



JOINT STOCK COMPANY
“LATVIJAS JŪRAS MEDICĪNAS CENTRS”
(UNIFIED REGISTRATION NUMBER 40003171237)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(11th financial year)

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2015

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JOINT STOCK COMPANY LATVIJAS JŪRMAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs
Legal status of the Company	Joint stock company
Number, place and date of registration	000330680 Riga, 27 August 1996 Reregistered in Commercial Register with common registration No 4000 330 6807
Address	Patversmes iela 23 Riga, LV-1005 Latvia
Names of major shareholders	Ilze Birka (17.5%) Mārtiņš Birks (17.5%) Ilze Aizsilniece (11.4%) Guna Švarcberga (10.36%) Jānis Birks (10.17%) Adomas Navickas (6.35%)
Names and positions of Board members	Jānis Birks – Chairman of the Board Vita Švarcberga – Member of the Board Juris Imaks – Member of the Board
Financial year	1 January - 31 December 2014
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA Certified audit company Licence No. 5 Kr. Valdemāra Street 21-21 Riga, LV-1010 Latvia Certified auditor in charge: Lolita Čapkeviča Certificate No 120

Statement of Management's responsibility

The Board of Directors of JSC "Latvijas Jūras Medicīnas Centrs" is responsible for the preparation of the financial statements of the Company.

The financial statements on pages 6 to 24 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Company as of 31 December 2014 and the results of its operations and cash flows for the year ended 31 December 2014.

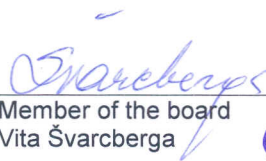
The financial statements are prepared in accordance with the Law on Accounting and Law on Annual Reports of the Republic of Latvia on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the financial statements.

The Board of Directors of LJMC is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

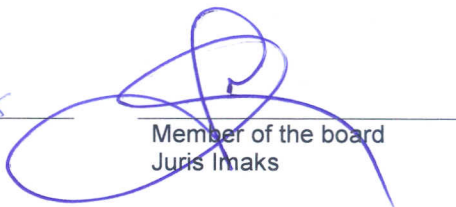
On behalf of the Board of Directors,



Chairman of the board
Jānis Birks



Member of the board
Vita Švarcberga



Member of the board
Juris Imaks

Riga, 8 April 2015

Report of the Management

Type of operations

A/S Latvijas Jūras medicīnas centrs (LJMC or the Company) is a certified, high-level and and all available private medical institution, consisting of Sarkandaugava ambulatory health care center in Patversmes Street 23, Riga, Central Hospital in Patversmes Street 23, Riga, Vecmīlgrāvja Hospital and Northern Diagnostic Centre in Vecmīlgrāvja line 5 - 26, Riga and Vecmīlgrāvja primary health care center in Melīdas Street 10, Riga. The average number of employees in 2014 is 360. A/S Latvijas Jūras medicīnas centrs shares are quoted on "NASDAQ Riga" second list. Full information about the Company is provided on www.ljmc.lv

Starting from 5 September 2013 A/S Latvijas Jūras medicīnas centrs is included in the Ministry of Health Inspection approved list of medical institutions that provide medical tourism services: LJMC providing medical tourism services as a reliable partner, and it gives an idea of the Latvian health care system as a whole, because it includes only those medical institutions which are registered in the register of medical institutions for at least 3 years and the last three years, the Company has been under control.

In year 2013 the Company's Northern diagnostic center received DVN Certification OY/AB, Finland quality certificate ISO 9001:2008 in the functional diagnosis and radiological diagnosis which is valid until 14 March 2016. In year 2014 LJMC continues work on the implementation of ISO quality standards in all other central departments.

LMJC have concluded cooperation agreements with all health insurance companies, which operates in Latvia.

Performance of the Company during the year

In year 2013 LJMC completed an ambitious three-year investment project of EUR 2.3 million with the ERAF support. As part of investment project - old A/S Latvijas Jūras medicīnas centrs building complex was renovated along with improvement of the related territory in accordance with the standards of modern medical facilities. Also investments in new medical equipment, and facilities to enhance the competitiveness of the Baltic medical market, attracting patients from both the Baltic and the EU, offering high the quality of medical examinations. Benefiting from the investment project it was made possible to locate LJMC family doctors practice in single place, creating a modern family doctor practice center LJMC, located in Northern District Vecmīlgrāvis, Riga. Since creation of LJMC family doctors practice center, the number of new customers increased by 25%. In Sarkandaugava Patversmes Street 23, where in the past were provided hospital care services, was established a new outpatient health care center. Restructuring of inpatient services to outpatient services have already improved the reporting year and in the future will continue to improve the LJMC operational efficiency, maximizing the use of existing resources held by the center and providing quality medical care to patients.

In 2014, the LJMC has contracted the National Health Service for state-paid medical services in 2014, within the budgeted amount. In April 2014, the LJMC won the tender for the right to provide VAS "Paula Stradiņa Klīniskās universitātes slimnīca" medical care for patients with maturity for 1 year.

One of the 2014's strategic directions of LJMC have been attraction of patients living abroad. LMJC combines outstanding Latvian doctors and knowledgeable medical personnel, so the medical examination has high quality and competitiveness also outside Latvia. Increasing number of foreign patients, as well as LJMC inclusion in the official Medical tourism service providers register, kept by the Ministry of Health Inspection evidences above mentioned facts. In 2014 LMJC continued to attract medical tourists from the EU, developing cost of the medical services packages. In order to attract more new foreign and local patients, LJMC in 2014 made investments to gain the objective of introducing innovative solutions to the medical service support, to increase staff qualifications in patient servicing, continuing the state policy on the conversion of hospital profile to outpatient medical institutions, allocating investments to Vecmīlgrāvja hospital. In August 2014, a construction contract with SIA "Selva būve" was concluded on the first floor premises renovation in Vecmīlgrāvja hospital.

Report of the Management (continued)

Performance of the Company during the year (continued)

In October, AS "Latvijas Jūras medicīnas centrs" used its pre-emption rights to buy the 9 632 shares or 5.08% of the SIA "Neirožu klīnika" share capital for an amount of EUR 13 677 from the State Social Insurance Agency. After the transaction, AIS "Latvijas Jūras medicīnas centrs" owes 50.4% of SIA "Neirožu klīnika" shares.

Financial results

In 2014 LJMC have worked according to the year's 2014 approved budget: revenue plan has been fulfilled by 101.99% and costs has been fulfilled by 97.65% in comparison to planned results. Net sales in 2014 are 6% higher than in comparative period of 2013. In 2014 LJMC profit before tax is EUR 238 848.

LJMC continues to implement intense investment policy, that focuses on the Company's competitiveness and profitability raise in the future. The planned investment amount in 2014 is realized for EUR 430 000.

Financial risk management

The Company's management continues activities, to minimize potential adverse effects of financial risk on the financial performance of the Company, realizing a set of control and analysis measures.

The financial assets that could potentially lead to a certain concentration of the credit risk in the Company are mainly cash, customers' debts and other debts. LJMC makes regular control of debtors and debt recovery, to ensure credit risk management and early problem identification and resolution.

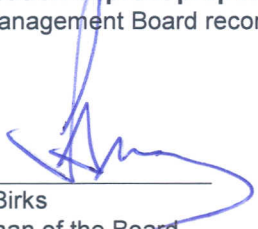
The Company pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. The Company has no borrowings.

Post balance sheet events

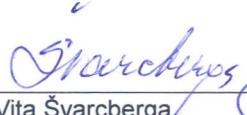
On 21 January 2015 the 100% wholly owned subsidiary was liquidated and the Company received a liquidation quote EUR 9,623 and merged assets of land and construction in progress in the amount of EUR 266 thousand.

Distribution of profit proposed by the Board


The Management Board recommends to retain undistributed profit of EUR 266 004 for the reporting year.



Jānis Birks
Chairman of the Board



Vita Švarcberga
Member of the Board



Juris Imaks
Member of the Board

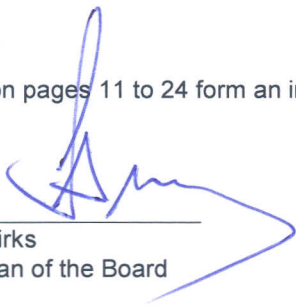
Riga, 8 April 2015

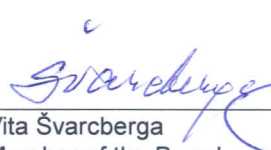
JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

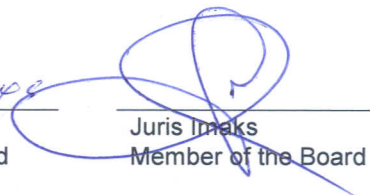
Profit and loss account for the year ended 31 December 2014

	Note	2014 EUR	2013 EUR (restated)
1. Net sales	1	5 388 611	5 081 474
2. Cost of sales	2	(4 898 829)	(4 962 175)
3. Gross profit		489 782	119 299
5. Administrative expenses	3	(450 631)	(458 992)
6. Other operating income	4	191 559	177 738
7. Other operating expenses	5	(6 082)	(1 313)
8. Income from investments in subsidiary undertakings and associated companies	6	10 591	-
10. Other interest income and similar income	7	3 629	-
16. Profit / (loss) before taxes		238 848	(163 268)
18. Deferred income tax	8	27 156	15 374
20. Current year's profit / (loss)		266 004	(147 894)
Number of shares		800 000	800 000
Profit / (loss) per share (EUR)		0.33	(0.18)
Return on equity (ROE)		4.7%	(2.7%)

Notes on pages 11 to 24 form an integral part of these financial statements.


Jānis Birks
Chairman of the Board


Vita Švarcberga
Member of the Board


Juris Imaks
Member of the Board

Riga, 8 April 2015

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Balance sheet as at 31 December 2014

(1)

	Note	31.12.2014. EUR	31.12.2013. EUR (restated)
Assets			
Long-term investments			
I Intangible assets:			
1. Concessions, patents, licences, trademarks and similar rights		7 667	19 707
Total intangible assets:	9	7 667	19 707
II Fixed assets:			
1. Land and buildings, perennial plants		4 036 486	4 151 973
2. Equipment and machinery		603 401	829 713
3. Other fixed assets		42 356	65 650
4. Assets under construction		370 035	-
Total fixed assets:	9	5 052 278	5 047 336
V Long-term financial investments:			
1. Investments in subsidiary undertakings		474 123	288 472
2. Investments in associated companies		-	141 624
Total long-term financial investments:	10	474 123	430 096
Total long-term investments:		5 534 068	5 497 139
Current assets			
I Inventories:			
1. Raw materials and consumables	11	104 295	84 688
5. Advances for goods receivable		32	185
Total inventories:		104 327	84 873
III Debtors:			
1. Trade debtors	12	217 793	164 235
2. Receivables from affiliated companies		-	14 752
4. Other debtors	13	40 508	15 882
7. Deferred expenses	14	3 861	3 681
Total debtors:		262 162	198 550
V Cash and bank:	15	1 346 187	1 131 288
Total current assets:		1 712 676	1 414 711
Total assets		7 246 744	6 911 850

Notes on pages 11 to 24 form an integral part of these financial statements.

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

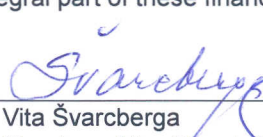
Balance sheet as at 31 December 2014

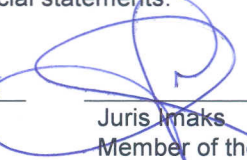
(2)

	Note	31.12.2014. EUR	31.12.2013. EUR (restated)
<u>Liabilities and shareholders' funds</u>			
Shareholders' funds:			
1. Share capital	16	1 120 000	1 138 297
3. Long-term investments revaluation reserve		2 379 400	2 379 400
5. Reserves:			
c) reserve provided by statutes		63 819	45 522
6. Retained earnings			
a) previous years' retained earnings		1 872 113	2 020 007
b) current year's profit / (loss)		266 004	(147 894)
Total shareholders' funds:		5 701 336	5 435 332
Creditors:			
Long-term creditors:			
10. Deferred income	20	464 929	501 577
12. Deferred income tax liabilities	17	447 566	474 722
Total long-term creditors:		912 495	976 299
Short-term creditors:			
5. Advances from customers	13	2 214	5 783
6. Trade creditors		213 386	87 764
10. Taxes and the state compulsory social insurance contributions	18	114 648	113 956
11. Other creditors	19	133 237	137 454
12. Deferred income	20	50 976	47 551
15. Accrued liabilities	21	118 452	107 711
Total short-term creditors:		632 913	500 219
Total creditors:		1 545 408	1 476 518
<u>Total liabilities and shareholders' funds</u>		<u>7 246 744</u>	<u>6 911 850</u>

Notes on pages 11 to 24 form an integral part of these financial statements.


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Chairman of the Board


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Riga, 8 April 2015

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of changes in equity for the year ended 31 December 2014

	Share capital EUR	Long-term invest- ments revaluation reserve EUR	Reserves provided by statutes EUR	Retained earnings EUR	Total EUR
Balance as at 31 December 2012 before restatement	1 138 297	929 364	45 522	2 020 007	4 133 190
Restatement	-	1 450 036	-	-	1 450 036
Balance as at 31 December 2012 after restatement	1 138 297	2 379 400	45 522	2 020 007	5 583 226
Loss for the year (restated)	-	-	-	(147 894)	(147 894)
Balance as at 31 December 2013 (restated)	1 138 297	2 379 400	45 522	1 872 113	5 435 332
Conversion of the share capital EUR	(18 297)	-	18 297	-	-
Profit for the year	-	-	-	266 004	266 004
Balance as at 31 December 2014	1 120 000	2 379 400	63 819	2 138 117	5 701 336

Notes on pages 11 to 24 form an integral part of these financial statements.

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Cash flow statement for the year ended 31 December 2014

	Note	2014 EUR	2013 EUR (restated)
I. Cash flows from operating activities			
1. Profit / (loss) before taxation		238 848	(163 268)
Adjustments for:			
a) fixed asset depreciation and value of intangible assets write-downs	9	466 845	529 889
b) interest income	7	(3 629)	-
c) losses / (gains) from fixed assets sales	7	-	(3 695)
d) income from subsidiaries and associated companies		(10 591)	-
		691 473	362 926
Adjustments for:			
a) trade debtors' increase		(78 364)	(74 684)
b) inventories (increase) / decrease		(19 454)	12 803
c) trade and other creditors' decrease		(32 723)	(36 538)
2. Gross operating cash flow		560 932	264 507
3. Corporate income tax paid		-	-
4. Net cash flow		560 932	264 507
II. Cash flows from investing activities			
1. Purchase of shares of subsidiaries or associates net of liquidation quote		(19 054)	(2 500)
2. Dividends		967	-
3. Acquisition of fixed assets and intangible assets		(330 978)	(167 533)
4. Proceeds from sale of fixed assets and intangible assets		-	6 355
5. Interest received		3 032	-
6. Net cash used in investing activities		(346 033)	(163 678)
Net increase in cash and cash equivalents		214 899	100 829
Cash and cash equivalents at the beginning of the reporting year	15	1 131 288	1 030 459
Cash and cash equivalents at the end of reporting year	15	1 346 187	1 131 288

Notes on pages 11 to 24 form an integral part of these financial statements.

Notes

Accounting policies

(a) Information on the Company

The legal address of the JSC "Latvijas Jūras medicīnas centrs" is Patversmes street 22, Rīga. The Company was registered in Commercial Register with common registration number 40003306807. The Company's main shareholders are Ilze Birka (17.5%), Mārtiņš Birks (17.5%), Ilze Aizsilniece (11.4%), Guna Švarcberga (10.36%), Jānis Birks (10.17%), Adomas Navickas (6.35%).

The Board of the Company consists of Jānis Birks (Chairman of the board), Vita Švarcberga (Member of the board from 1 May 2014) and Juris Imaks (Member of the board from 1 May 2014). Until 30 April 2014 board members were also Marta Aizsilniece and Andris Vīgants. The Council of the Company consists of Mārtiņš Birks (Chairman of the council), Viesturs Šiliņš, Ineta Gadzjus, Jevgēņija Kalējs and Uldis Osis are members of the Council. The Company's auditor is the certified audit company PricewaterhouseCoopers SIA and certified auditor in charge Lolita Čapkeviča.

(b) Financial statements preparation basis

Financial statements are prepared in accordance with the Law on Accounting and Law on Annual Reports of the Republic of Latvia.

The profit and loss account is prepared in accordance with the turnover method.

The cash flow statement has been prepared using indirect cash flow method.

(c) Restatement of comparative financial information

The Company carried out a revaluation of its land and buildings at the end of 2014 and concluded that their market value significantly exceeded their carrying value at the date of revaluation and at the beginning and end of previous reporting period.

Given that there had not been significant changes during the last two years and given that the previous revaluation took place in 2007, the Company's management concluded that the results of revaluation carried out at the end of 2014 were also indicative of the fair value of those assets at the end of 2013 and 2012, subject to depreciation adjustment. As a result, retrospective restatement was carried out in respect of the comparative figures in these financial statements in order to report such comparative balances of land and buildings, as if the revaluation took place by 31 December 2012. Impact of the retrospective restatement on the comparative financial information is described in Note 28 to these financial statements.

Besides the retrospective adjustment described above, accounting policies used by the Company are consistent with those used in the previous reporting period. Minor reclassification between Profit and Loss positions and comparatives has been made in the current year without adjusting current year's profit.

(d) Net sales and income recognition

Net sales represent the total of services sold during the year net of discounts and value added tax. Sales of services are recognised in the accounting period in which the services are rendered. Dividend income is recognised when the right to receive payment is established.

(e) Currency unit and revaluation of foreign currency

In accordance with the requirements of the „Law on the Procedure for Introduction of Euro” all amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). The comparative figures as at 31 December 2013 have been translated from lats to euro in accordance with the rate set by the European Union Council 1 EUR = 0.702804 LVL and the clause 6 of the „Law on the Procedure for Introduction of Euro” on conversion principles.

Foreign currency transactions until 31 December 2013 were translated into lats applying the official exchange rate established by the Bank of Latvia at the transaction date. Starting from 1 January 2014 the foreign currency transactions have been translated into euro applying the rate determined by the conversation procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

Notes (continued)

Accounting policies (continued)

(e) Currency unit and revaluation of foreign currency (continued)

All monetary assets and liabilities denominated in foreign currencies have been translated into lats at the official exchange rate established by the Bank of Latvia at the last day of the calendar year –

31 December 2013. On the Euro implementation day 1 January 2014 all monetary assets and liabilities were translated into euro in accordance with the exchange rate set by the European Union Council, considering the rounding principles determined by clause 6 of the „Law on the Procedure for Introduction of Euro”. On the last day of the reporting year all monetary assets and liabilities

were translated into euro in accordance with the rates published on the European Central Bank's website.

	31.12.2014. EUR	31.12.2013. EUR
1 USD	0.8237	0.7328

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(f) Intangible assets and fixed assets

Intangible assets and fixed assets are recorded at historical cost or revalued amount net of accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the intangible assets and fixed assets. The cost of software licences includes the purchase cost and costs related to their implementation in use. The following fixed asset groups are revalued regularly but not less frequently than every five years:

- buildings;
- plant and equipment.

Increase in the carrying amount arising on revaluation is credited to “Long-term investments revaluation reserve” in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the current year's profit and loss account. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the following rates set by management:

	% per annum
Intangible assets	20
Buildings*	2.5 - 2.85
Equipment and machinery	33.33
Other fixtures and fittings	20

* - along with revaluation of land and buildings made in 2014, the Company's management re-estimated useful lives of revalued buildings in the range of 35 – 40 years. Within retrospective restatement in relation to revaluation of fixed assets, also comparative period's depreciation was recalculated based on re-estimated useful lives in order to ensure comparability of depreciation expense within accounting periods.

Where the carrying amount of an intangible or a fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and the value in use of the related intangible or fixed asset.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. Capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the profit and loss account.

Notes (continued)

Accounting policies (continued)

(f) Intangible assets and fixed assets (continued)

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Leasehold improvements are amortised on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and gains from related asset's revaluation reserve write-off and are charged to the profit and loss account during the period in which they are incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. When the net realisable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realisable value.

(h) Accounts receivable

Accounts receivable are recorded in the balance sheet at their amortised cost less provisions for impairment. Provisions for impairment are established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for impairment is the difference between the amortised cost and the recoverable amount. The amount of the provision is recognised in the profit and loss account.

(i) Finance leases – the Company as a lessee

Leases of assets under which the Company has substantially all the risks and rewards or ownership are classified as finance leases. Finance leases are capitalised at the inception of lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest element of lease payments is charged to the profit and loss account so that as to produce a constant periodic rate of interest on the remaining balance of the liability.

(j) Operating leases

The Company as a lessor

The Company is leasing buildings which are part of the revalued fixed assets. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life using rates set for similar Company's assets. Rental income from operating lease including advances received is recognised on a straight-line basis over the period of the lease.

(k) Investments in subsidiary undertakings and associated companies

Investments in subsidiary undertakings and associated companies are accounted for at cost net of accumulated impairment loss. The Company recognises the income only to the extent the distribution of the profit accumulated after the acquisition date is received from the respective subsidiary or associated company. Received distributions in excess of such profit are regarded as recovery of the investment and are booked as a decrease of the cost of investment.

When there is objective evidence that the carrying amount of the investment in subsidiary undertaking or associated company has impaired, the impairment loss is calculated as a difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods can be reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

Notes (continued)

Accounting policies (continued)

(o) Grants

Grants relating to the purchase of specific assets are recorded as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets. Grants granted to cover the expenses are recognised as an income in the same period when respective expenses have arisen if all conditions associated with the receipt of grant have been fulfilled.

(p) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Deferred tax is provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated based on currently enacted tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, as well as tax losses carried forward, fixed asset revaluation, tax losses carried forward and accrued expenses. The deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(r) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(s) Accrued unused annual leave expenses

Amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current account with banks and other highly liquid investments with original maturities up to 90 days.

(u) Related parties

Related parties are defined as Company's shareholders, members of the Board of Directors and Supervisory Board, their close relatives and companies in which they have a significant influence or control.

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(1) Net sales

	2014	2013
	EUR	EUR
Medical ambulant services	3 660 173	3 294 993
Medical hospital services	936 787	909 783
Insurance payments	384 894	321 414
VS ZDC ambulant services	251 750	278 847
Inpatient care	122 762	153 772
Stomatology services	8 472	52 833
Family doctors	-	31 868
Residents training	16 682	20 859
Services – minimum fixed part	6 564	13 144
Other income	527	3 961
	5 388 611	5 081 474

(2) Cost of sales

		(restated)
Salaries and wages	2 233 448	2 232 465
Fixed assets depreciation	466 845	529 884
Medical goods	646 635	636 675
State compulsory social insurance contributions	513 039	524 391
Public utilities	247 528	249 382
Non-deductible VAT	271 857	245 431
Repair expenses	170 848	153 499
Household goods and equipment, other materials	95 844	87 084
Security costs	22 018	40 014
Provisions for vacations	10 741	38 536
Patient feeding	31 929	31 639
IT costs	33 835	34 137
Medical examinations and other services	42 728	38 583
Office expenses	13 492	11 315
Transport costs	12 385	9 182
Stock listing expenses	-	7 114
Advertising expenses	28 835	6 511
Insurance costs	5 819	5 949
Real estate tax	5 263	5 263
Provision for doubtful debts	1 117	4 010
Employee training expenses	3 598	2 942
Risk fee	1 406	1 473
Employees benefits and grants	1 472	1 991
Equipment rent	15 853	569
Received discounts	-	(8 580)
Other services related costs	22 294	72 716
	4 898 829	4 962 175

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(3) Administrative expenses

	2014 EUR	2013 EUR
Salary expenses	327 129	341 760
State compulsory social insurance contributions	75 517	79 268
Communication costs	11 738	11 807
Financial statement audit costs	12 188	7 114
Office expenses	8 539	6 759
Banking services	8 313	5 849
Representation costs	3 154	1 615
Legal services	1 395	2 001
Other administrative costs	2 658	2 819
	<u>450 631</u>	<u>458 992</u>

(4) Other operating income

Rental income	105 895	95 823
ERAF income: fixed assets depreciation	38 400	47 551
Other income	47 264	34 364
	<u>191 559</u>	<u>177 738</u>

(5) Other operating expenses

Fines and penalties	10	30
Other expenses	6 072	1 283
	<u>6 082</u>	<u>1 313</u>

(6) Income from investments in subsidiary undertakings and associated companies

Dividends from associated companies	967	-
Liquidation quota for the subsidiary's liquidation	9 624	-
	<u>10 591</u>	<u>-</u>

(7) Other interest receivable and similar income

Interest income on bank balances	3 629	-
	<u>3 629</u>	<u>-</u>

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(8) Corporate income tax for the reporting year and deferred income tax

	2014 EUR	2013 EUR (restated)
Deferred income tax credit (see Note 17)	(27 156)	(15 374)
Corporate income tax charge for the current year	-	-
	<u>(27 156)</u>	<u>(15 375)</u>

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the 15% rate stipulated by the law to profit / (loss) before taxation:

Profit / (loss) before taxation	<u>238 848</u>	<u>(163 268)</u>
Theoretically calculated tax at a tax rate of 15%	35 827	(24 490)
Expenses not deductible for tax purposes	183	4 180
Change in unrecognised deferred tax asset	(63 166)	4 935
Tax credit	<u>(27 156)</u>	<u>(15 375)</u>

Deferred income tax is calculated by using the enacted tax rate – 15%.

As at 31 December 2013 the Company had accumulated tax losses of EUR 371 722, and they were fully utilised in 2014 reporting year.

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(9) Intangible assets and fixed assets

	Intangible assets	Land	Buildings	Equipment and machinery	Other fixed assets	Assets under construction	Total
	EUR	EUR (restated)	EUR (restated)	EUR	EUR	EUR	EUR
Original or revaluated amount							
31.12.2012. (restated)	64 610	584 000	3 849 164	3 792 708	500 247	4 727	8 795 457
Additions	11 347	-	27 279	87 115	46 519	(4 727)	167 533
Disposals	(3 917)	-	(1 851)	(196 925)	(42 812)	-	(245 505)
31.12.2013.	72 040	584 000	3 874 593	3 682 898	503 954	-	8 717 485
Additions	2 050	-	-	82 350	5 312	370 035	459 747
Disposals	(3 724)	-	-	(163 886)	(46 847)	-	(214 457)
31.12.2014.	70 366	584 000	3 874 593	3 601 362	462 419	370 035	8 962 775
Depreciation							
31.12.2012.	42 935	-	194 904	2 679 758	445 962	-	3 363 559
Charge for 2013	13 315	-	113 567	370 311	32 535	-	529 728
For disposed	(3 917)	-	(1 851)	(196 884)	(40 193)	-	(242 845)
31.12.2013.	52 333	-	306 620	2 853 185	438 304	-	3 650 442
Charge for 2014	14 090	-	115 487	308 662	28 606	-	466 845
For disposed	(3 724)	-	-	(163 886)	(46 847)	-	(214 457)
31.12.2014.	62 699	-	422 106	2 997 961	420 063	-	3 902 830
Net book value							
31.12.2014.	7 667	584 000	3 452 486	603 401	42 356	370 035	5 059 945
Net book value							
31.12.2013.	19 707	584 000	3 567 973	829 713	65 650	-	5 067 043
Net book value							
31.12.2012.	21 675	584 000	3 654 261	1 112 950	54 285	4 727	5 431 898

Cadastral value of freehold land as at 31 December 2014 is EUR 519 364 (31 December 2013: EUR 519 383). Cadastral value for the buildings as at 31 December 2014 is EUR 1 271 297 (31 December 2013: EUR 1 271 407).

As at 31.12.2014. Company's land and buildings were revalued by independent certified appraiser SIA Latio (certificate No. 19). The market value was determined by a 50% / 50% combination of Income and Market approach results.

The Company's management considered, that the market value as calculated as at 31.12.2014. is also retrospectively applicable to comparative period as it would be accounted as at 31.12.2012. Revalued land and buildings were historically accounted restating the comparatives, as this was the only basis to ensure comparability of carrying values of land and buildings at the year-end 2014 and comparative period. A correction of retrospective application has been disclosed in note 28 in these financial statements

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(9) Fixed assets (continued)

If land and buildings would be recorded at cost less accumulated depreciation, their net book value would be as follows:

	31.12.2014. EUR	31.12.2013. EUR
Cost	2 229 565	2 229 565
Accumulated depreciation	(949 134)	(851 640)
Net book value	<u>1 280 431</u>	<u>1 377 925</u>

(10) Investments in subsidiary undertakings and associated companies

	Investments in subsidiary undertakings EUR	Investments in associated companies EUR	Total EUR
Book value			
31.12.2013.	288 472	141 624	430 096
Additions	30 350	13 677	44 027
Reclassification	155 301	(155 301)	-
31.12.2014.	<u>474 123</u>	<u>-</u>	<u>474 123</u>

(a) information on subsidiary undertakings

Name	Address	Shareholders' funds		Profit / (loss) for the reporting year	
		31.12.2014. EUR	31.12.2013. EUR	2014 EUR	2013 EUR
„Jūras medicīna” SIA	Vecmīlgrāvja 5.līnija 28, Rīga, LV-1015	266 329	252 443	(2 056)	(6 841)
„Neirožu klīnika” SIA*	Dzintaru prospekts 48, Jūrmala, LV-2015	414 453	414 304	3 435	2 283

*- until 10 October 2014 – associated company

Name	Carrying value of investments in subsidiary and associated companies undertakings		Participating interest in share capital of subsidiary and associated companies undertakings	
	31.12.2014. EUR	31.12.2013. EUR	31.12.2014. %	31.12.2013. %
„Jūras medicīna” SIA	318 822	288 472	100%	100%
„Neirožu klīnika” SIA	155 301	141 624	50.4%	45.32%

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(11) Inventories

	31.12.2014. EUR	31.12.2013. EUR
Medication in warehouse, pharmacy	86 370	71 684
Medication in divisions	17 813	12 895
Other materials	112	109
	<u>104 295</u>	<u>84 688</u>

(12) Trade debtors

The National Health Service (NHS)	115 806	70 691
P.Stradiņa Clinical University Hospital	42 862	24 996
Insurance companies	33 346	42 688
Other institutions, businesses and individuals	34 856	33 820
Provision for doubtful debts	(9 077)	(7 960)
	<u>217 793</u>	<u>164 235</u>

(13) Other debtors

VAT overpaid (see Note 18)	13	5 111
VAT on unpaid invoices	4 424	4 032
Other debtors	36 071	6 739
	<u>40 508</u>	<u>15 882</u>

(14) Deferred expenses

Insurance costs	3 861	3 681
	<u>3 861</u>	<u>3 681</u>

(15) Cash and bank

Cash at bank	1 340 708	1 126 887
Cash at State treasury	-	16
Cash on hand	5 479	4 385
	<u>1 346 187</u>	<u>1 131 288</u>

(16) Share capital

In 2014, the Company re-registered its share capital to EUR compliant to EUR implementation law requirements. Nominal value of 1 share was rounded to 1,40 EUR as a result of share capital conversion. The value in excess of denomination of share capital to EUR was accounted in Company's reserves. As at 31 December 2014 registered and fully paid share capital consists of 800 000 shares at EUR 1,40 nominal each.

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(16) Share capital (continued)

The share capital owned by the following shareholders:

	31.12.2014.		31.12.2013	
	Number of shares	Capital share %	Number of shares	Capital share %
Ilze Birka	140 000	17,50%	140 000	17,50%
Mārtiņš Birks	140 000	17,50%	140 000	17,50%
Ilze Aizsilniece	91 600	11,45%	91 600	11,45%
Guna Švarcberga	82 880	10,36%	82 880	10,36%
Jānis Birks	81 338	10,17%	69 280	8,66%
Adomas Navickas	50 825	6,35%	50 825	6,35%
Other shareholders (the number of shares up to 5% each)	213 357	26,67%	225 415	28,18%
Total	800 000	100,00%	800 000	100,00%
Share capital (EUR)	800 000		800 000	

(17) Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred income tax has been calculated from the following temporary differences between assets and liabilities values for financial reporting and tax purposes:

	31.12.2014. EUR	31.12.2013. EUR
Deferred income tax liability:		
Temporary difference on fixed assets depreciation	465 334	490 879
Deferred income tax assets:		
Temporary difference on accruals for unused annual leave	(17 768)	(16 157)
Deferred tax liability	447 566	474 722

The gross movement on the deferred income tax account is as follows:

	2014 EUR	2013 EUR
Deferred income tax liability at the beginning of the reporting year	474 722	490 096
Deferred income tax credited to profit and loss account (see Note 8)	(27 156)	(15 374)
Deferred tax liability at the end of the reporting year	447 566	474 722

JOINT STOCK COMPANY LATVIJAS JŪRAS MEDICĪNAS CENTRS
ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Notes (continued)

(18) Taxes and the state compulsory social insurance contributions

	Liabilities 31.12.2013.	(Overpaid) 31.12.2013.	Charge for 2014	Transferred to other taxes	Paid in 2014	Liabilities 31.12.2014.	(Overpaid) 31.12.2014.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Corporate income tax	-	(5 105)	-	5 105	-	-	-
VAT	1 635	-	71 482	-	(63 875)	9 242	-
Real estate tax	-	(6)	5 263	-	(5 263)	-	(6)
Natural resource tax	861	-	2 601	-	(3 469)	-	(7)
Entrepreneurial risk duty	117	-	-	-	(1)	116	-
State compulsory social insurance contributions	72 356	-	850 326	(5 105)	(849 564)	-	-
Personal income tax	38 987	-	473 301	-	(475 011)	37 277	-
Total	113 956	(5 111)	1 402 973	-	(1 397 183)	114 648	(13)

(19) Other creditors

	31.12.2014. EUR	31.12.2013. EUR
Salaries	131 902	136 035
Payments to labour union	688	761
Deposited salary	647	658
	133 237	137 454

(20) Deferred income

Grants received to be recognised as income after more than 1 year and not later than 5 years	464 929	501 577
Long term deferred income	464 929	501 577
Grants received to be recognised as income within 1 year	50 976	47 551
Short term deferred income	50 976	47 551

During 2012 the Company has received grant from ERAF for acquisition of fixed assets.

(21) Accrued liabilities

Accrued unused annual leave expenses	118 452	107 711
	118 452	107 711

(22) Average number of employees

	2014	2013
Average number of employees during the reporting year:	390	355

Notes (continued)

(23) Management remuneration

	2014 EUR	2013 EUR
Board members' remuneration		
– salary expenses	72 407	67 236
– state compulsory social insurance contributions	16 593	14 962
Council members' remuneration		
– salary expenses	27 319	27 319
– state compulsory social insurance contributions	5 993	6 093
Other management remuneration		
– salary expenses	227 403	247 205
– state compulsory social insurance contributions	52 931	58 213
	402 646	421 028

(24) Issued guarantees and pledges

The Company's management has no information on guarantees, existing or pending litigations or other commitments that could significantly influence company's net results

(25) Capital commitments

In August 2014, the Company has concluded construction agreement on Vecmīlgrāvja hospital first storey renovation in total for around EUR 430 thousand. Advance payment of EUR 370,035 has been granted. The construction works has been started on June 2014, and it is anticipated to conclude the construction on April 2015.

(26) Related party transactions

In 2014, the Company has not entered into transactions with related parties – subsidiaries and associated companies, other than received dividends EUR 967 from SIA "Neirožu Klīnika" and capitalised within SIA "Jūras medicīna" share capital was loan EUR 30 350 and upon liquidation in 2015 the Company received a liquidation quote.

(27) Remuneration of the certified audit company

	2014 EUR	2013 EUR
Audit of financial statements	9 900	7 114
Tax consulting services	500	-
	10 400	7 114

Notes (continued)

(28) Implication to financial statements of the retrospective correction

As described in accounting policy section (c) „Restatement of comparative financial information” and the explanation in Note 9, the Company carried out real estate revaluation and found that the fair value of real estate subject to revaluation significantly exceeded its book value at the time of the revaluation, as well as at the end and beginning of the last reporting year. Taking into account that there have been no significant changes in Latvian Republic real estate market during the last two years in respect to such property types, the Company’s management concluded, that the results of valuation in 2014 can be attributable to the last reporting year as well. Valuation results of revalued fixed assets were booked retrospectively changing comparative figures, as being the only basis to provide financial statement figure comparability in the reporting and comparative period. The effects of retrospective adjustments are set out in the table shown below.

	EUR
Impact on shareholders’ equity as at 31 December 2012:	
- Increase in long-term investments revaluation reserve	1 450 036
Total increase in shareholders’ equity:	1 450 036
Impact on year 2013:	
- Decrease of net book value of land as at 31.12.2013.	(18 383)
- Increase of net book value of buildings as at 31.12.2013.	1 954 313
Total increase of assets as at 31.12.2013.	1 935 930
- Increase of deferred tax liabilities as at 31.12.2013.	(363 409)
Total increase in shareholders’ equity:	1 572 521
Including:	
- Increase in shareholders’ equity as at 31.12.2012.	1 450 036
- Decrease of fixed asset depreciation expense in profit and loss account and decrease in net loss for 2013:	146 959
- Decrease of long-term investments revaluation reserve for deferred tax liabilities correction that were made in 2013:	(24 474)
Total	1 572 521

(29) Subsequent events

On 21 January 2015 the 100% wholly owned subsidiary SIA “Jūras Medicīna” was liquidated and the Company received a liquidation quote EUR 9,623 and merged assets of land and construction in progress in the amount of EUR 266 thousand.

Except for the above, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2014.



Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Latvijas Jūras Medicīnas Centrs"

Report on the Financial Statements

We have audited the accompanying financial statements of JSC "Latvijas Jūras Medicīnas Centrs" set out on pages 6 to 24 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014 and the profit and loss account and the statements of 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 Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Law of the Republic of Latvia on Annual Reports, 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 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 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 of the financial statements that give a true and fair view 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 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 financial statements give a true and fair view of the financial position of JSC "Latvijas Jūras Medicīnas Centrs" as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2014 set out on pages 4 to 5 of the accompanying annual report for 2014 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2014.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read "Ilandra Lejiņa".

Ilandra Lejiņa
Member of the Board

A handwritten signature in blue ink, appearing to read "Lolita Čapkeviča".

Lolita Čapkeviča
Certified auditor in charge
Certificate No. 120

Riga, Latvia
8 April 2015

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.