



**LATVIJAS JURAS MEDICINAS CENTRS JSC**

**CONSOLIDATED INTERIM REPORT FOR THE 9 MONTHS OF 2012**

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

**(Translation of the Latvian original)**

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

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

**LEGAL STATUS:** Joint stock company

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

Registration Number: 40003306807

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

**SHARES** 800 000 public registered shares with face value  
1,00 LVL

ISIN code:LV0000100741

**MAJOR SHAREHOLDERS:** Ilze Birka 17.5%  
Martins Birks 17.5%  
Ilze Aizsilniece 11.4%  
Guna Shvarcberga 10.4%  
Janis Birks 8.5%

**REPORTING PERIOD:** December 31, 2011 - September 30, 2012

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

**Council of the Group**

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

<b>Position</b>	<b>Name</b>	<b>Number of shares owned at 30.09.12</b>
Chairman of the Council	Martins Birks	140 000
Member of the Council	Viesturs Shilinsh	3 038
Member of the Council	Ineta Gadzjus	-
Member of the Council	Jevgenijs Kalejs	5 283
Member of the Council	Uldis Osis	-

**Board of the Group**

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

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

# LATVIJAS JURAS MEDICINAS CENTRS JSC

## MANAGEMENT REPORT

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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 226344 LVL

The loss before taxes of JM was 5769 LVL

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

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

A contract is signed with the National Health Service on state-paid medical services at last year's level. The "Doctor's Office" information system and patient's queue control system were implemented in the Northern diagnostic center. The rehabilitation service for the neurological patients has started. The transition to an optical Internet in all company's areas is finished.

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

In Surgery clinic at Patversmes Street 23 are created 4 luxury class wards. Redecoration of several rooms in North diagnostic center was done.

Investments made in buildings and hardware were resulting in increase of depreciation amount in the third quarter by 10,000 LVL per month compared to the same period in the 2011th year. In the third quarter for the outpatient care was purchased inventories for more than 30000 LVL. Communication and building repairs were made for 119000 LVL (throughout 2011. only 65000 LVL). Large amount of purchase and VAT increase from the June 2011 resulted in increase of non-deductible VAT amount. In 9 months of 2012th. It is about 55000 LVL higher compared to 9 months 2011th year. Given that the return of the new Corps is expected only in the fourth quarter, all of these extra costs significantly increased the 9-month loss.

The first quarters EBITDA is LVL 95105.

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

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

**MANAGEMENT REPORT**

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**Important Events after the Balance Sheet Date**

By early September, will be completed landscaping at Patversmes Street 23 developing friendly and enjoyable environment for patients. For patient's convenience also is created a new parking for 36 cars. In landscaping during the reporting period are invested LVL 68,000, but the landscaping total costs are estimated. LVL124,000.

The share price at the 27.11.12 was LVL 1,90.

**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 November, 2012.

**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 September 2012 in all essential aspects. In preparing those financial statements, management:

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

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

Chairman of the Board

Janis Birks

Member of the Board

Marta Aizsilniece

Member of the Board

Andris Vigants

Riga, 28 November, 2012.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

	September 30, 2012	December 31, 2011	Notes	September 30, 2011
<b>ASSETS</b>	<b>LVL</b>	<b>LVL</b>		<b>LVL</b>
<b>Long-term investments:</b>				
<b>Intangible assets:</b>				
Other intangible (fixed) assets	13 444	732	2	1 207
<b>Total intangible assets</b>	<b>13 444</b>	<b>732</b>		<b>1 207</b>
<b>Fixed assets</b>				
Land and buildings	1 754 922	1 240 610		1 212 574
Technological equipment and machines	821 485	888 235		890 322
Other fixed assets and fixtures	35 921	39 185		41 271
Fixed assets add-ons (EU funds)	110 039	110 039		118 353
Unfinished construction	-	411 569		175 842
Advance payments for fixed assets	45 745	6 033		-
<b>Total fixed assets</b>	<b>2 768 112</b>	<b>2 695 671</b>	2	<b>2 438 362</b>
<b>Long-term financial assets</b>				
Investment in associates	142 927	142 927	3	135 176
<b>Total financial assets:</b>	<b>142 927</b>	<b>142 927</b>		<b>135 176</b>
<b>Total long-term investments:</b>	<b>2 924 483</b>	<b>2 839 330</b>		<b>2 574 745</b>
<b>Current assets:</b>				
<b>Inventories</b>				
Raw materials	58 055	67 136	4	68 303
<b>Total Inventories</b>	<b>58 055</b>	<b>67 136</b>		<b>68 303</b>
<b>Debtors:</b>				
Trade receivables	196 269	142 875	5	130 625
Other receivables	24 873	31 436	6	54 068
Deferred expenditure	3 197	2 499	7	3 238
<b>Total debtors</b>	<b>224 339</b>	<b>176 810</b>		<b>187 931</b>
<b>Cash funds</b>	<b>477 392</b>	<b>854 520</b>	8	<b>886 931</b>
<b>Total current assets</b>	<b>759 786</b>	<b>1 098 466</b>		<b>1 143 165</b>
<b>TOTAL ASSETS</b>	<b>3 684 269</b>	<b>3 937 796</b>		<b>3 717 910</b>



**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

	September 30, 2012 LVL	September 30, 2012 LVL	Notes	September 30, 2011 LVL
<b>LIABILITIES</b>				
<b>Equity capital:</b>				
Share capital	800 000	800 000	<b>9</b>	800 000
Reserves:				
c) reserves provided by the Articles of Association	31 993	31 993		31 993
d) fixed asset's revaluation reserve	677 529	750 642	<b>23</b>	775 013
<b>Retained earnings:</b>				
a) brought forward from previous years	1 439 921	1 435 966		1 407 294
b) current year comprehensive income (loss)	(232 073)	(82 058)		(137 132)
<b>Total shareholders' equity</b>	<b>2 717 370</b>	<b>2 936 543</b>		<b>2 877 168</b>
<b>Non-controlling interest</b>	1 317	1 357		1 364
<b>Total equity capital</b>	<b>2 718 687</b>	<b>2 937 900</b>		<b>2 878 532</b>
<b>Provisions for liabilities and charges:</b>				
Provisions for vacations	84 190	84 190		91 544
Deferred tax provisions	98 413	111 315	<b>22</b>	-
<b>Total provisions</b>	<b>182 603</b>	<b>195 505</b>		<b>91 544</b>
<b>Ilgtermiņa kreditori:</b>				
Deferred income	435 981	261 998	<b>10</b>	-
<b>Total non-current liabilities</b>	<b>435 981</b>	<b>261 998</b>		-
<b>Current liabilities:</b>				
Advance payments	7 803	134 581	<b>11</b>	186 248
Trade Payables	175 337	244 782	<b>12</b>	313 133
Taxes and social security payments	76 000	75 288	<b>13</b>	53 819
Other payables	87 858	87 742	<b>14</b>	96 462
<b>Total current liabilities</b>	<b>346 998</b>	<b>542 393</b>		<b>98 172</b>
<b>Total liabilities</b>	<b>782 979</b>	<b>804 391</b>		<b>747 834</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>3 684 269</b>	<b>3 937 796</b>		<b>3 717 910</b>
	-	-		-
<b>CR</b>	2,19	2,03		1,53
<b>DR</b>	0,09	0,14		0,23

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

	2012, 9 month period LVL	2011, 12 month period LVL	Notes	2011, 9 month period LVL
Net sales	2 606 954	3 520 316	<b>15</b>	2 562 647
Cost of goods sold	(2 669 216)	(3 399 809)	<b>16</b>	(2 553 959)
<b>Gross profit or loss</b>	<b>(62 262)</b>	<b>120 507</b>		<b>8 688</b>
Administrative expenses	(249 814)	(278 542)	<b>17</b>	(219 883)
Other operating income	76 200	87 362	<b>18</b>	73 304
Other operating expenses	(4 008)	(1 723)	<b>19</b>	(1 294)
Income from investment in associate	-	7 746	<b>20</b>	-
Interest income and similar income	7 771	-	<b>21</b>	2 029
<b>Profit (loss) before taxes</b>	<b>(232 113)</b>	<b>(64 650)</b>		<b>(137 156)</b>
Corporate income tax	-	(17 444)	<b>22</b>	-
<b>NET PROFIT OR LOSS</b>	<b>(232 113)</b>	<b>(82 094)</b>		<b>(137 156)</b>
<b>Other comprehensive income</b>				
Peļņa no asociētā uzņēmuma daļu iegādes	-	5		-
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>5</b>		<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(232 113)</b>	<b>(82 089)</b>		<b>(137 156)</b>
Profit attributable to				
Owners of LJMC	(232 073)	(82 058)		(137 132)
Non-controlling interest	(40)	(31)		(24)
	<b>(232 113)</b>	<b>(82 089)</b>		<b>(137 156)</b>
Total comprehensive income attributable to				
Owners of LJMC	-	-		-
Non-controlling interest	-	-		-
	<b>-</b>	<b>-</b>		<b>-</b>
<b>EBITDA</b>	<b>124 937</b>	<b>318 219</b>		<b>149 229</b>
<b>Number of shares</b>	<b>800 000</b>	<b>800 000</b>		<b>800 000</b>
<b>Earnings per Share (EPS)</b>	<b>(0,29)</b>	<b>(0,10)</b>		<b>(0,17)</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

	Share capital	Reserves provided by the Articles of Associatio n	Properties revaluation reserve	Previous years retained earnings	Current year profit	Non- controlli ng interest	Total
<b>At 31 December 2010</b>	<b>800 000</b>	<b>31 993</b>	<b>848 124</b>	<b>1 427 086</b>	<b>(105 805)</b>	<b>1 388</b>	<b>3 002 786</b>
Previous years retained earnings	-	-	-	(105 805)	105 805	-	-
Depriciation of revaluation surplus	-	-	(114 685)	114 685	-	-	-
Deffered tax on revaluation surplus	-	-	17 203	-	-	-	17 203
Profit on purchase of shares from associates	-	-	-	-	5	-	5
Total comprehensive income for the year	-	-	-	-	(82 063)	(31)	(82 094)
<b>At 31 December 2011</b>	<b>800 000</b>	<b>31 993</b>	<b>750 642</b>	<b>1 435 966</b>	<b>(82 058)</b>	<b>1 357</b>	<b>2 937 900</b>
Previous years retained earnings	-	-	-	(82 058)	82 058	-	-
Depriciation of revaluation surplus	-	-	(86 013)	86 013	-	-	-
Deffered tax on revaluation surplus	-	-	12 900	-	-	-	12 900
Profit on purchase of shares from associates	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(232 073)	(40)	(232 113)
<b>At 30 September 2012</b>	<b>800 000</b>	<b>31 993</b>	<b>677 529</b>	<b>1 439 921</b>	<b>(232 073)</b>	<b>1 317</b>	<b>2 718 687</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

	2012, 9 month period LVL	2011, 12 month period LVL	NOTE S	2011, 9 month period LVL
<b>Cash flows from operating activities</b>				
<b>Net income before tax</b>	(232 113)	(64 650)		<b>(137 156)</b>
Adjustments:				
a) depreciation of fixed assets	354 139	396 798	2	283 348
b) depreciation of intangibles	2 912	3 509	2	3 034
c) provisions	-	(7 354)		-
d) loss (gain) on sale of fixed assets	-	(1 980)		-
e) interest income	7 771	-	20	(5 189)
f) gain (loss) from investments in associates	-	7 746	19	-
<b>2. Changes in operating current assets and liabilities</b>	<b>132 709</b>	<b>334 069</b>		<b>144 037</b>
Corrections				
a) receivables	(53 394)	(33 739)		24 336
b) inventory	9 081	(9 336)		(10 503)
c) current liabilities	(27 090)	456 610		256 376
<b>3. Gross operating cash flow</b>	<b>61 306</b>	<b>747 604</b>		<b>414 246</b>
4. Paid interest	-	-		-
4. Paid corporate income tax	(3 570)	(11 936)	12	(11 936)
<b>5. Net cash used in operating activities</b>	<b>57 736</b>	<b>735 668</b>		<b>402 310</b>
<b>II. Cash flow used in investment activities</b>				
1. Purchase of shares of associates	-	(96)		-
2. Purchase of fixed assets	(442 635)	(1 131 858)	2	(761 062)
3. Income from sale of fixed assets	-	7 371		219
4. Received interest	7 771	-	20	2 029
<b>5. Net cash from investment activities</b>	<b>(434 864)</b>	<b>(1 124 583)</b>		<b>(758 814)</b>
<b>IV. Net increase (decrease) in cash</b>	<b>(377 128)</b>	<b>(388 915)</b>		<b>(356 504)</b>
<b>V. Cash at the beginning of the period</b>	<b>854 520</b>	<b>1 243 435</b>		<b>1 243 435</b>
<b>VI. Cash at the end of the period</b>	<b>477 392</b>	<b>854 520</b>		<b>886 931</b>

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

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**GENERAL INFORMATION**

“Latvijas Juras Medicinas Centrs” is a joint-stock company (the Company) incorporated in the Republic of Latvia on 27 August 1996. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary “Juras medicina” Ltd. (the Group).

The Group's main activity is health care services.

**1. ACCOUNTING PRINCIPLES**

**Basis of consolidation**

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

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

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

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

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

**Foreign currency**

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

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

	<b>September 30, 2012</b>	<b>December 31, 2011</b>
EUR	0.702804	0.702804
USD	0,546	0,562

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

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

**Cash and cash equivalents**

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

**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.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

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**Fixed assets**

Fixed assets excluding real estate are stated at historical cost, less accumulated depreciation. The cost of the item comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to working condition for intended use. The cost of self-constructed asset is determined using the same principles as for an acquired asset. Only assets with its useful life more than one year are capitalized. Depreciation is calculated based on the historical cost.

Separate accounts are used for assets acquired by EU funding.

Repair and maintenance costs are expensed when incurred. Capital expenditures such as refurbishment of buildings and improvements to structural elements are recognized as an asset if the expenditures improve the condition of the asset beyond its original estimated life.

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

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

Depreciation is provided on all fixed assets based on historical cost. Depreciation on fixed assets are computed using the straight-line method over the estimated average useful lives:

Buildings:	20 years
Revaluated part of the buildings	15 years
Machinery and equipment:	3 years
Other fixed assets:	5 years

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

**Investments in associates**

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

**Revenue recognition**

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

**Dividends**

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

**Property revaluation surplus**

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

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

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**Taxation**

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in opinion of management, it is more likely than not that some proportion or all deferred tax assets will not be realized.

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

**Risk Management**

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

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

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

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

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

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

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

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

As on 30 September 2012 and 31 December 2011  
 fixed assets are composed as follows:

LVL	Intangible assets	Land & buildings	Machinery and equipment	Other fixed assets	Fixed assets add-ons (EU fonds)	Unfinished building objects	Advance payments for fixed assets	Total
<b>Historical cost</b>								
<b>At 31 December 2010</b>	<b>26 072</b>	<b>2 540 655</b>	<b>1 880 064</b>	<b>353 202</b>	<b>2 689</b>	<b>1 397</b>	<b>175 842</b>	<b>4 979 921</b>
Additions	795	-	707 072	10 475	407 483	6 033	-	1 131 858
Transfers	-	-	-	-	1 397	(1 397)	-	-
Disposals	(490)	65 803	(63 829)	(26 288)	-	-	(65 803)	(90 607)
<b>At 31 December 2011</b>	<b>26 377</b>	<b>2 606 458</b>	<b>2 523 307</b>	<b>337 389</b>	<b>411 569</b>	<b>6 033</b>	<b>110 039</b>	<b>6 021 172</b>
Additions	15 624	-	142 503	19 084	225 712	39 712	-	442 635
Transfers	-	637 281	-	-	(637 281)	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals or change in	-	-	(30 566)	(12 820)	-	-	-	(43 386)
<b>At 30 September 2012</b>	<b>42 001</b>	<b>3 243 739</b>	<b>2 635 244</b>	<b>343 653</b>	<b>-</b>	<b>45 745</b>	<b>110 039</b>	<b>6 420 421</b>
<b>Accumulated depreciation</b>								
<b>At 31 December 2010</b>	<b>22 626</b>	<b>1 214 785</b>	<b>1 479 605</b>	<b>292 662</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 009 678</b>
Charge for the year	3 509	36 378	214 700	31 035	-	-	-	285 622
Charge for the period for revaluated fixed assets	-	114 685	-	-	-	-	-	114 685
Disposals	(490)	-	(59 233)	(25 493)	-	-	-	(85 216)
<b>At 31 December 2011</b>	<b>25 645</b>	<b>1 365 848</b>	<b>1 635 072</b>	<b>298 204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 324 769</b>
Charge for the year	2 912	36 953	209 253	21 917	-	-	-	271 035
Charge for the period for revaluated fixed assets	-	86 016	-	-	-	-	-	86 016
Disposals or change in classification	-	-	(30 566)	(12 389)	-	-	-	(42 955)
<b>At 30 September 2012</b>	<b>28 557</b>	<b>1 488 817</b>	<b>1 813 759</b>	<b>307 732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 638 865</b>
<b>Net book value</b>								
<b>At 31 December 2010</b>	<b>3 446</b>	<b>1 325 870</b>	<b>400 459</b>	<b>60 540</b>	<b>2 689</b>	<b>1 397</b>	<b>175 842</b>	<b>1 970 243</b>
<b>At 31 December 2011</b>	<b>732</b>	<b>1 240 610</b>	<b>888 235</b>	<b>39 185</b>	<b>411 569</b>	<b>6 033</b>	<b>110 039</b>	<b>2 696 403</b>
<b>At 30 September 2012</b>	<b>13 444</b>	<b>1 754 922</b>	<b>821 485</b>	<b>35 921</b>	<b>-</b>	<b>45 745</b>	<b>110 039</b>	<b>2 781 556</b>



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**3. INVESTMENT IN ASSOCIATES**

	Capital share (%)	Amount of investment	Capital share (%)	Amount of investment
	2012		2011	
	LVL		LVL	

**Participating interests in associated enterprises**

Participation in "Neirozu klinika" Ltd.	45,32	<u>142 927</u>	45,30	<u>142 927</u>
<b>Total participating interests in associated enterprises</b>		<u><u>142 927</u></u>		<u><u>142 927</u></u>

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

**4. RAW MATERIALS**

	2012 LVL	2011 LVL
Pharmaceutical	57 378	66 400
Food products	-	453
Advance payments to supplier of goods	597	55
Inventory in warehouse	-	-
Inventory[re-usable]	-	-
Other materials	80	228
<b>Total</b>	<u><u>58 055</u></u>	<u><u>67 136</u></u>

**5. TRADE RECEIVABLES**

	2012 LVL	2011 LVL
Riga's health department	102 510	55 241
P.Stradiņa klīniskā universitātes slimnīca	48 945	49 425
Other customers	13 416	15 611
Insurance BTA SE	10 943	6 687
Ergo Latvija AAS	1 201	4 398
Gjensidege Baltic	4 572	3 583
IF Latvija AAS	1 399	3 065
Latvian University	1 466	2 199
SEESAM Latvija	2 468	1 434
Latvian railway JSC	1 210	1 220
Olla M Ltd.	1 275	1 191
Balva AAS	3 060	1 188
Baltijas apdrošināšanas nams	2 684	1 030
Biogen Idec Ltd.	223	842
Balta AAS	448	256
Compensa Life Vienna Insurance group	2 515	140
Ministry of Interior – health and social department	710	45
Narkologijas centrs	-	-
Bad debt provisions	(2 776)	(4 680)
<b>Total</b>	<u><u>196 269</u></u>	<u><u>142 875</u></u>

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**6. OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Taxes overpaid (note No.12)	4 287	14 801
VAT for unpaid invoices	2	1 100
Other receivables	20 584	15 535
<b>Total</b>	<b><u>24 873</u></b>	<b><u>31 436</u></b>

**7. DEFFERED EXPENDITURE**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Assurance	3 197	2 499
<b>Total</b>	<b><u>3 197</u></b>	<b><u>2 499</u></b>

**8. CASH FUNDS**

	<b>2012</b>	<b>2011</b>
Cash in banks	470 645	851 172
Cash on hands	6 747	3 348
<b>Total</b>	<b><u>477 392</u></b>	<b><u>854 520</u></b>

**9. SHARE CAPITAL**

	<b>2012</b>		<b>2011</b>	
	Number of shares	Share %	Number of shares	Share %
<b>Shareholders:</b>	67 983	8,50%	65 083	8,14%
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%
Other shareholders (shares less than 5%)	277 535	34,69%	280 435	35,05%
<b>Total</b>	<b><u>800 000</u></b>	<b><u>100,00%</u></b>	<b><u>800 000</u></b>	<b><u>100,00%</u></b>
<b>Share equity</b>	<b>800 000</b>		<b>800 000</b>	

**10. DEFERRED INCOME**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
ERAF projektu izdevumu atlīdzināšana	435 981	261 998
<b>Total</b>	<b><u>435 981</u></b>	<b><u>261 998</u></b>

**11. ADVANCE PAYMENTS**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
VEK advance payment for 2010	6 689	133 467
Other advances	1 114	1 114
<b>Total</b>	<b><u>7 803</u></b>	<b><u>134 581</u></b>

**12. TRADE PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Tradintek	112 418	121 536
Būvprojektu vadība	-	89 609
Latvijas Gaze	-	10 565
Latvenergo Rīgas elektrotikls	-	7 152
Sistēmu Audits SIA	-	4 270
Rīgas Ūdens	404	785
Academic histologic laboratory	201	302
Amerilat MD	-	-
Lattelekom	-	-
Other suppliers	62 314	10 563
<b>Total</b>	<b><u>175 337</u></b>	<b><u>244 782</u></b>

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**13. TAXES AND SOCIAL SECURITY PAYMENTS**

	As of 31-12-11	Calculated	Paid	Returned	As of 30-9-12
	LVL	LVL	LVL	LVL	LVL
Value added tax	1 703	16 990	(17 979)	-	714
Social insurance	46 748	461 970	(447 653)	(12 057)	49 008
Personal income tax	26 353	255 394	(255 345)	(200)	26 202
Corporate income tax	(14 735)	-	(3 570)	14 717	(3 588)
Unemployment duty	76	776	(776)	-	76
Natural resources tax	408	428	(1 531)	-	(695)
Real estate tax	(66)	3 256	(3 194)	-	(4)
<b>Total, including</b>	<b>60 487</b>	<b>738 814</b>	<b>(730 048)</b>	<b>2 460</b>	<b>71 713</b>
due to the budget	75 288				76 000
overpayment	(14 801)				(4 287)

**14. OTHER PAYABLES**

	2012	2011
	LVL	LVL
Salaries	86 961	86 807
Trade union	557	595
Deposited salary	340	340
<b>Total</b>	<b>87 858</b>	<b>87 742</b>

**15. NET SALES**

	2012	2011
	LVL	LVL
Medical ambulant services	1 575 947	2 209 017
Medical hospital services	646 817	814 004
Insurance payments	160 282	189 418
VS ZDC ambulant services	140 628	164 009
Services - minimum fixed part	6 930	9 238
Residents training	21 683	31 758
Stomatology services	31 605	45 123
Family doctors	21 076	26 983
Other income	1 986	30 766
<b>Total</b>	<b>2 606 954</b>	<b>3 520 316</b>

**16. COST OF GOODS SOLD**

	2012	2011
	LVL	LVL
Salaries and wages	1 132 417	1 569 399
Fixed assets depreciation	357 050	400 308
Medical goods	351 463	428 161
Social tax	265 898	368 457
VAT - expenses	153 808	159 117
Public utilities	104 000	131 470
Repair expenses	119 575	65 350
Rent of equipment	-	34 075
Household goods	13 413	16 431
Security expenses	17 875	28 180
Current assets write-off	29 963	22 178

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

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Computer maintenance, repair	14 346	14 962
Medical researches	13 115	15 564
Advertising	6 007	12 124
Office expenses	5 214	9 491
Utilities	9 015	15 850
Feeding expenses	17 331	18 316
Insurance expenses	2 537	3 258
Transport expense	4 857	5 389
Employees trainings	5 103	4 629
Allowances to employees	900	1 200
Unemployment duty	776	1 072
Gifts to employees	456	1 018
Accruals for vacations	(1 904 )	4 679
Received discounts	(7 318 )	(7 974 )
Other operating expenses	53 319	77 105
<b>Total</b>	<b><u>2 669 216</u></b>	<b><u>3 399 809</u></b>

**17. ADMINISTRATIVE EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Salaries and wages	138 616	139 610
Social tax	32 301	32 600
Board remuneration	17 245	24 070
Board chairperson remuneration	15 783	21 444
Communication expenses	9 298	10 363
Council members remuneration	10 080	13 440
Office expenses	4 362	3 962
Presentation expenses	676	1 945
Council chairperson remuneration	4 320	5 760
Audit expenses	1 500	5 000
Board members social tax	3 603	4 959
Chairperson of the Board social tax	3 802	5 165
Bank expenses	3 167	3 531
Council members social tax	2 180	3 105
Other administrative expenses	1 840	2 200
Chairperson of the Council social tax	1 041	1 388
Legal services	-	-
<b>Total</b>	<b><u>249 814</u></b>	<b><u>278 542</u></b>

**18. OTHER OPERATING INCOME**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Rent income	37 914	57 417
Hotel services – food	8 499	13 046
Utilities for tenants	8 689	2 602
Feeding income	-	233
Laundry income	648	1 186
Solarium income	322	636
Other income	20 128	12 242
<b>Total</b>	<b><u>76 200</u></b>	<b><u>87 362</u></b>

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**19. OTHER OPERATING EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Real estate tax	482	452
Penalties	358	85
Loss from fixed assets disposals	431	-
Currency exchange loss	-	-
Other expenses	2 737	1 186
<b>Total</b>	<b>4 008</b>	<b>1 723</b>

**20. INCOME FROM INVESTMENT IN ASSOCIATE**

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

**21. INTEREST INCOME AND SIMILAR INCOME**

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Interest income	7 771	-
<b>Total</b>	<b>7 771</b>	<b>-</b>

**22. CORPORATE INCOME TAX**

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

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

	<b>2012</b>	<b>2011</b>
	<b>LVL</b>	<b>LVL</b>
Profit (loss) before tax	(19 779 )	(64 650 )
Loss from subsidiary	1 508	4 463
Evaluation of the associate company	-	7 746
<b>Theoretically calculated corporate income tax, rate</b>	<b>(2 741 )</b>	<b>(7 866 )</b>
Permanent differences	-	1 023
<b>Calculated corporate income tax</b>	<b>-</b>	<b>-</b>

**Deffered tax**

Temporary difference between financial statement	(332 261 )	(332 261 )
Temporary difference of fixed assets revaluation	(408 017 )	(494 030 )
Accruals for vacations	84 190	84 190
<b>Total temporary differences</b>	<b>(656 088 )</b>	<b>(742 101 )</b>
Tax rate applied	15%	15%
<b>Deferred tax liabilities</b>	<b>98 413</b>	<b>111 315</b>
<b>Recognized deferred tax liabilities</b>	<b>98 413</b>	<b>111 315</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>(17 203 )</u>	<u>(17 203 )</u>
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<b><u>111 315</u></b>	<b><u>111 315</u></b>

**23. PROPERTIES REVALUATION RESERVE**

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