>LVL</b>	<b>LVL</b>		<b>LVL</b>
<b>Equity capital:</b>				
Share capital	800 000,00	800 000,00	<b>9</b>	800 000
Reserves:				
c) reserves provided by the Articles of Association	31 993,00	31 993,00		31 993
d) fixed asset's revaluation reserve	604 420,00	653 160,00	<b>23</b>	701 900
<b>Retained earnings:</b>				
a) brought forward from previous years	1 457 700,00	1 468 593,00		1 411 250
b) current year comprehensive income (loss)	(318 697,00)	(68 135,00)		(138 152)
<b>Total shareholders' equity</b>	<b>2 575 416,00</b>	<b>2 885 611,00</b>		<b>2 806 991</b>
<b>Non-controlling interest</b>	-	1 311,00		1 326
<b>Total equity capital</b>	<b>2 575 416,00</b>	<b>2 886 922,00</b>		<b>2 808 317</b>
<b>Provisions for liabilities and charges:</b>				
Provisions for vacations	48 671,00	48 671,00		84 190
Deferred tax provisions	97 591,00	106 192,00	<b>22</b>	102 714
<b>Total provisions</b>	<b>146 262,00</b>	<b>154 863,00</b>		<b>186 904</b>
<b>Non-current liabilities:</b>				
Deferred income	402 639,00	419 348,00	<b>10</b>	392 535
<b>Total non-current liabilities</b>	<b>402 639,00</b>	<b>419 348,00</b>		<b>392 535</b>
<b>Current liabilities:</b>				
Advance payments	7 578,00	12 840,00	<b>11</b>	7 803
Trade Payables	61 794,00	63 092,00	<b>12</b>	104 497
Taxes and social security payments	125 174,00	85 223,00	<b>13</b>	115 270
Other payables	112 506,00	100 615,00	<b>14</b>	105 978
<b>Total current liabilities</b>	<b>307 052,00</b>	<b>261 770,00</b>		<b>333 548</b>
<b>Total liabilities</b>	<b>709 691,00</b>	<b>681 118,00</b>		<b>726 083</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>3 431 369,00</b>	<b>3 722 903,00</b>		<b>3 721 303</b>
				-
<b>CR</b>	2,51	3,36		2,45
<b>DR</b>	0,21	0,18		0,19

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

	2013, 6 month period LVL	2012, 12 month period LVL	Notes	2012, 6 month period LVL
Net sales	1 755 097	3 789 337	<b>15</b>	1 818 771
Cost of goods sold	(1 953 002)	(3 608 993)	<b>16</b>	(1 838 399)
<b>Gross profit or loss</b>	<b>(197 905)</b>	<b>180 344</b>		<b>(19 628)</b>
Administrative expenses	(168 312)	(336 870)	<b>17</b>	(179 626)
Other operating income	57 326	105 301	<b>18</b>	54 111
Other operating expenses	(9 826)	(5 034)	<b>19</b>	(809)
Income from investment in associate	-	131	<b>20</b>	-
Interest income and similar income	20	27	<b>21</b>	7 769
<b>Profit (loss) before taxes</b>	<b>(318 697)</b>	<b>(56 101)</b>		<b>(138 183)</b>
Corporate income tax	-	(12 080)	<b>22</b>	-
<b>NET PROFIT OR LOSS</b>	<b>(318 697)</b>	<b>(68 181)</b>		<b>(138 183)</b>
<b>Other comprehensive income</b>				
Peļņa no asociētā uzņēmuma daļu iegādes	-	-		-
<b>Other comprehensive income for the year, net of tax</b>	-	-		-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(318 697)</b>	<b>(68 181)</b>		<b>(138 183)</b>
Profit attributable to				
Owners of LJMC	(318 697,0)	(68 135)		(138 152)
Non-controlling interest	-	(46)		(31)
	<b>(318 697)</b>	<b>(68 181)</b>		<b>(138 183)</b>
Total comprehensive income attributable to				
Owners of LJMC	-	-		-
Non-controlling interest	-	-		-
	-	-		-
<b>EBITDA</b>	<b>(70 942)</b>	<b>413 449</b>		<b>123 813</b>
<b>Number of shares</b>	800 000	800 000		800 000
<b>Earnings per Share (EPS)</b>	<b>(0,40)</b>	<b>(0,09)</b>		<b>(0,17)</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

	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 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	-	-
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	-	-	-	-	-	-	-
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>
Previous years retained earnings	-	-	-	(68 135)	68 135	-	-
Depreciation of revaluation surplus	-	-	(57 342)	57 342	-	-	-
Deffered tax on revaluation surplus	-	-	8 602	-	-	-	8 602
Profit on purchase of shares from associates	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(100)	(318 697)	(1 311)	(320 108)
<b>At 30 June 2013</b>	<b>800 000</b>	<b>31 993</b>	<b>604 420</b>	<b>1 457 700</b>	<b>(318 697)</b>	<b>-</b>	<b>2 575 416</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

	2013, 6 month period LVL	2012, 12 month period LVL	NOTES	2012, 6 month period LVL
<b>Cash flows from operating activities</b>				
<b>Net income before tax</b>	<b>(318 697)</b>	<b>(56 101)</b>		<b>(138 183)</b>
Adjustments:				
a) depreciation of fixed assets	243 264	477 100	<b>2</b>	231 917
b) depreciation of intangibles	4 493	4 530	<b>2</b>	1 372
c) provisions	-	(35 519)		-
d) loss (gain) on sale of fixed assets	1 840	409		-
e) interest income	(20)	(27)	<b>20</b>	(14)
f) gain (loss) from investments in associates	-	(131)	<b>19</b>	(7 746)
<b>2. Changes in operating current assets and liabilities</b>	<b>(69 120)</b>	<b>390 261</b>		<b>87 346</b>
Corrections				
a) receivables	(16 050)	78 609		(43 471)
b) inventory	3 925	(1 511)		(2 361)
c) current liabilities	27 192	(265 906)		(65 658)
<b>3. Gross operating cash flow</b>	<b>(54 053)</b>	<b>201 453</b>		<b>(24 144)</b>
4. Paid interest	-	-		-
4. Paid corporate income tax	-	(3 570)	<b>12</b>	(3 570)
<b>5. Net cash used in operating activities</b>	<b>(54 053)</b>	<b>197 883</b>		<b>(27 714)</b>
<b>II. Cash flow used in investment activities</b>				
1. Purchase of shares of associates	-	-		-
2. Purchase of fixed assets	(66 951)	(492 864)	<b>2</b>	(298 124)
3. Income from sale of fixed assets	-	373		-
Saņemtās dividendes	-	7 746		-
4. Received interest	20	27	<b>20</b>	14
<b>5. Net cash from investment activities</b>	<b>(66 931)</b>	<b>(484 718)</b>		<b>(298 110)</b>
<b>III. Cash flows used in financing activities</b>				
1. Saņemti EU fondi	-	157 350		-
2. Settlement of loans	-	-		-
3. Paid dividends	-	-		-
<b>2. Net cash from financing activities</b>	<b>0</b>	<b>157 350</b>		<b>-</b>
<b>IV. Net increase (decrease) in cash</b>	<b>(120 984)</b>	<b>(129 485)</b>		<b>(325 824)</b>
<b>V. Cash at the beginning of the period</b>	<b>725 035</b>	<b>854 520</b>		<b>854 520</b>
<b>VI. Cash at the end of the period</b>	<b>604 051</b>	<b>725 035</b>		<b>528 696</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

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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>June 30, 2013</b>	<b>December 31, 2012</b>
EUR	0.702804	0.702804
USD	0,531	0,539

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**

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

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

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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
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.

**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.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 JUNE 2013 AND 31 DECEMBER 2012**

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**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.

**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 30 June 2013 and 31 December 2012

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 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	(2 711)	-	492 864
Transfers	-	637 281	-	-	(637 281)	-	-	-
Disposals	-	-	(31 347)	(13 193)	-	-	-	(44 540)
<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>
Additions	7 975	-	35 177	27 121	-	(3 322)	-	66 951
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals or change in classification	(608)	(1 185)	(13 302)	(17 991)	-	-	-	(33 086)
<b>At 30 June 2013</b>	<b>52 775</b>	<b>3 291 599</b>	<b>2 687 405</b>	<b>361 543</b>	<b>-</b>	<b>-</b>	<b>110 039</b>	<b>6 503 361</b>
<b>Accumulated depreciation</b>								
<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	-	-	(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>
Charge for the year	4 493	34 142	139 238	12 542	-	-	-	190 415
Charge for the period for revaluated fixed assets	-	57 342	-	-	-	-	-	57 342
Disposals or change in classification	(608)	(1 185)	(13 273)	(16 151)	-	-	-	(31 217)
<b>At 30 June 2013</b>	<b>34 060</b>	<b>1 624 881</b>	<b>2 009 310</b>	<b>310 930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 979 181</b>
<b>Net book value</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>
<b>At 30 June 2013</b>	<b>18 715</b>	<b>1 666 718</b>	<b>678 095</b>	<b>50 613</b>	<b>-</b>	<b>-</b>	<b>110 039</b>	<b>2 524 180</b>



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**3. INVESTMENT IN ASSOCIATES**

	Capital share (%)	Amount of investment	Capital share (%)	Amount of investment
	2013		2012	
	LVL		LVL	
<b>Participating interests in associated enterprises</b>				
Participation in "Neirozu klinika" Ltd.	45,32	135 312	45,32	135 312
<b>Total participating interests in associated enterprises</b>		<b>135 312</b>		<b>135 312</b>

**4. RAW MATERIALS**

	2013	2012
	LVL	LVL
Pharmaceutical	64 349	68 121
Food products	-	-
Advance payments to supplier of goods	240	275
Inventory in warehouse	-	-
Inventory[re-usable]	-	-
Other materials	133	251
<b>Total</b>	<b>64 722</b>	<b>68 647</b>

**5. TRADE RECEIVABLES**

	2013	2012
	LVL	LVL
Riga's health department	14 758	6 981
P.Stradiņa klīniskā universitātes slimnīca	13 460	17 475
Other customers	16 040	16 037
Insurance BTA SE	8 984	20 606
Ergo Latvija AAS	5 119	2 384
Gjensidege Baltic	2 911	3 488
IF Latvija AAS	1 118	1 746
Latvian University	1 466	2 932
SEESAM Latvija	3 876	2 068
Latvian railway JSC	1 210	1 210
Olla M Ltd.	613	1 161
Balva AAS	1 994	724
Baltijas apdrošināšanas nams	90	1 134
Biogen Idec Ltd.	125	125
Balta AAS	204	478
Compensa Life Vienna Insurance group	2 576	973
Ministry of Interior – health and social department	826	848
Narkologijas centrs	-	-
Bad debt provisions	(2 711)	(2 776)
<b>Total</b>	<b>72 659</b>	<b>77 594</b>

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**6. OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Taxes overpaid (note No.12)	3 588	3 592
VAT for unpaid invoices	-	2 042
Other receivables	26 214	1 043
<b>Total</b>	<b>29 802</b>	<b>6 677</b>

**7. DEFERRED EXPENDITURE**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Assurance	643	2 783
<b>Total</b>	<b>643</b>	<b>2 783</b>

**8. CASH FUNDS**

	<b>2013</b>	<b>2012</b>
Cash in banks	600 004	718 625
Cash on hands	4 047	6 410
<b>Total</b>	<b>604 051</b>	<b>725 035</b>

**9. SHARE CAPITAL**

	<b>2013</b>		<b>2012</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	68 903	8,61%	67 983	8,50%
Adomas Navickas	41 412	5,18%	39 508	4,94%
Other shareholders (shares less than 5%)	235 203	29,40%	238 027	29,75%
<b>Total</b>	<b>800 000</b>	<b>100,00%</b>	<b>800 000</b>	<b>100,00%</b>
<b>Share equity</b>	<b>800 000</b>		<b>800 000</b>	

**10. DEFERRED INCOME**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
ERAF projektu izdevumu atlīdzināšana	402 639	419 348
<b>Total</b>	<b>402 639</b>	<b>419 348</b>

**11. ADVANCE PAYMENTS**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
VEK advance payment for 2010	2 930	2 930
Other advances	4 648	9 910
<b>Total</b>	<b>7 578</b>	<b>12 840</b>

**12. TRADE PAYABLES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Tradintek	5 044	38 223
Būvprojektu vadība	-	-
Latvijas Gaze	-	-
Latvenergo Rīgas elektrotīkls	-	7 866
Sistēmu Audits SIA	-	4 235
Rīgas Ūdens	-	687
Academic histologic laboratory	103	107
Amerilat MD	-	-
Lattelekom	-	-
Other suppliers	56 647	11 974
<b>Total</b>	<b>61 794</b>	<b>63 092</b>

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**13. TAXES AND SOCIAL SECURITY PAYMENTS**

	As of 31- 12-12	Calculated	Paid	Returned	As of 30- 6-13
	LVL	LVL	LVL	LVL	LVL
Value added tax	903	20 497	(19 710)	73	1 763
Social insurance	53 631	342 118	(317 923)	-	77 826
Personal income tax	30 441	187 104	(176 525)	-	41 020
Corporate income tax	(3 588)	-	-	-	(3 588)
Unemployment duty	81	530	(529)	-	82
Natural resources tax	167	-	(173)	-	(6)
Uzņēmuma vieglo a/m trasp.nodoklis	-	180	(180)	-	-
Real estate tax	(4)	9 911	(5 418)	-	4 489
<b>Total, including</b>	<b>81 631</b>	<b>560 340</b>	<b>(520 458)</b>	<b>73</b>	<b>121 586</b>
due to the budget	85 223				125 174
overpayment	(3 592)				(3 588)

**14. OTHER PAYABLES**

	2013 LVL	2012 LVL
Salaries	111 207	99 633
Trade union	877	642
Deposited salary	422	340
<b>Total</b>	<b>112 506</b>	<b>100 615</b>

**15. NET SALES**

	2013 LVL	2012 LVL
Medical ambulant services	1 121 985	2 392 942
Medical hospital services	355 493	892 331
Insurance payments	120 685	211 859
VS ZDC ambulant services	92 012	160 918
Services - minimum fixed part	4 620	9 238
Residents training	8 796	26 081
Stomatology services	21 991	45 349
Family doctors	11 722	27 801
Other income	17 793	22 818
<b>Total</b>	<b>1 755 097</b>	<b>3 789 337</b>

**16. COST OF GOODS SOLD**

	2013 LVL	2012 LVL
Salaries and wages	874 173	1 149 267
Fixed assets depreciation	247 755	1 481 630
Medical goods	255 204	1 476 031
Social tax	205 416	1 350 026
VAT - expenses	96 698	1 223 260
Public utilities	86 215	1 163 739
Repair expenses	44 442	1 136 695
Rent of equipment	-	1 -
Household goods	10 200	1 21 748
Security expenses	13 022	1 23 802
Current assets write-off	35 341	1 59 595

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

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Computer maintenance, repair	14 333	18 035
Medical researches	7 681	17 880
Advertising	4 126	12 545
Office expenses	4 372	6 639
Utilities	8 596	15 233
Feeding expenses	10 029	26 952
Insurance expenses	1 826	3 397
Transport expense	2 974	6 682
Employees trainings	1 245	6 751
Allowances to employees	650	1 200
Unemployment duty	531	1 044
Gifts to employees	251	595
Accruals for vacations	(65 )	(1 904 )
Received discounts	(3 489 )	(10 292 )
Other operating expenses	31 476	76 443
<b>Total</b>	<b>1 953 002</b>	<b>3 608 993</b>

**17. ADMINISTRATIVE EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Salaries and wages	95 118	183 445
Social tax	22 363	43 135
Board remuneration	13 807	23 602
Board chairperson remuneration	8 651	21 869
Communication expenses	3 874	10 669
Council members remuneration	6 720	13 440
Office expenses	2 815	5 745
Presentation expenses	580	2 057
Council chairperson remuneration	2 880	5 760
Audit expenses	1 406	5 000
Board members social tax	2 860	5 016
Chairperson of the Board social tax	2 084	5 268
Bank expenses	2 077	4 081
Council members social tax	1 445	2 906
Other administrative expenses	938	1 919
Chairperson of the Council social tax	694	1 388
Legal services	-	1 570
<b>Total</b>	<b>168 312</b>	<b>336 870</b>

**18. OTHER OPERATING INCOME**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Rent income	34 579	51 055
Hotel services – food	6 028	12 337
Utilities for tenants	2 160	9 937
Feeding income	-	-
Laundry income	439	861
Solarium income	218	477
Other income	13 902	30 634
<b>Total</b>	<b>57 326</b>	<b>105 301</b>

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**19. OTHER OPERATING EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Real estate tax	8 986	482
Penalties	-	359
Loss from fixed assets disposals	-	409
Currency exchange loss	346	-
Other expenses	494	3 784
<b>Total</b>	<b>9 826</b>	<b>5 034</b>

**20. INCOME FROM INVESTMENT IN ASSOCIATE**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Neurology clinic Ltd.	-	131
<b>Total</b>	<b>-</b>	<b>131</b>

**21. INTEREST INCOME AND SIMILAR INCOME**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Interest income	20	27
<b>Total</b>	<b>20</b>	<b>27</b>

**22. CORPORATE INCOME TAX**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Calculated Corporate income tax	-	-
Deferred Corporate income tax	-	12 080
<b>Total</b>	<b>-</b>	<b>12 080</b>

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

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Profit (loss) before tax	(56 101 )	(56 101 )
Loss from subsidiary	6 624	6 624
Income from the evaluation of the associate company	7 614	7 614
<b>Theoretically calculated corporate income tax, rate 15%</b>	<b>(6 279 )</b>	<b>(6 279 )</b>
Permanent differences	5 323	5 323
<b>Calculated corporate income tax</b>	<b>-</b>	<b>-</b>

**Deferred tax**

Temporary difference between financial statement	(377 274,00 )	(377 274 )
Temporary difference of fixed assets revaluation	(322 003,00 )	(379 345 )
Accruals for vacations	48 671,00	48 671
<b>Total temporary differences</b>	<b>(650 606,00 )</b>	<b>(707 948 )</b>
Tax rate applied	15%	15%
<b>Deferred tax liabilities</b>	<b>(97 591,00 )</b>	<b>(106 192 )</b>
<b>Recognized deferred tax liabilities</b>	<b>97 591,00</b>	<b>106 192,00</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	<u>(22 526 )</u>	<u>(22 526 )</u>
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<b><u>105 992</u></b>	<b><u>105 992</u></b>