



**LATVIJAS JŪRAS MEDICĪNAS CENTRS JSC**

**CONSOLIDATED INTERIM REPORT FOR THE 9 MONTHS OF 2014**

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

<b>INFORMATION ABOUT PARENT COMPANY</b>	<b>3</b>
<b>COUNCIL AND BORD OF THE GROUP</b>	<b>4</b>
<b>MANAGEMENT REPORT</b>	<b>5 – 6</b>
<b>STATEMENT OF MANAGEMENT'S RESPONSIBILITIES</b>	<b>7</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8 – 12</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>8 – 9</b>
<b>CONSOLIDATED COMPREHENSIVE INCOME STATEMENT</b>	<b>10</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>11</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>12</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>13 – 22</b>

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

---

**COMPANY NAME:** LATVIJA 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 street, Riga, LV-1005, Latvia

**SHARES** 800 000 public registered shares with face value 1.40 EUR  
ISIN code: LV0000100741

**MAJOR SHAREHOLDERS:** Ilze Birka 17.50%  
Mārtiņš Birks 17.50%  
Ilze Aizsilniece 11.45%  
Guna Švarcberga 10.36%  
Jānis Birks 8.66%  
Adomas Navickas 6.35%

**REPORTING PERIOD:** 01.01.2014. - 30.09.2014.

**AUDITORS NAME AND ADDRESS:** System audit Ltd.  
Licence No.53  
Matisa street 19-6  
Riga, LV-1001  
Latvia  
Certified auditor in charge:  
Irina Saksaganska  
Certificate No.41

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

---

**Council of the Group**

Number of shares  
owned at

30.09.2014

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

<b>Position</b>	<b>Name</b>	
Chairman of the Council	Mārtiņš Birks	140 000
Member of the Council	Viesturs Šiliņš	3 038
Member of the Council	Ineta Gadzjus	-
Member of the Council	Jevgēņijs Kalējs	5 283
Member of the Council	Uldis Osis	-

**Board of the group**

From August 18, 2009 till April 30, 2014

<b>Position</b>	<b>Name</b>	
Chairman of the Board	Jānis Birks	69 317
Member of the Board	Marta Aizsilniece	1 624
Member of the Board	Andris Vīgants	700

From May 1, 2014 till the consolidates financial statements signing day

<b>Position</b>	<b>Name</b>	
Chairman of the Board	Jānis Birks	81 338
Member of the Board	Vita Švarcberga	2 885
Member of the Board	Juris Imaks	-

## **MANAGEMENT REPORT**

---

### **Type of activity**

JSC Latvijas Juras medicinas centrs (LJMC) is a certified, high level and all available private medical authority that consists of: Sarkandaugava outpatient health care center Patversmes 23, Riga, Central Hospital Patversmes 23 Riga, Vecmīlgrāvis hospital and Ziemeļu diagnostic Center Vecmīlgrāvja 5. Līnija 26, Riga, Vecmīlgrāvis primary health care center Melīdas 10, Riga. In 2014 average number of LJMC employees is 360.

2013 LJMC is included in the LR Health inspection approved list of agencies providing medical tourism services i.e. LJMC services as a trusted partner, and it gives an idea about the Latvian healthcare system as a whole, because it includes only those medical institutions that are registered in the register of medical institutions for at least 3 years and over the last three years, the medical institution has been in control.

On March 2013 JSC Latvijas Juras medicinas 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 have concluded cooperation agreements with all the health insurance companies.

LJMC shares are quoted on "NASDAQ OMX Riga" in the second list. Full information about the company is provided: [www.ljmc.lv](http://www.ljmc.lv)

### **Activity in the reference year and future development**

2013 LJMC completed an ambitious 3-year investment project of 2.3 million EUR. Investment project entailed two major sections: the Medical Center's old building complex renovation and redevelopment of the areas adjacent to the modern medical standards, and secondly, investment in new equipment, medical equipment, and to raise the competitiveness of the Baltic market, attracting medical patients from both the EU and the Baltic and offering high quality medical examinations. The investment project was launched with the support from ERAF.

Of the investment project tasks was to put together the LJMC family doctor practices, thus was created the modern family physician practice Center, located in the LJMC Riga Northern District at Vecmīlgrāvī. Since a new family doctor practices LJMC Center was created number of new customers increased by 25%.

Building renovation project is one of the goals was to create a new ambulatory health care center in Sarkandaugava Patversmes 23, earlier provided inpatient health care services. Redirection of inpatient health care service to ambulatory health care service improve the future effectiveness, maximize LJMC resources and provide better medical care to patients.

In April 2014 LJMC won a tender regarding the right to provide medical care with PSKUS patients for 1 years.

LJMC as one of 2014 development directions has raised foreign patients association. LJMC combines excellent doctors in Latvia and a knowledgeable medical staff, so the quality of the medical study is tall and competitive outside Latvian. It shows the increasing number of foreign patients, as well as the fact that the LJMC has included official medical tourism service provider register kept by the LR Health inspection. LJMC in 2014 continue attract medical tourists from the EU. To attract more new foreign and local patients, LJMC in 2014 has detected investment objectives: implementation of innovative solutions in the medical service, staff training in patient care, continue national policies on the hospital redirection, providing investment in Vecmīlgrāvis hospital.

### **Financial performance**

This financial statement has been prepared in accordance with the European Union accepted International Financial Reporting Standards (IFRS), based on the principle of a continuing business. The report is prepared in euro. Currency exchange rate till 31.12.2013. - EUR/LVL 0.702804.

The 2014<sup>th</sup> 9 month LJMC has worked according to the budget: revenue plan has been fulfilled for 103.63% and expenditure is met by 96.38%.

The 2014<sup>th</sup> 9 month LJMC profit before taxes is EUR 188 120. In 2014 LJMC planned investment is expected to amount to EUR 430 000.

**MANAGEMENT REPORT**

---

**Risk management**

LJMC potential financial risk management sought to reduce the negative impact on the financial position of the company, the exercise of control and analysis package.

Exposed to the credit risk of financial assets consist mainly of cash, trade receivables and other debtors

Credit risk management carried out regular customer LJMC control procedures and measures for recovering of debts, thus ensuring timely identification and resolution of problems.

LJMC followed prudent liquidity risk management, ensuring appropriate resources are made available for settlement of obligations within the time limits laid down. LJMC does not use borrowed funds.

**Important Events after the Balance Sheet Date**

Along with LR accession to the European Economic and Monetary Union 01.01.2014. LJMC action will not be subject to the exchange rate of the euro at risk.

2014 August LJMC is signed contract with “Selva buve” for first floor renovation in Vecmīlgrāvis hospital.

2014 September LJMC organized extraordinary shareholders meeting and elected Pricewaterhouse Coopers SIA (registration number: 40003142793, license No.5) as auditor of Latvijas Jūras medicīnas centrs JSC for the audit of annual report and consolidated annual report for 2014 and denominated 800 000 (eight hundred thousand) shares of Latvijas Jūras medicīnas centrs JSC with the nominal value of 1 LVL (one lat) each from lats to euro by stipulating that the share capital after the denomination shall be split into 800 000 (eight hundred thousand) shares with the nominal value of 1.40 EUR (one euro forty cents) each with the total share capital of the Company after denomination being 1 120 000 EUR (one million one hundred twenty thousand euro).

The contract has been concluded with a national health service of the country paid the provision of medical services, to the extent provided for in the 2014 budget.

Chairman of the Management Board

Jānis Birks

Member of the Management Board

Vita Švarcberga

Member of the Management Board

Juris Imaks

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

---

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 2014 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

Vita Svarcberga

Member of the Board

Juris Imaks

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

	September 30, 2014	December 31, 2013	September 30, 2013	Notes
<b>ASSETS</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	
<b>Long-term investments:</b>				
<b>Intangible assets:</b>				
Other intangible (fixed) assets	11 208	19 707	23 169	2
<b>Total intangible assets</b>	<b>11 208</b>	<b>19 707</b>	<b>23 169</b>	
<b>Pamatlīdzekļi:</b>				
Land and buildings	2 079 576	2 268 288	2 333 490	
Technological equipment and machines	675 085	829 711	897 024	
Other fixed assets and fixtures	47 086	65 255	64 570	
Unfinished building	156 571	156 571	156 571	
Advance payments for fixed assets	42 215	-	-	
<b>Total fixed assets</b>	<b>3 000 533</b>	<b>3 319 825</b>	<b>3 451 655</b>	2
<b>Long-term financial assets:</b>				
Investment in associates	186 369	183 676	192 532	3
<b>Total financial assets</b>	<b>186 369</b>	<b>183 676</b>	<b>192 532</b>	
<b>Total long-term investments</b>	<b>3 198 110</b>	<b>3 523 208</b>	<b>3 667 355</b>	
<b>Current assets:</b>				
<b>Inventories:</b>				
Raw materials	113 461	84 873	79 554	4
<b>Total Inventories</b>	<b>113 461</b>	<b>84 873</b>	<b>79 554</b>	
<b>Debitors:</b>				
Trade receivables	221 948	164 235	177 623	5
Other receivables	4 547	15 882	8 452	6
Deffered expenditure	5 118	3 681	4 900	7
<b>Total debtors</b>	<b>231 613</b>	<b>183 798</b>	<b>190 975</b>	
<b>Cash funds</b>	<b>1 516 127</b>	<b>1 132 437</b>	<b>845 137</b>	8
<b>Total current assets</b>	<b>1 861 201</b>	<b>1 401 108</b>	<b>1 115 667</b>	
<b>TOTAL ASSETS</b>	<b>5 059 310</b>	<b>4 924 316</b>	<b>4 783 022</b>	

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

	September 30, 2014	December 31, 2013	September 30, 2013	Notes
<b>LIABILITIES</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	
<b>Equity capital:</b>				
Share capital	1 120 000	1 138 297	1 138 297	<b>9</b>
Reserves:				
c) reserves provided by the Articles of Association	63 819	45 522	45 522	
d) fixed asset's revaluation reserve	686 622	790 653	825 337	<b>23</b>
<b>Retained earnings:</b>				
Undistributed profit	2 147 050	1 836 539	1 686 252	
<b>Total shareholders' equity</b>	<b>4 017 491</b>	<b>3 811 011</b>	<b>3 695 409</b>	
<b>Non-controlling interests</b>	-	-		
<b>Total equity capital</b>	<b>4 017 491</b>	<b>3 811 011</b>	<b>3 695 409</b>	
<b>Provisions for liabilities and charges:</b>				
Provisions for vacations	107 711	107 896	69 253	
Deffered tax provisions	92 897	111 229	132 740	<b>22</b>
<b>Total provisions</b>	<b>200 608</b>	<b>219 125</b>	<b>201 992</b>	
<b>Non-current liabilities:</b>				
Deffered income	506 753	501 577	572 904	<b>10</b>
<b>Total non-current liabilities</b>	<b>506 753</b>	<b>501 577</b>	<b>572 904</b>	
<b>Current liabilities:</b>				
Advance payments	1 613	5 783	10 783	<b>11</b>
Trade Payables	75 725	87 764	74 046	<b>12</b>
Deffered income	23 776	47 551	-	<b>10</b>
Taxes and social security payments	105 623	113 987	107 967	<b>13</b>
Other payables	127 721	137 518	119 921	<b>14</b>
<b>Total current liabilities</b>	<b>334 458</b>	<b>392 603</b>	<b>312 717</b>	
<b>Total liabilities</b>	<b>841 211</b>	<b>894 180</b>	<b>885 621</b>	
<b>TOTAL LIABILITIES</b>	<b>5 059 310</b>	<b>4 924 316</b>	<b>4 783 022</b>	

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

	September 30, 2014	December 31, 2013	June 30, 2013	Notes
	EUR	EUR	EUR	
Net sales	4 025 732	5 081 473	3 694 817	<b>15</b>
Cost of goods sold	(3 638 367)	(5 121 929)	(3 885 139)	<b>16</b>
<b>Gross profit or loss</b>	<b>387 365</b>	<b>(40 456)</b>	<b>(190 321)</b>	
Administrative expenses	(331 795)	(460 667)	(340 930)	<b>17</b>
Other operating income	136 951	177 445	116 173	<b>18</b>
Other operating expenses	(7 857)	(2 180)	(14 010)	<b>19</b>
Income from investment in associate	967	(8 856)	-	<b>20</b>
Interest income and similar income	2 489	-	425	<b>21</b>
<b>Profit (loss) before taxes</b>	<b>188 120</b>	<b>(334 713)</b>	<b>(428 663)</b>	
Corporate income tax	-	15 390		<b>22</b>
<b>NET PROFIT OR LOSS</b>	<b>188 120</b>	<b>(319 323)</b>	<b>(428 663)</b>	
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>(1 865)</b>	<b>-</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>188 120</b>	<b>(321 188)</b>	<b>(428 663)</b>	
Profit attribute to:				
Owners of LJMC	188 120	(321 188)	(428 663)	
Non-controlling interest	-	-		
<b>Total comprehensive income attributable to</b>	<b>188 120</b>	<b>(321 188)</b>	<b>(428 663)</b>	
<b>EBITDA</b>	<b>639 992</b>	<b>355 655</b>	<b>97 635</b>	
<b>Number of shares</b>	<b>800 000</b>	<b>800 000</b>	<b>800 000</b>	
<b>Earning per share (EPS)</b>	<b>0.24</b>	<b>(0.40)</b>	<b>(0.54)</b>	

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

	Share capital	Reserves provided by the Articles of Association	Properties revaluation reserve	Undistributed profit	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>At 31 December 2012</b>	<b>1 138 297</b>	<b>45 522</b>	<b>929 363</b>	<b>1 992 674</b>	<b>1 865</b>	<b>4 107 720</b>
Depreciation of revaluation surplus	-	-	(163 189)	163 189	-	-
Deffered tax on revaluation surplus	-	-	24 479	-	-	24 479
Total comprehensive income for the year	-	-	-	(319 324)	(1 865)	(321 188)
<b>At 31 December 2013</b>	<b>1 138 297</b>	<b>45 522</b>	<b>790 653</b>	<b>1 836 539</b>	<b>-</b>	<b>3 811 011</b>
Undistributed profit	(18 297)	18 297	-	-	-	-
Paid dividends	-	-	-	-	-	-
Depreciation of revaluation surplus	-	-	(122 391)	122 391	-	-
Deffered tax on revaluation surplus	-	-	18 360	-	-	18 360
Total comprehensive income for the year	-	-	-	188 120	-	188 120
<b>At 30 September 2014</b>	<b>1 120 000</b>	<b>63 819</b>	<b>686 622</b>	<b>2 147 050</b>	<b>-</b>	<b>4 017 491</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

	September 30, 2014	December 31, 2013	September 30, 2013	Notes
	EUR	EUR	EUR	
<b>I Cash flows from operating activities</b>				
<b>1. Net income before tax</b>	<b>188 120</b>	<b>(334 713)</b>	<b>(428 663)</b>	
Adjustments:				
a) depreciation of fixed assets	441 330	663 534	516 444	2
b) depreciation of intangibles	10 549	13 315	9 853	2
c) loss (gain) on sale of fixed assets	-	(3 695)	2 620	18,19
d) provisions	-	38 644	-	
e) ERAF income recognized in profit or loss	(23 775)	(47 551)	-	18
f) net loss on acquisition of a subsidiary shares	-	635	-	
g) interest income	-	-	(425)	20
h) (gain) / loss from investments in associates	(967)	8 856	-	19
<b>2. Changes in operating current assets and liabilities</b>	<b>325 129</b>	<b>339 025</b>	<b>99 829</b>	
Corrections:				
a) receivables	(47 815)	(59 931)	(67 108)	
b) inventory	(28 588)	12 803	18 122	
c) current liabilities	(114 383)	(27 415)	(85 486)	
<b>3. Gross operating cash flow</b>	<b>134 343</b>	<b>264 482</b>	<b>(34 643)</b>	
4. Paid corporate income tax	;	-	-	12
<b>5. Net cash used in operating activities</b>	<b>134 343</b>	<b>264 482</b>	<b>(34 643)</b>	
<b>II Cash flow used in investment activities</b>				
1. Net cash outflow on acquisition of a subsidiary	(1 757)	(2 500)	-	
2. Purchase of fixed assets	(124 082)	(167 532)	(152 276)	2
3. Income from sale of fixed assets	-	6 355	-	
4. Received dividends from the associate	967	-	-	
5. Received interest	2 489	-	425	20
<b>6. Net cash from investment activities</b>	<b>(122 383)</b>	<b>(163 677)</b>	<b>(151 850)</b>	
<b>III Cash flows used in financing activities</b>				
-	-	-	-	
<b>7. Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>IV Net increase (decrease) in cash</b>	<b>11 960</b>	<b>100 805</b>	<b>(186 494)</b>	
<b>V Cash at the beginning of the period</b>	<b>1 132 437</b>	<b>1 031 632</b>	<b>1 031 632</b>	
<b>VI Cash at the end of the period</b>	<b>1 516 127</b>	<b>1 132 437</b>	<b>845 137</b>	

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

---

**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 EUR.

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>September 30, 2014</b>	<b>December 31, 2013</b>
EUR	0.702804	0.702804

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.

**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.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

---

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.

#### **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 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**

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

---

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 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.

**Reclassification**

Real estate tax was reclassified in Statement of profit or loss from Other operating expenses to Cost of goods sold.

LATVIJAS JURAS MEDICINAS CENTRS JSC  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013

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

As on 30 September 2014 and 31 December 2013

fixed assets are composed follows:

EUR	Intangible assets	Land and buildings	Technological equipment and machines	Other fixed assets and fixtures	Fixed assets add-ons	Advance payments for fixed assets	Unfinished buildings	Total
<b>Historical cost</b>								
<b>At 31 December 2012</b>	<b>64 610</b>	<b>4 685 210</b>	<b>3 792 707</b>	<b>501 438</b>	-	<b>4 727</b>	<b>156 571</b>	<b>9 205 263</b>
Additions	11 347	27 279	87 114	46 519	-	(4 727)	-	167 532
Transfers	-	-	-	-	-	-	-	-
Disposals	(3 917)	(1 851)	(196 925)	(42 811)	-	-	-	(245 504)
<b>At 31 December 2013</b>	<b>72 040</b>	<b>4 710 638</b>	<b>3 682 896</b>	<b>505 146</b>	-	-	<b>156 571</b>	<b>9 127 291</b>
Additions	2 050	-	76 372	3 445	-	42 215	-	124 082
Transfers	(3 334)	-	(157 815)	(42 263)	-	-	-	(203 412)
<b>At 30 September 2014</b>	<b>70 756</b>	<b>4 710 638</b>	<b>3 601 453</b>	<b>466 328</b>	-	<b>42 215</b>	<b>156 571</b>	<b>9 047 961</b>
<b>Accumulated depreciation</b>								
<b>At 31 December 2012</b>	42 935	2 183 514	2 679 758	447 549	-	-	-	5 353 756
Charge for the year	13 315	97 494	370 311	32 535	-	-	-	513 655
Charge for the period for revaluated fixed assets	-	163 193	-	-	-	-	-	163 193
Disposals	(3 917)	(1 851)	(196 884)	(40 193)	-	-	-	(242 845)
<b>At 31 December 2013</b>	<b>52 333</b>	<b>2 442 350</b>	<b>2 853 185</b>	<b>439 891</b>	-	-	-	<b>5 787 759</b>
Charge for the year	10 549	66 318	231 001	21 617	-	-	-	329 485
Charge for the period for revaluated fixed assets	-	122 394	-	-	-	-	-	122 394
Disposals or change in classification	(3 334)	-	(157 818)	(42 266)	-	-	-	(203 418)
<b>At 30 September 2014</b>	<b>59 548</b>	<b>2 631 062</b>	<b>2 926 368</b>	<b>419 242</b>	-	-	-	<b>6 036 220</b>
<b>Net book value</b>								
<b>At 31 December 2012</b>	<b>21 675</b>	<b>2 501 696</b>	<b>1 112 949</b>	<b>53 889</b>	-	<b>4 727</b>	<b>156 571</b>	<b>3 851 507</b>
<b>At 31 December 2013</b>	<b>19 707</b>	<b>2 268 288</b>	<b>829 711</b>	<b>65 255</b>	-	-	<b>156 571</b>	<b>3 339 532</b>
<b>At 30 September 2014</b>	<b>11 208</b>	<b>2 079 576</b>	<b>675 085</b>	<b>47 086</b>	-	<b>42 215</b>	<b>156 571</b>	<b>3 011 741</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

**3. INVESTMENT IN ASSOCIATES**

	<b>2014</b>		<b>2013</b>	
	<b>EUR</b>		<b>EUR</b>	
	Kapitāla daļa (%)	Ieguldījumu summa	Kapitāla daļa (%)	Ieguldījumu u summa
<b>Participating interests in associated enterprises</b>				
Participation in "Neirozu klinika" Ltd.	45.32	186 369	45.32	183 676
<b>Total participating interests in associated enterprises</b>		<b>186 369</b>		<b>183 676</b>

**4. RAW MATERIALS**

	<b>2014</b>		<b>2013</b>
	<b>EUR</b>		<b>EUR</b>
Pharmaceutical	113 123		84 579
Advance payments to supplier of goods	299		185
Other materials	39		110
<b>Total</b>	<b>113 461</b>		<b>84 874</b>

**5. TRADE RECEIVABLES**

	<b>2014</b>		<b>2013</b>
	<b>EUR</b>		<b>EUR</b>
Riga's health department	121 689		70 691
P.Stradiņa klīniskā universitātes slimnīca	33 145		24 996
Insurance BTA SE	7 256		10 444
Gjensidege Baltic	4 962		10 195
Compensa Life Vienna Insurance group	4 011		5 488
Ergo Latvija AAS	10 177		4 485
IF Latvija AAS	5 104		4 441
SEESAM Latvija	3 087		3 849
Balta AAS	2 645		2 331
Latvian railway JSC	1 722		1 722
University of Latvia	1 112		1 043
Olla M SIA	1 655		885
Ministry of Interior – health and social department	737		868
Balva AAS	30		795
Baltijas apdrošināšanas nams	2 021		660
Biogen Idec Ltd.	-		178
Other customers	32 215		29 123
Bad debt provisions	(9 620)		(7 960)
<b>Total</b>	<b>221 948</b>		<b>164 234</b>

**6. OTHER RECEIVABLES**

	<b>2014</b>		<b>2013</b>
	<b>EUR</b>		<b>EUR</b>
Taxes overpaid (note No.12)	6		5 111
VAT for unpaid invoices	-		-
Other receivables	4 541		10 771
<b>Total</b>	<b>4 547</b>		<b>15 882</b>

**7. DEFERRED EXPENDITURE**

	<b>2014</b>		<b>2013</b>
	<b>EUR</b>		<b>EUR</b>
Assurance	5 118		3 681
<b>Total</b>	<b>5 118</b>		<b>3 681</b>

**8. CASH FUNDS**

	<b>2014</b>		<b>2013</b>
Cash in bank	1 497 035		1 128 052
Cash in hands	19 092		4 385
<b>Total</b>	<b>1 516 127</b>		<b>1 132 437</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

**9. SHARE CAPITAL**

	2014		2013	
	Akciju skaits	Kapitāla daļa %	Akciju skaits	Kapitāla daļa %
<b>Shareholders:</b>				
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
Ilze Aizsilniece	91 565	11.45%	91 565	11.45%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	69 317	8.66%	69 317	8.66%
Adomas Navickas	50 825	6.35%	50 825	6.35%
Other shareholders (shares less than 5%)	225 376	28.17%	225 376	28.17%
<b>Total</b>	<b>800 000</b>	<b>100.00%</b>	<b>800 000</b>	<b>100.00%</b>
<b>Share equity</b>	<b>1 120 000</b>		<b>1 138 297</b>	

**10. DEFFERED INCOME**

	2014	2013
	EUR	EUR
ERAF project reimbursement:		
Short-term part	23 776	47 551
Long-term part	506 753	501 577
<b>Total</b>	<b>530 529</b>	<b>549 128</b>

**11. ADVANCE PAYMENTS**

	2014	2013
	EUR	EUR
Riga's health department	-	4 169
Other advances	1 613	1 614
<b>Total</b>	<b>1 613</b>	<b>5 783</b>

**12. TRADE PAYABLES**

	2014	2013
	EUR	EUR
Medilink SIA	17 419	14 930
Latvenergo Rīgas elektrotīkls	-	10 397
Sistēmu Audits SIA	-	8 608
Latvijas Gāze	1 695	4 956
Zitari SIA	-	2 639
Rīgas Ūdens	1 485	1 104
Akadēmiskā histoloģijas laboratorija SIA	-	322
Tradintek SIA	1 857	-
Other suppliers	53 269	44 810
<b>Kopā</b>	<b>75 725</b>	<b>87 766</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

**13. TAXES AND SOCIAL SECURITY PAUMENTS**

	<i>As of</i> 31.12.2013	<i>Calculated</i>	<i>Paid</i>	<i>Returned</i>	<i>As of</i> 30.09.2014
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Value added tax	1 635	23 831	(24 031)	-	1 435
Social insurance	72 377	632 386	(632 051)	(5 105)	67 607
Personal income tax	39 001	351 258	(354 650)	-	35 609
Corporate income tax	(5 105)	-	-	5 105	-
Unemployment duty	114	1 060	(1 060)	-	114
Natural resources tax	858	2 602	(2 602)	-	858
Corporate transport tax	-	-	-	-	-
Real estate tax	(6)	7 945	(7 945)	-	(6)
<b>Total, including</b>	<b>108 874</b>	<b>1 019 082</b>	<b>(1 022 339)</b>	<b>-</b>	<b>105 617</b>
due to the budget	113 985				105 623
overpayment	(5 111)				(6)

**14. OTHER PAYABLES**

	<b>2014</b> <b>EUR</b>	<b>2013</b> <b>EUR</b>
Salaries	126 539	136 098
Trade union	670	761
Deposited salary	512	659
<b>Total</b>	<b>127 721</b>	<b>137 518</b>

**15. NET SALE**

	<b>2014</b> <b>EUR</b>	<b>2013</b> <b>EUR</b>
Medical ambulant services	2 745 926	3 294 993
Medical hospital services	683 536	909 783
Insurance payments	280 245	321 414
VS ZDC ambulant services	195 425	278 847
Inpatient Care	95 599	153 771
Stomatology services	6 254	52 833
Family doctors	-	31 868
Residents training	10 009	20 859
Services - minimum fixed part	8 211	13 144
Other income	527	3 961
<b>Total</b>	<b>4 025 732</b>	<b>5 081 473</b>

**16. COST OF GOODS SOLD**

	<b>2014</b> <b>EUR</b>	<b>2013</b> <b>EUR</b>
Salaries and wages	1 654 970	2 232 465
Fixed assets depreciation	451 872	676 843
Medical goods	487 803	636 675
Social tax	380 026	524 391
Public utilities	155 701	249 382
VAT - expenses	167 231	245 431
Repair expenses	102 336	153 499
Fixed assets depreciation	44 736	61 077
Security expenses	16 241	40 014
Medical researches	30 325	38 583
Provisions for vacations	-	38 536
Feeding expenses	20 740	31 639
Computer maintenance, repair	15 639	27 908
Household goods	26 293	26 007
Real estate tax	-	18 048

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

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

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Advertising	18 125	6 511
Office expenses	10 409	11 315
Utilities	2 810	7 114
Insurance expenses	4 376	5 949
Transport expense	9 335	9 182
ERP system maintenance	9 816	6 229
Employees trainings	3 262	2 942
Allowances to employees	934	1 281
Unemployment duty	1 060	1 481
Gifts to employees	199	710
Accruals for doubtful debts	1 661	4 010
Rent of equipment	7 117	569
Received discounts	-	(8 580)
Other operating expenses	15 350	72 718
<b>Total</b>	<b><u>3 638 367</u></b>	<b><u>5 121 929</u></b>

	<b>2014</b>	<b>2013</b>
Average number of employees	360	355

**17. ADMINISTRATIVE EXPENSES**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and wages	173 252	247 957
Social tax	40 275	58 392
Board remuneration	29 591	36 716
Board chairperson remuneration	26 777	30 977
Council members remuneration	14 343	19 123
Communication expenses	7 366	11 807
Council chairperson remuneration	6 147	8 196
Board members social tax	6 480	7 610
Chairperson of the Board social tax	6 317	7 463
Audit expenses	1 130	7 114
Office expenses	5 816	6 759
Bank expenses	6 317	6 010
Council members social tax	3 014	4 118
Legal services	398	2 001
Chairperson of the Council social tax	1 481	1 975
Presentation expenses	976	1 615
Other administrative expenses	2 115	2 834
<b>Total</b>	<b><u>331 795</u></b>	<b><u>460 667</u></b>

**18. OTHER OPERATING INCOME**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Rent income	78 001	95 823
ERAF income: fixed assets depreciation	23 775	47 551
Hotel services – food	10 254	15 360
Utilities for tenants	5 960	6 076
Net gain from sale of fixed assets	-	3 695
Laundry income	1 268	1 005
Solarium income	2 195	512
Other income	15 498	7 423
<b>Total</b>	<b><u>136 951</u></b>	<b><u>177 445</u></b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**

**19. OTHER OPERATING EXPENSES**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Penalties	-	232
Loss from fixed assets disposals	-	-
Other expenses	7 857	1 948
<b>Total</b>	<b>7 857</b>	<b>2 180</b>

**20. INCOME FROM INVESTMENT IN ASSOCIATE**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Neurology clinic Ltd.	967	-8 856
<b>Total</b>	<b>967</b>	<b>-8 856</b>

**21. INTEREST INCOME AND SIMILAR INCOME**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Interest income	2 489	-
<b>Total</b>	<b>2 489</b>	<b>-</b>

**22. CORPORATE INCOME TAX**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Calculated Corporate income tax	-	-
Deferred Corporate income tax	-	15 390
<b>Total</b>	<b>-</b>	<b>15 390</b>

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

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
Profit (loss) before tax	188 120	(334 713)
Loss from subsidiary	-	14 994
Income from the evaluation of the associate company	-	(8 856)
<b>Theoretically calculated corporate income tax, rate 15%</b>	<b>28 218</b>	<b>(49 286)</b>
Permanent differences	-	11 827
<b>Calculated corporate income tax</b>	<b>28 218</b>	<b>-</b>
<b>Deferred tax</b>		
Temporary difference between financial statement	(686 233)	(686 233)
Temporary difference of fixed assets revaluation	(40 794)	(163 185)
Accruals for vacations	107 711	107 896
<b>Total temporary differences</b>	<b>(619 316)</b>	<b>(741 522)</b>
Tax rate applied	15%	15%
<b>Deferred tax liabilities</b>	<b>(92 897)</b>	<b>(111 229)</b>
<b>Recognized deferred tax liabilities</b>	<b>92 897</b>	<b>111 229</b>